Exhibit B

THIS IS NOT A SOLICITATION OF ACCEPTANCES OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT.

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
INTEGRATED HEALTH SERVICES, INC., *et al.*,	)	Case No. 00-389 (MFW)
	)	
	)	(Jointly Administered)
Debtors.	)	
	)	

DISCLOSURE STATEMENT FOR AMENDED JOINT PLAN OF REORGANIZATION OF INTEGRATED HEALTH SERVICES, INC. AND ITS SUBSIDIARIES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Plan Proponent—Integrated Health Services, Inc., *et al.*,
Debtors and Debtors in Possession

Dated — February ~~5,2003~~ **24, 2003**

KAYE SCHOLER LLP
425 Park Avenue
New York, New York 10022
Co-Attorneys for the Debtors
and Debtors in Possession

JENKENS & GILCHRIST –
PARKER CHAPIN LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174
Co-Attorneys for the Debtors
and Debtors in Possession

YOUNG, CONAWAY,
STARGATT & TAYLOR LLP
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, DE 19899-0391
Co-Attorneys for the Debtors
and Debtors in Possession

TABLE OF CONTENTS

I.
Introduction

Integrated Health Services, Inc. ("IHS") and **certain of** its direct and indirect subsidiaries, as debtors and debtors in possession herein (collectively with IHS, the "Debtors"), submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code for use in soliciting votes to accept or reject the proposed Plan[1]. **The Plan does not address claims against or equity interests in Rotech Medical Corporation ("Rotech"), a former wholly-owned subsidiary of IHS, or any of Rotech's direct or indirect subsidiaries which were formerly debtors and debtors in possession (the "Rotech Debtors").** On February 13, 2002, the Bankruptcy Court entered an order confirming a Plan for the Rotech Debtors (the "Rotech Plan"), which became effective on March 26, 2002. Pursuant to the Rotech Plan, each Rotech Debtor emerged from their Chapter 11 proceedings as a separate company and are no longer affiliated with IHS.

The purpose of this Disclosure Statement is to provide sufficient information to enable the holders of Claims against the Debtors who are entitled to vote to make an informed decision on whether to accept or reject the Plan. Among other things, this Disclosure Statement describes:

- the contemplated sale of the long-term care and contract rehabilitation therapy businesses of IHS, followed by the liquidation of the Debtors' remaining assets (the "Sale Transactions") and the proposed treatment of Claims and Equity Interests in the event the Sale Transactions are implemented (section II);

- the contemplated capital structure of the Debtors in the event that the Sale Transactions are not consummated, and alternatively, a stand-alone reorganization is consummated (the "Stand-Alone Transactions"), and the resultant treatment of Claims and Equity Interests under those circumstances (section II);

- conditions precedent to the effectiveness of the Plan (section III);

- how to vote on the Plan and who is entitled to vote (section IV);

- the Debtors' prepetition operating and financial history and their reasons for seeking Chapter 11 protection (section V);

- significant events in the IHS Reorganization Cases (section VI);

---

[1] All capitalized terms not herein defined shall have the meanings ascribed to them in the *Amended Joint Plan of Integrated Health Services, Inc. and Its Subsidiaries Under Chapter 11 of the Bankruptcy Code* dated February [ ], 2003 (the "Plan" or "Plan"), a copy of which is annexed hereto as Exhibit A.

- the Debtors' marketing efforts and selection of the Purchaser and negotiation of the Sale Agreement (section VII);

- certain financial information about the Debtors, including Reorganized IHS' 5-year cash flow projections in the event the Stand-Alone Transactions are implemented, and a range of potential enterprise valuations (section VIII);

- how the Liquidating LLC will be governed and managed if the Sale Transactions are implemented (section IX);

- how Reorganized IHS will be governed if the Stand-Alone Transactions are implemented, and the identity of certain holders of the New Common Stock when the Plan becomes effective (section X);

- how distributions under the Plan will be made under the Sale Transactions and the Stand-Alone Transactions, and the manner in which disputed Claims will be resolved (section XI);

- certain factors creditors should consider before voting (section XII);

- the procedure and requirements for confirming the Plan, including a Chapter 7 liquidation analysis of the Debtors (section XIII);

- alternatives to the Plan (section XIV); and

- certain federal tax considerations relating to the Plan (section XV).

Accompanying this Disclosure Statement are copies of (i) the Plan, (ii) a notice and order fixing the time for filing acceptances or rejections of the Plan and the date of the Confirmation Hearing, and (iii) if you are a holder of a Claim entitled to vote, one or more Ballots with return envelopes, to be used by you in voting to accept or reject the Plan. The deadline by which all Ballots for voting on the Plan must be received is 4:00 p.m. Pacific Time on [~~March 26~~ **April __**, 2003].

The Bankruptcy Code provides that only holders of Claims who vote on the Plan will be counted for purposes of determining whether the requisite acceptances have been attained. Failure to timely deliver a properly completed Ballot by the voting deadline will constitute an abstention, and any improperly completed or late Ballot will not be counted.

The *last day* to vote to accept or reject the Plan is ~~March~~ **April __**, 2003.

The *record date* for determining which creditors may vote on the Plan is February __, 2003.

~~The record date for determining which creditors may vote on the Plan is February __, 2003.~~[[On February ~~7~~[__], 2003], this Disclosure Statement was approved by the Bankruptcy Court as containing adequate information, as required by section 1125 of the Bankruptcy Code, to permit holders of Claims to make an informed judgment in exercising their right to vote to accept or reject the Plan. The Bankruptcy Court, however, has not conducted an independent review or investigation of the factual and financial matters described herein, nor has the Bankruptcy Court approved or ruled on the merits of the Plan.]

Holders of Claims should not construe the contents of this Disclosure Statement as providing any legal, business, financial or tax advice. Each holder should consult with its own legal, business, financial and tax advisors with respect to any such matters concerning this Disclosure Statement, the solicitation of votes, the Plan and the transactions contemplated hereby and thereby.

The delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time subsequent to the date hereof. Any estimates of Claims or Equity Interests set forth in this Disclosure Statement may vary from the final amounts of Claims or Equity Interests allowed by the Bankruptcy Court.

Additional copies of this Disclosure Statement are available upon request made to the Voting Agent, at the following address:

Voting Agent	
If by overnight delivery or hand delivery: **Poorman-Douglas Corporation** **10300 S.W. Allen Boulevard** **Beaverton, OR 97005**	If by standard mailing: **Poorman-Douglas Corporation** **P.O. Box 4230** **Portland, OR 97208**

The summaries of the Plan and other documents related to the reorganization of the Debtors are qualified in their entirety by the Plan, its exhibits, and the documents and exhibits contained in the Plan Supplement. **You should read the Plan carefully.** The Plan Supplement will be filed with the Bankruptcy Court no later than five (5) days prior to the deadline for soliciting votes to accept or reject the Plan.

No person is authorized by the Debtors in connection with the Plan or the solicitation of votes for the Plan to give any information or to make any representation other than as contained in this Disclosure Statement or the Plan Supplement and the exhibits attached hereto or incorporated by reference or referred to herein, and, if given or made, such information or representation may not be relied upon as having been authorized by the Debtors.

The Confirmation Hearing is scheduled to occur on [~~March 26~~ **April __**, 2003]. The confirmation and effectiveness of the Plan are subject to material conditions precedent, some

of which ultimately may not be satisfied. The Debtors presently intend to consummate the Plan and to cause the Effective Date to occur. There can be no assurance, however, as to whether or when the Effective Date actually will occur.

The Plan is based on extensive **and ongoing** negotiations with the Creditors' Committee, on behalf of the unsecured creditors of the Debtors, as well as the Unofficial Senior Lenders' Working Group, which consists of certain major holders of the Senior Lender Claims. The Debtors ~~and the Creditors' Committee~~ recommend that you vote to accept the Plan. **The Premiere Committee, which is described herein, recommends that holders of Premiere Unsecured Claims vote to reject the Plan.**

> **Recommendation**: The Debtors believe that confirmation of the Plan is the best chance for the creditors of the Debtors to maximize their recoveries. The Debtors encourage their creditors to vote in favor the Plan.

~~ß~~

~~ßThe Creditors' Committee has participated fully in the reorganization process and also urges creditors of the Debtors to vote to accept the Plan. Please review the letter from the Creditors' Committee which is included with this Disclosure Statement as Exhibit B.~~

II.
Treatment of Claims and Interests Under the Plan

This Section summarizes the overall structure of the Plan, including the major elements of the Sale Transactions and the Stand-Alone Transactions, describes which Claims and Equity Interests are in each Class, summarizes the treatment of each Class of Claims and Equity Interests, and, in connection with the Stand-Alone Transactions, discusses certain legal issues affecting the trading of the New Common Stock and New Subordinated Notes to be issued thereunder. This Section is qualified entirely by the actual provisions of the Plan.

A. Overall Structure of the Plan

The Plan governs the treatment of Claims against and Equity Interests in the Debtors. As described more fully below, the Plan provides for a sale of the Debtors' long-term care and contract rehabilitation therapy businesses through the implementation of the Sale Transactions, followed by the satisfaction of Claims through the Liquidating LLC. Alternatively, upon the occurrence of certain events, the Plan provides for the abandonment of the Sale Transactions and implementation of the Stand-Alone Transactions, pursuant to which the Debtors will emerge from Chapter 11 on a stand-alone basis.

1. The Sale Transactions

The Debtors have negotiated an agreement (the "Sale Agreement") for the sale of their long-term care and contract rehabilitation therapy businesses, which sale was approved by the Bankruptcy Court on [February ~~7~~___, 2003], subject to confirmation of the Plan. The selection of the Purchaser and the negotiation of the Sale Agreement are the product of extensive

marketing efforts commenced by the Debtors in November 2001, which culminated in a Bankruptcy Court-approved auction that took place on January 22, 2003. A discussion of those marketing efforts and a description of the Purchaser are set forth in Section VII of this Disclosure Statement. A copy of the Sale Agreement is attached to this Disclosure Statement as Exhibit E.

The Sale Transactions, if implemented, will facilitate the transfer to the Purchaser of substantially all of the Debtors' remaining businesses and properties and distribution of the proceeds thereof to the holders of Allowed Claims through the Liquidating LLC. The principal transactions contemplated under the Sale Transactions are discussed below.

(a) *The Sale Agreement*

The Sale Agreement, dated as of January 28, 2003, is by and between Abe Briarwood Corp., as the Purchaser and IHS, as the Seller. IHS had previously executed a stock purchase agreement with THI Holdings, LLC, dated as of December 3, 2002, providing for the sale of the Shares (as defined below). IHS, pursuant to an order of the Bankruptcy Court entered on December 27, 2002, held an auction on January 22, 2003 (the "Auction"), in which IHS, in consultation with the Committee and their respective professionals, determined that the highest and best bid for the Shares was submitted by the Purchaser, Abe Briarwood Corp.

Prior to the Auction, the Purchaser delivered $12,000,000 (the "Purchaser Deposit") to Kaye Scholer LLP, to be held in escrow pending the outcome of the Auction. ~~The Purchaser has the right under~~ **Pursuant to** the Sale Agreement ~~to substitute~~**, the Purchaser has substituted** a letter of credit in the amount of $12,250,000 for the **cash deposit** previously delivered ~~and to institute~~**, and such letter of credit is being held by Wilmington Trust Company, pursuant to an escrow agreement among Wilmington Trust Company, IHS and** the Purchaser ~~Deposit~~.

The Sale Agreement will serve as the cornerstone of the Plan. The Sale Agreement provides for the formation of two new wholly-owned direct subsidiaries of IHS, to be named IHS Long Term Care, Inc. (the "LTC Subsidiary") and IHS Therapy Care, Inc. (the "Therapy Subsidiary," and together with the LTC Subsidiary, the "Purchased Subsidiaries"). Simultaneously with the Closing, the Seller will (i) contribute and assign to the LTC Subsidiary all of its assets and liabilities not described in clause (ii) below, including without limitation the capital stock of all of the subsidiaries listed in Schedule I to the Sale Agreement that conduct IHS' long-term care business and any and all past, current and future ~~PLGL Claims~~ **professional and general liability claims ("PLGL Claims")** arising after the Commencement Date, but excluding certain excluded assets (the "Excluded Assets") and excluded liabilities (the "Excluded Liabilities") listed in Exhibits F and G, respectively, to this Disclosure Statement; and (ii) contribute and assign to the Therapy Subsidiary all of its assets and liabilities that relate to IHS' contract rehabilitation therapy business, including without limitation the capital stock of all of IHS' subsidiaries listed in Schedule I to the Sale Agreement that conduct the Seller's contract rehabilitation therapy business, but excluding the Excluded Assets and Excluded Liabilities.

On the date on which the transactions contemplated by the Sale Agreement are consummated (the "Closing Date"), the Seller will deliver to the Purchaser, and the Purchaser will purchase and accept from the Seller, (i) an aggregate of 1,000 shares of common stock of the

LTC Subsidiary, which will represent all of the issued and outstanding shares of capital stock of the LTC Subsidiary, and (ii) an aggregate of 1,000 shares of common stock of the Therapy Subsidiary, which will represent all of the issued and outstanding shares of capital stock of the Therapy Subsidiary (collectively, the "Shares").[2]

The Purchaser will acquire the Shares for a cash purchase price equal to $110,500,018 (the "Purchase Price"), subject to (i) the delivery of $7,500,000 into an escrow account for a period of one year from the Closing Date **to provide for the satisfaction of certain Medicaid liabilities**, after which time the funds remaining in such account, if any, shall be delivered to the Seller or its designee and (ii) upward and downward adjustments provided for in the Sale Agreement, plus the ~~Purchase~~ **Purchaser** will acquire the Shares or the IHS Shares, as applicable, subject to (x) all of the Debtors' postpetition liabilities outstanding as of the Closing Date (other than those which constitute Excluded Liabilities), the value of which liabilities are currently estimated to exceed $200,000,000 and (y) up to $16,250,000 of mortgages which will be reinstated on their original term or as modified. Except as otherwise provided in the Plan, the Debtor that is the current obligor on each such mortgage will continue as obligor.

Subject to a mechanism set forth in the Sale Agreement for the Purchaser to designate the rejection of certain executory contracts and unexpired leases, the Debtors will assume ~~all of the Assumed Contracts (as defined in the Sale Agreement)~~ **certain executory contracts and unexpired leases**, including, without limitation, those listed in Schedule 3.13 to the Sale Agreement **(the "Assumed Contracts")**. The Debtors will be required to pay up to $3,066,500 in respect of amounts to cure the outstanding obligations owing under the Assumed Contracts (the "Cure Costs"), with any excess liability for such Cure Costs to be borne by the Purchaser. The Sale Agreement further requires that, pursuant to sections 365 and 1123(b) of the Bankruptcy Code, and subject to and conditioned upon the Closing (as defined in the Sale Agreement) under the Sale Agreement, the Bankruptcy Court shall have entered an order, in form and substance reasonably satisfactory to the Purchaser, approving and authorizing the assumption of the Assumed Contracts, and that the Assumed Contracts shall have been actually assumed by and vested in the ~~LTC Subsidiary or the Therapy Subsidiary, as the case may be~~ **relevant Reorganized Debtors**, at or prior to the Closing Date.

The property being transferred to the Purchaser pursuant to the Sale Agreement expressly excludes the Excluded Assets, which are listed in Exhibit F to this Disclosure Statement. Such list includes, among other things, Cash, certain notes payable to IHS, all employee loans and advances, artwork, the Headquarters Property and all preference, fraudulent conveyance and avoidance actions. In addition, the Purchaser will take the Shares subject to the liabilities pursuant to the Sale Agreement expressly excludes the Excluded Liabilities, which are listed in Exhibit G to this Disclosure Statement. Such list includes, among other things, all administrative expenses incurred by IHS for professional services, up to $4,500,000 in employee

---

[2] Upon the failure of certain conditions set forth in the Sale Agreement, in lieu of a sale and purchase of the Shares, the Sale Agreement provides for the sale and purchase of (a) all of the capital stock of Reorganized IHS (but specifically excluding the Excluded Assets and Excluded Liabilities) to be issued upon the Effective Date of the Plan (the "IHS Shares") or, at the option of the Purchaser, (b) simultaneously, the IHS Shares and the Shares.

severance costs, all prepetition liabilities discharged pursuant to the Plan, all liabilities relating to certain Excluded Assets and all liabilities relating to non-Debtor subsidiaries of IHS.

The Sale Agreement contains customary representations and warranties of the Seller and the Purchaser, relating to, among other things, their respective authority and ability to enter into the Sale Agreement and consummate the transactions contemplated thereunder, compliance with applicable laws, and the funding of the purchase of the Shares. The Sale Agreement provides that the respective representations and warranties made by the Seller and the Purchaser will not survive the Closing. The Sale Agreement also contains customary covenants relating to the conduct of IHS' business prior to the Closing.

Consummation of the Sale Agreement is subject to certain conditions precedent, including, *inter alia*, (i) no Material Adverse Effect (as defined therein) shall have occurred, (ii) an order confirming the Plan, in form and substance reasonably satisfactory to the Purchaser (the "Confirmation Order"), shall have been entered and shall have become a Final Order, and the Bankruptcy Court shall have approved the Sale Agreement, on or before June 1, 2003, and all other conditions precedent to the effectiveness of the Plan shall have been satisfied or waived; and (iii) the Bankruptcy Court shall have entered a Final Order (which may be the Confirmation Order) which provides an injunction against the assertion of Claims against the Seller, as provided in Section 7.9 of the Sale Agreement.

The closing of the sale of the Shares will take place three (3) business days after the satisfaction or waiver of the conditions set forth in Articles VI (Conditions to the Purchaser's Obligations) and VII (Conditions to the Seller's Obligations) of the Sale Agreement, or such other date and time as may be agreed to by the parties.

The Sale Agreement may be terminated prior to the Closing (i) by mutual consent of the Purchaser and the Seller; or (ii) by either the Purchaser or the Seller pursuant to the provisions of Sections 9.1(b), (c), (d), (e) or (f) of the Sale Agreement. If the transactions contemplated by the Sale Agreement are not consummated as a result of a (i) proper termination of the Sale Agreement in the event that a plan of reorganization providing for the sale of the Shares to one or more third parties is proposed or consented to by the Seller on or prior to May 9, 2003, or (ii) the Seller proposes or consents to a proposal of a plan of reorganization other than pursuant to the Plan, then the Debtors shall pay to the Purchaser liquidated damages in an amount equal to $2,000,000.

(b) *Liquidation of the Debtors' Excluded Assets, Dissolution of Excluded Subsidiaries and Distributions to Creditors.* Certain of the Debtors' assets listed in Exhibit F to this Disclosure Statement are not being sold thereunder. In addition, certain inactive, non-Debtor direct and indirect subsidiaries of IHS are not being transferred under the Sale Agreement (collectively, the "Excluded Subsidiaries"). The Excluded Subsidiaries will be set forth in the Plan Supplement.

On or before the Effective Date, the Debtors will form the Liquidating LLC. The Liquidating LLC will make all distributions required under the Plan. On the Effective Date, the Debtors will transfer, on a free and clear basis, all of their assets (other than those being assigned to the Purchased Subsidiaries), including the proceeds of the Sale Agreement, the Excluded

Assets and the Excluded Subsidiaries, to the Liquidating LLC. The Liquidating LLC will liquidate the Debtors' remaining assets. When all of the Liquidating LLC's assets have been liquidated and the proceeds distributed, the Liquidating Manager will dissolve the Liquidating LLC and file a final report with the Bankruptcy Court.

(c) *Dissolution of IHS.* As noted above, the Excluded Assets are not being transferred under the Sale Agreement. Promptly following the transfer of such assets to the Liquidating LLC, IHS will be dissolved under applicable law. The Excluded Subsidiaries will either be dissolved promptly or transferred to the Liquidating LLC, which will liquidate any assets of such entities, following which such Excluded Subsidiaries will be dissolved.

The procedures to be followed by the Liquidating LLC are set forth in Section IX below.

2. The Stand-Alone Transactions

After careful review of a number of factors, including the Debtors' current business operations, estimated recoveries under the proposed sale and prospects for future business, the Debtors, in consultation with the Creditors' Committee, have concluded that the recovery to creditors will be maximized by the sale of all of Debtors' remaining businesses as a going concern to a third party, rather than the reorganization of the Debtors on a stand-alone basis. However, the Debtors recognize that consummation of the Sale Transactions may not occur. Thus, upon the occurrence of certain events, as more fully described below, the Plan provides for the implementation of the Stand-Alone Transactions (discussed below), pursuant to which the Debtors will reorganize and continue to operate their businesses on a stand-alone basis.

The Stand-Alone Transactions consist of certain transactions which are contemplated to occur in connection with the emergence of the Debtors from the IHS Reorganization Cases as a reorganized going concern. Specifically, the Stand-Alone Transactions include: (a) the issuance of 2.5 million shares of New Common Stock; (b) entry into an Exit Financing Facility (described below), which will include a revolving credit facility in the amount of $75,000,000; (c) the issuance of up to $40,000,000 principal amount of New Subordinated Notes (described below); (d) the reinstatement of certain mortgages and security interests on certain of the Debtors' properties; (e) the execution and delivery of a Registration Rights Agreement obligating Reorganized IHS under certain circumstances to register the New Common Stock under the Securities Act of 1933, as amended (the "Securities Act"); and (f) such other transactions as may be necessary to implement the Plan.

The Stand-Alone Transactions will not be implemented unless (i) the conditions to Closing under the Sale Agreement are not satisfied by July 31, 2003 and the Sale Agreement is terminated; and (ii) the Sale Agreement is otherwise properly terminated.

The following table summarizes the proposed capital structure of Reorganized IHS under the Stand-Alone Transactions, including the post-Effective Date financing arrangements the Debtors expect to enter into to fund their obligations under the Plan and provide for the working capital needs of Reorganized IHS and its subsidiaries.

Instrument	Description	Comments
Exit Financing Facility	Availability of up to $75 million	(exit financing)
Security Interests	$15-$17 million	(reinstated or amended)
New Subordinated Notes	$40 million	(Plan Securities)
New Common Stock	2.5 million shares	(Plan Securities)

The anticipated terms of each of these instruments are described below.

(a) *Exit Financing Facility*

If the Stand-Alone Transactions are implemented, the Debtors expect to arrange for a revolving line of credit (the "Exit Financing Facility") for **purposes of funding obligations under the Plan and providing for the** working capital and capital expenditure ~~purposes with availability~~ **needs of the Reorganized Debtors, in an aggregate principal amount** of up to $75,000,000. It is anticipated that Reorganized IHS will be the borrower under the Exit Financing Facility and that the obligations of Reorganized IHS thereunder will be guaranteed by all of ~~the~~ Reorganized ~~IHS~~ **IHS'** subsidiaries and will be secured by certain of the Reorganized Debtors' assets, including accounts receivable **and certain unencumbered owned real property assets**. The precise terms associated with the Exit Financing Facility will be finalized as the Debtors prepare for confirmation of the Plan and will be set forth in the Plan Supplement. The material terms are currently contemplated to include: (a) a revolving credit facility with aggregate availability of up to $75,000,000; (b) an unconditional guarantee by certain of the other Reorganized Debtors for IHS' obligations thereunder; (c) collateral security in the form of a pledge of certain of the Reorganized Debtors' assets, including accounts receivable **and certain unencumbered owned real property assets**; (d) a term of three (3) years, (e) a market rate of interest, and (f) customary affirmative and negative covenants, financial covenants and events of default.

(b) *Security Interests*

The Debtors currently own a number of healthcare facilities and other real and personal property which are encumbered by, mortgages or other security interests. If the Stand-Alone Transactions are implemented, then, with the exception of certain facilities being transferred or otherwise divested pursuant to Section 4.3 of the Plan, the Debtors will continue to operate their mortgaged facilities after the Effective Date, and the underlying mortgages will be modified or reinstated. Except as otherwise provided in the Plan and described herein, the Debtor that is the current obligor on each of these mortgages will continue as the obligor. If the Stand-Alone Transactions are implemented, it is anticipated that the Reorganized Debtors will retain approximately $15,000,000 to $17,000,000 in such secured liabilities.[3]

---

[3] This range is based on the Debtors' estimate of mortgage obligations that will be reinstated pursuant to the Plan, but excludes the Restructured Headquarters Note that will be created for the benefit of the holders of Secured Synthetic Lease Claims. As described in Section II.D.2 of this Disclosure Statement, the Plan provides for the sale of the Headquarters Property and satisfaction of the Restructured Headquarters Note as soon as

(continued...)

(c) *New Subordinated Notes*

It is contemplated that if the Stand-Alone Transactions are implemented, Reorganized IHS will issue New Subordinated Notes in an aggregate principal amount of $40,000,000 to be distributed to the holders of Allowed Senior Lender Claims and Allowed General Unsecured Claims **and, under certain circumstances, Allowed Premiere Unsecured Claims**. The terms of the New Subordinated Notes will include (a) a maturity date of 7 years from the date of issuance; (b) a rate of interest of 25% per annum to be paid in the form of additional New Subordinated Notes or, subject to certain conditions (including the satisfaction of covenants under the Exit Financing Facility) Cash, if available; (c) junior liens (junior to the liens securing the Exit Financing Facility and any liens securing the Claims in Class 3 which are to be reinstated upon the Effective Date) on substantially all of the Reorganized Debtors' owned assets; and (d) certain events of default.

(d) *New Common Stock*

If the Stand-Alone Transactions are implemented, Reorganized IHS will issue 2.5 million shares of New Common Stock, par value $0.0001, to be distributed to the holders of Allowed Senior Lender Claims ~~and~~, Allowed General **Unsecured Claims and under certain circumstances, Allowed Premiere** Unsecured Claims. Such shares shall constitute 100% of the issued and outstanding shares of New Common Stock as of the Effective Date.

Certain Classes of Claims will receive different treatment depending upon whether the Plan becomes effective through implementation of the Sale Transactions or the Stand-Alone Transactions. Such treatment is described in Sections II.B and II.D. below.

B. Summary of Classification and Treatment

The Plan divides the Claims against, and Equity Interests in, the Debtors into separate Classes. In addition, the Plan provides for treatment of certain additional categories of Claims which are not required to be classified but must be satisfied pursuant to the Bankruptcy Code. The following table identifies and summarizes the treatment of each Class or other category of Claims, which in some cases differs depending upon whether the Sale Transactions or the Stand-Alone Transactions are implemented. The table also identifies which Classes are entitled to vote on the Plan based on rules set forth in the Bankruptcy Code and an order of the Bankruptcy Court establishing voting procedures. Finally, the table indicates an estimated recovery for each Class. **The recoveries described in the following table represent the Debtors' best estimates of those values given the information available at this time.**

Unless otherwise specified, the information in the following table and in the Sections below is based on information as of December 19, 2002. The estimation of recoveries makes the following assumptions:

---

[3] (...continued)
practicable after the Effective Date.

- If the Sale Transactions are implemented, the Debtors will receive Cash consideration of approximately $110,500,018 (subject to upward or downward adjustment in the Purchase Price, as discussed below, and an escrow of $7,500,000 to provide for the payment of certain Medicaid claims) and will be relieved of liabilities for Secured Claims and Administrative Expense Claims in excess of $243,300,000, and will have additional cash (including cash collateral) in the minimum amount of $70,000,000;

- In addition to the liability for Administrative Expense Claims ~~being assumed by the Purchaser~~ **to which the Purchased Subsidiaries will be subject if the Sale Transactions are implemented**, the Debtors will have liability for Excluded Administrative Expense Claims and other liabilities associated with the cost of administering the Plan of approximately $31,600,000;

- If the Stand-Alone Transactions are implemented, the Reorganized Debtors will be deemed to have an enterprise value of approximately $75,000,000, based on the midpoint of a valuation prepared by UBS Warburg LLC;

- The New Subordinated Notes to be issued upon the implementation of the Stand-Alone Transactions have a value equal to their principal amounts;

- The aggregate Allowed amount of Senior Lender Claims is approximately $1,260,000,000;

- The aggregate amount of subordinated debt claims in Classes ~~7, 8~~ and 9 **and 10**, which are contractually subordinated to the Senior Lender Claims, is approximately ~~$1,282,100,000~~ **$1,297,600,000**;

- The secured portion of the Synthetic Lease Claims is approximately $13,478,000, plus post-petition interest;

- The aggregate Allowed amount of Other Secured Claims is estimated to be between approximately $17,500,000 and $20,900,000;

- The aggregate Allowed amount of General Unsecured Claims is estimated to be between approximately $600,000,000 and $1,000,000,000;

- The United States Claims will be settled by a Cash payment of approximately ~~$2,000,000 and a setoff of approximately $17,100,000 in~~ **$19,100,000, a portion of which will be set off against certain** underpayments due to the Debtors; and

- The Settled Senior Subordinated Debt Claims will receive a distribution from proceeds which are not part of the Debtors' estates.

- **The aggregate Allowed amount of Premiere Unsecured Claims is estimated to be up to $20,000,000.**

Treatment of Claims and Equity Interests (dollars in thousands)					
Class/ Description	***Treatment (assuming implementation of Sale Transactions)***	***Alternative Treatment (assuming implementation of Stand-Alone Transactions)***	***Entitled to Vote?***	***Estimated Maximum Amount of Allowed Claims in Class***	***Estimated Recovery***
DIP Credit Facility Claims	Payment of all amounts outstanding.	Payment of all amounts outstanding.	No	$0 (Excluding letters of credit)[4]	100%
Administrative Expense Claims	Payment in full of all Allowed Administrative Expense Claims by the Purchaser in the ordinary course, as otherwise agreed or pursuant to Bankruptcy Court approval, as applicable.	Payment in full of all Allowed Administrative Expense Claims by the Reorganized Debtors, in the ordinary course or pursuant to Bankruptcy Court approval, as applicable.	No	$243,300	100%
Priority Tax Claims	Payment in full of each Allowed Priority Tax Claim.	Payment in full or over six annual installments.	No (Unimpaired)	$11,000	100%
Class 1 (Other Priority Claims)	Payment in full of each Allowed Other Priority Claim.	Payment in full of each Allowed Other Priority Claim.	No (Unimpaired)	$6,300	100%
Class 2 (Secured Synthetic Lease Claims)	• Secured portion of Synthetic Lease Claims related to the New Mexico Properties will be paid in full on the Effective Date and the secured portion of Synthetic Lease Claims relating to the Headquarters Property will be paid to the maximum extent possible upon sale of the Headquarters Property.	• Secured portion of Synthetic Lease Claims related to the New Mexico Properties will be paid in full on the Effective Date and the secured portion of Synthetic Lease Claims relating to the Headquarters Property will be paid to the maximum extent possible upon sale of Headquarters Property.	Yes (Impaired)	$13,478	100% of Secured portion.

[4] The Debtors estimate that other than letters of credit, there will be no other obligations outstanding under the DIP Credit Facility on the Effective Date. However, to the extent there are any such obligations outstanding, they will be repaid in full in Cash on the Effective Date.

Treatment of Claims and Equity Interests ***(dollars in thousands)***					
Class/ Description	***Treatment (assuming implementation of Sale Transactions)***	***Alternative Treatment (assuming implementation of Stand-Alone Transactions)***	***Entitled to Vote?***	***Estimated Maximum Amount of Allowed Claims in Class***	***Estimated Recovery***
	• Unsecured portion of the Synthetic Lease Claims and any portion of the Restructured Headquarters Note not satisfied by the sale of the Headquarters Property will be treated as Senior Lender Claims.	• Unsecured portion of the Synthetic Lease Claims and any portion of the Restructured Headquarters Note not satisfied by the sale of the Headquarters Property will be treated as Senior Lender Claims.			
Class 3 (Other Secured Claims), including Subclasses 3-A through 3-K	See Section D.3 below.	See Section D.3 below.	See Section D.3 below	$17,536 to $20,883	See Section D.3 below.
Class 4 (Senior Lender Claims)	After deducting fees and expenses of the Disbursing Agent, each holder shall receive a Pro Rata Share of the Class 4 Cash Fund plus the Class 4 Membership Interests plus additional Class 4 Membership Interests on account of enforcement of subordination rights against Classes 8, 9 and 10.	After deducting the fees and expenses of the Disbursing Agent each holder shall receive a Class 4 Pro Rata Share of New Common Stock and New Subordinated Notes, plus other Common Stock and New Subordinated Notes on account of enforcement of subordination rights against Classes 8, 9 and 10.	Yes (Impaired)	$1,260,000, plus unsecured portion of Allowed Synthetic Lease Claims, plus payment on account of enforcement of subordi-nation rights against Classes 8, 9 and 10.	8.3% -10.7%
Class 5 (United States Claims)	See Section D.5 below.	See Section D.5 below.	Yes (Impaired)	$181,000 plus contingent and unliquidated liabilities	See Section D.5 below.

Treatment of Claims and Equity Interests
(dollars in thousands)

Class/ Description	***Treatment (assuming implementation of Sale Transactions)***	***Alternative Treatment (assuming implementation of Stand-Alone Transactions)***	***Entitled to Vote?***	***Estimated Maximum Amount of Allowed Claims in Class***	***Estimated Recovery***
Class 6 (General Unsecured Claims)	Each holder (i) shall receive a Class 6 Membership Interest and an additional distribution of proceeds from the Compensation Action, **if any,** or (ii) may make the Class 6 Cash Out Election (see separate discussion in Section D.6. below).	Each holder shall receive a Class 6 Pro Rata Share of New Common Stock and New Subordinated Notes **and an additional distribution of proceeds from the Compensation Action, if any, or (ii) may make the Class 6 Cash Out Election, which will be made effective at the Debtors' sole discretion (see separate discussion in Section D.6. below)**.	Yes (Impaired)	$600,000 to $1,000,000	2.3% - 3.5%
Class 7 **(Premiere Unsecured Claims)**	**If the provisions of the Plan providing for substantive consolidation of the Debtors do not become effective with respect to the Premiere Debtors, each holder shall receive a Class 7 Membership Interest.**	**If the provisions of the Plan providing for substantive consolidation of the Debtors do not become effective with respect to the Premiere Debtors, each holder shall receive a Class 7 Pro Rata Share of New Common Stock and New Subordinated Notes.**	**Yes (Impaired)**	**$20,000**	**0%-3.5%**
Class 8 (1999 Insured Tort Claims)	Cash equal to Pro Rata Share of the sum of Available 1999 Insurance Proceeds plus 3% of 1999 Unpaid Deductible Amount (not to exceed 100% of Allowed Claim).	Cash equal to Pro Rata Share of the sum of Available 1999 Insurance Proceeds plus 3% of 1999 Unpaid Deductible Amount (not to exceed 100% of Allowed Claim).	Yes (Impaired)	$77,000	up to 100%
Class ~~8~~ **9** (Settled Senior Subordinated Debt Claims)	No distribution from Debtors' estates, but holders ~~who vote to accept the Plan~~ will ~~receive~~ **share in** proceeds of the IHS Noteholder Settlement.	No distribution from Debtors' estates, but holders ~~who vote to accept the Plan~~ will ~~receive~~ **share in** proceeds of the IHS Noteholder Settlement.	Yes (Impaired)	~~$1,144,402~~ **$1,150,814**	0.0 to 2.4%

Treatment of Claims and Equity Interests (dollars in thousands)					
Class/ Description	***Treatment (assuming implementation of Sale Transactions)***	***Alternative Treatment (assuming implementation of Stand-Alone Transactions)***	***Entitled to Vote?***	***Estimated Maximum Amount of Allowed Claims in Class***	***Estimated Recovery***
Class ~~9 8(Other Senior Subordinated Debt Claims) No distribution. No distribution. No (Impaired; deemed to reject) $140 None Class~~ 10 (Convertible Senior Subordinated Debt Claims)	No distribution.	No distribution.	No (Impaired; deemed to reject)	~~$137,513~~ **$146,836**	None
Class 11 (Punitive Damage Claims)	No distribution.	No distribution.	No (Impaired; deemed to reject)	$0	None
Class 12 (Subsidiary Equity Interests)	IHS's directly owned Class 12 Interests will be transferred to the LTC Subsidiary and the Therapy Subsidiary, which will be sold to the Purchaser; all other existing Subsidiary Equity Interests will be retained by the holders thereof.	Existing Equity Interests will be retained by the holders thereof.	No (Unimpaired; deemed to accept)	n/a	n/a
Class 13 (IHS Equity Interests)	No distribution.	No distribution.	No (Impaired; deemed to reject)	n/a	None

C. Allocation of Value Under the Plan

The largest claims against the Debtors consist of the Senior Lender Claims (Class 4), which, as discussed in Section D.4 below, are guaranteed by substantially all of the subsidiaries of IHS and are secured by a pledge of all of the stock of substantially all of IHS' subsidiaries, security interests in "upstream" debt of each subsidiary to its parent, and certain intellectual property rights. The Plan gives effect to the liens and/or encumbrances in favor of the holders of Senior Lender Claims in approximately $42,500,000 in cash ~~collateral of~~ **being held by** the Debtors.

There is not enough enterprise value remaining in the businesses of the Debtors to provide a full recovery to unsecured creditors. The unsecured portion of the Allowed Senior Lender Claims and the Allowed General Unsecured Claims will share in a pro rata distribution of the value remaining after all Administrative Expense Claims (after giving effect to the enforcement of subordination rights against Classes ~~8~~, 9 and 10), Secured Claims, Priority Tax Claims and Other Priority Claims are satisfied in full. In addition, pursuant to the Rotech Plan, the holders of Senior Lender Claims funded a settlement that will allow the holders of Claims in Class ~~8~~ **9** to receive a distribution upon consummation of the Plan.

D. Description and Treatment of the Classes

Unless otherwise indicated, the characteristics and amount of the Claims or Equity Interests in the following Classes are based on the books and records of the Debtors.

1. Other Priority Claims (Class 1)

Description. The Claims in Class 1 are Claims against the Debtors and are the types of Claims identified in section 507(a) of the Bankruptcy Code that are entitled to priority in payment (other than Administrative Expense Claims and Priority Tax Claims). These Claims relate primarily to prepetition wages and employee benefit plan contributions that had not been paid as of the Commencement Date. The Debtors believe that the total amount of Allowed Other Priority Claims will not exceed $6,300,000.

Treatment. Each Claim in Class 1 that has not already been paid will be paid in Cash on the later of (i) the Effective Date and ~~(ii)~~**(ii)** the date such Claim becomes Allowed, or as soon thereafter as practicable, except to the extent the holders of such Claims agree to a different treatment.

2 Secured Synthetic Lease Claims (Class 2)

Description. Class 2 consists of that portion of Claims arising under the Participation Agreement which are secured by mortgages on real property. Certain of the Debtors' real property assets, specifically, the IHS headquarters buildings (the "Headquarters Property") and three skilled nursing facilities located in Farmington, New Mexico; Hobbs, New Mexico; and Gallup, New Mexico (collectively, the "New Mexico Properties"), were purchased through a "synthetic lease" financing arrangement under which ownership of the properties is held by a trust and the properties are leased to one or more IHS subsidiaries. Lending institutions participated in this financing through the Participation Agreement, and certain of the obligations thereunder are secured by mortgages on these facilities. The obligations under, and arising out of the transactions contemplated by, the Participation Agreement, are guaranteed by IHS and substantially all of its subsidiaries.

The total amount of alleged Claims under the Participation Agreement is $71,970,551.20, including interest and certain fees and expenses accrued prior to the Commencement Date. These Claims arise out of three types of instruments issued under the Participation Agreement: the "Class ~~2A~~ **2 A**-Notes", the "Class ~~2B~~ **2 B**-Notes" and the "Class 2 Certificates." Claims arising out of the B-Notes and Certificates are secured by the Headquarters

Property and the New Mexico Properties. Claims arising out of the Class ~~2A~~ **2 A**-Notes are not secured by any real property.

Pursuant to the Rotech Plan, holders of Claims arising under the Participation Agreement received a pro rata distribution of Cash and other consideration with the holders of Claims under the Credit Agreement, the result of which was to reduce the aggregate Claims under the Participation Agreement and the Credit Agreement by $1 billion. As a result of the Rotech Plan distributions and the claims reconciliation process, the remaining Claims against the Debtors under the Participation Agreement (exclusive of postpetition interest) are $40,301,537.58, consisting of (i) $26,823,980.54 under the Class ~~2A~~ **2 A**-Notes; (ii) $10,575,855.71 under the Class ~~2B~~ **2 B**-Notes and (iii) $2,901,701.33 under the Class 2 Certificates. Based on the estimated aggregate value of the collateral securing the Class ~~2B~~ **2 B**-Notes and Class 2 Certificates, Claims arising thereunder are oversecured, and the holders thereof are entitled to postpetition interest thereon.

The Debtors are in the process of marketing the Headquarters Property for sale. The New Mexico Properties will either be sold (if the Sale Transactions are implemented) or retained by the Debtors (if the Stand-Alone Transactions are implemented).

Pursuant to an intercreditor agreement among the parties to the Credit Agreement and the Participation Agreement, the unsecured portion of the Synthetic Lease Claims is *pari passu* with the holders of Claims under the Credit Agreement. Accordingly, the $26,823,980.54 unsecured amount, which ~~arise~~ **arises** under the Class ~~2A~~ **2 A**-Notes, is included in the aggregate Allowed amount of the Senior Lender Claims. In addition, the holders of the Class ~~2B~~ **2 B**-Notes and Class 2 Certificates assert contingent claims to the extent that such claims cannot be satisfied in full from the proceeds of the disposition of the Headquarters Property and the New Mexico Properties. Any such deficiency claims are treated as Disputed Senior Lender Claims under the Plan and will ~~either be Allowed to the extent they are liquidated in an amount greater than zero~~ **become Allowed Senior Lender Claims in amounts equal to the difference between the deemed Disputed amounts set forth in the Plan and the amounts actually paid to them**. To the extent the proceeds of the sale of the Headquarters Property exceeds the outstanding obligations under the Class ~~2B~~ **2 B**-Notes and Class 2 Certificates, the holders thereof will be paid postpetition interest as described below, with the remaining proceeds in excess of that amount to be retained by either the Liquidating LLC or the Reorganized Debtors, as applicable.

Treatment. On the Effective Date, the Synthetic Lease Claims shall be treated as follows:

(a) $26,823,980.54 shall be deemed Allowed Claims arising under Class ~~2A~~ **2 A**-Notes, which shall be deemed unsecured and shall be treated as Senior Lender Claims in Class 4.

(b) $10,575,855.71 due as of the Commencement Date plus all accrued interest with respect to the Class ~~2B~~ **2 B**-Notes arising from the Commencement Date through the Effective Date, at the non-default contract rate, shall be deemed Claims arising under Class ~~2B~~ **2 B**-Notes, which shall be deemed and treated as Secured Synthetic Lease Claims in the aggregate amount of (i) $1,467,080.02 due as of the Commencement Date, plus all accrued interest arising from the Commencement Date through the Effective Date, at the non-default contract rate, with respect to the Class ~~2B~~ **2 B**-Notes secured by the New Mexico Properties; and (ii) $9,108,755.69, plus all accrued interest arising from the Commencement Date through the Effective Date, at the non-default contract rate, with respect to the Class ~~2B~~ **2 B**-Notes secured by the Headquarters Property.

(c) $2,901,701.33 due as of the Commencement Date, plus all accrued interest with respect to the Class 2 Certificates arising from the Commencement Date through the Effective Date, at the non-default contract rate, shall be deemed Claims arising under Class 2 Certificates, which shall be deemed and treated as Secured Synthetic Lease Claims in the aggregate amount of (i) $400,234.67, plus all accrued interest arising from the Commencement Date, through the Effective Date, at the non-default contract rate, with respect to the Class 2 Certificates secured by the New Mexico Properties; and (ii) $2,501,466.66, plus all accrued interest arising from the Commencement Date through the Effective Date, at the non-default contract rate, with respect to the Class 2 Certificates secured by the Headquarters Property.

(d) ~~All~~ **Notwithstanding the foregoing, all** Claims arising under the Class ~~2B~~ **2 B**-Notes and the Class 2 Certificates **secured by the Headquarters Property** shall be deemed to be Disputed until the Headquarters Property ~~are~~ **is** sold as provided in section (e) or (f) below, as applicable. If the proceeds from such sale ~~are~~ actually paid to the holders of the Class ~~2B~~ **2 B** Notes and Class 2 Certificates secured by the Headquarters Property ~~pursuant to Sections 4.2(d)(2) or 4.2(e)(2), as applicable,~~**(as described below)** is less than the amount of $9,108,775.69 with respect to such Class ~~2B~~ **2 B**-Notes and less than the amount of $2,501,466.66 with respect to such Class 2 Certificates, then the holders of the Class ~~2B~~ **2 B**-Notes and Class 2 Certificates secured by the Headquarters Property shall have Allowed Senior Lender Claims in Class 4, respectively equal to the difference between the amounts set forth in this subsection (c) and the actual amounts actually paid to them.

(e) If the Sale Transactions are implemented, the holders of Secured Synthetic Lease Claims shall receive the treatment described in the following subsections (1) and (2) in full satisfaction of all Allowed Secured Synthetic Lease Claims.

(1) On the Effective Date, or as soon thereafter as is practicable, the Liquidating LLC shall pay to the Disbursing Agent a Cash distribution in ~~the~~ **an** amount equal to the sum of the amounts set forth in clauses (b)(i) and (c)(i) in this section of the Disclosure Statement, and, upon receipt thereof, all liens on the New Mexico Properties arising out of the Participation Agreement shall be deemed to have been released.

(2) On the Effective Date, the Debtors' interests in the Headquarters Property shall be transferred to the Liquidating LLC, and the Disbursing Agent shall receive a mortgage note **from and executed by the Liquidating LLC** in a principal amount equal to the

sum of the amounts set forth in clauses (b)(ii) and (c)(ii) in this Section of the Disclosure Statement (the "Restructured Headquarters Note"), for the benefit of the holders of Class ~~2B~~ **2 B**-Notes and Class 2-Certificates that were secured by the Headquarters Property. The Restructured Headquarters Note will bear interest at 7% per year, will mature on the fifth anniversary of the Effective Date, and will be secured by the existing first mortgage lien on the Headquarters Property. The Liquidating LLC shall sell the Restructured Headquarters Property, and upon such sale, shall pay to the Disbursing Agent a Cash distribution (which shall then be distributed ratably to the holders of the Class ~~2B~~ **2 B**-Notes and the Class 2 Certificates) in an amount equal to the lesser of (i) the total then outstanding obligations under the Restructured Headquarters Note; and (ii) the net proceeds of the sale of the Headquarters Property. Upon such payment to the Disbursing Agent, all liens on the Headquarters Property shall be deemed to have been released, and, to the extent such payment is ~~less than the amounts set forth in Section 4.2(c) hereof,~~ **insufficient to satisfy the Debtors' obligations under** the ~~holders of the~~ Class ~~2B~~ **2 B**-Notes and Class 2 Certificates ~~shall have and~~ **secured by the Headquarters Property, the remaining deficiency Claims** shall be deemed to ~~have~~ **be** Allowed Senior Lender Claims in Class 4 ~~in the respective amounts as provided in Section 4.2 hereof~~.

(f) If the Stand-Alone Transactions are implemented the holders of Allowed Secured Synthetic Lease Claims shall receive the treatment described in the following subsections (1) and (2) in full satisfaction of all Allowed Secured Synthetic Lease Claims.

(1) On the Effective Date, or as soon thereafter as practicable, the Reorganized Debtors shall pay to the Disbursing Agent a Cash distribution in an amount equal to the sum of the amounts set forth in (b)(i) and (b)(ii) **above**, and, upon receipt thereof, all liens on the New Mexico Properties arising out of the Participation Agreement shall be deemed to have been released.

(2) On the Effective Date, the Disbursing Agent shall receive ~~from the Reorganized Debtors~~ a mortgage note **from and executed by the Reorganized Debtors** in a principal amount equal to the sum of the amounts set forth in clauses (b)(ii) and (c)(ii) ~~in this Section of the Disclosure Statement~~ **above** (the "Restructured Headquarters Note"), for the benefit of the holders of Class ~~2B~~ **2 B**-Notes and Class 2-Certificates which were secured by the Headquarters Property. The Stand-Alone Restructured Headquarters Note will bear interest at 7% per year, will mature on the fifth anniversary of the Effective Date, and will be secured by the existing first mortgage lien on the Headquarters Property. The Reorganized Debtors shall sell the Headquarters Property, and upon such sale, shall pay to the Disbursing Agent from the proceeds of such sale a Cash distribution (which shall then be distributed ratably to the holders of the Class ~~2B~~ **2 B**-Notes and the Class 2 Certificates) in an amount equal to the lesser of (i) the total then outstanding obligations under the Restructured Headquarters Note; and (ii) the net proceeds of the sale of the Headquarters Property. Upon such payment to the Disbursing Agent, all liens on the Headquarters Property shall be deemed to have been released, and, to the extent such payment is ~~less than the amounts set forth in Section 4.2(c) hereof,~~ **insufficient to satisfy the Debtors' obligations under** the ~~holders of the~~ Class ~~2B~~ **2 B**-Notes and Class 2 Certificates ~~shall have and~~ **secured by the Headquarters Property, the remaining deficiency Claims** shall be deemed to ~~have~~ **be** Allowed Senior Lender Claims in Class 4 ~~in the respective amounts as provided in Section 4.2(c) hereof~~.

(g) *Distributions to Individual Holders, Disbursing Agent.* The aggregate distributions in respect of Secured Synthetic Lease Claims shall be made to Citicorp USA, Inc., as Disbursing Agent, which shall make distributions as provided herein to the individual holders of the Secured Synthetic Lease Claims as of the Distribution Record Date. The delivery of such aggregate distributions to Citicorp USA, Inc. shall be in full satisfaction, release and discharge of all Secured Synthetic Lease Claims against the Debtors. Citicorp USA, Inc. shall deduct from such distributions all costs and expenses (including all professional fees and disbursements) incurred by it and unpaid prior to making any distribution to the holders of Allowed Secured Synthetic Lease Claims.

3. Other Secured Claims (Class 3)

Description. Class 3 is a group of subclasses, the material ones of which are described in the following table:

Class	Creditor	Collateral	Total Claim	Secured Portion	Deficiency
3-A	Beal Bank SSB	Clarkston facility	$2,810,176[5]	$2,810,176	$0
3-B	SBA	IHS-Mt. Pleasant, Mt. Pleasant Assisted Living Facility	$375,384	$375,384	$0
3-C	Todd Alexander	Central Accounting Office of Florida	$514,207	$514,207	$0
3-D	**Canada Life Assurance Company**	**IHS-Texoma at Sherman**	**$1,829,175**	**$1,829,175**	**$0**
3-E	Bank of America	South Carolina laundry and billing facility	~~$346,084~~ ~~$346,084 $0 3-E Canada Life Assurance Company IHS-Texoma at Sherman $1,829,175 $1,829,175 $0~~ **See separate discussion below**	**n/a**	
3-F	Bank of America	Inman Healthcare and Golden Age-Inman facilities	~~$1,661,347~~ ~~$1,661,347 $0~~ **See separate discussion below**	**n/a**	
3-G	Finova	Houston Hospital	$9,346,761	undetermined	

[5] Beal Bank SSB ("Beal") disputes the Debtors' contention that this is the appropriate amount of the claim.

Class	Creditor	Collateral	Total Claim	Secured Portion	Deficiency
3-H	Omega Healthcare Investors, Inc.	various facilities	See separate discussion below	n/a	
3-I	Omega Healthcare Investors, Inc.	various facilities	See separate discussion below	n/a	
3-J	Omega Healthcare Investors, Inc.	various facilities	See separate discussion below	n/a	
3-K	Beal Bank SSB	Treyburn Rehabilitation and Nursing Center	$3,994,347[6]	undetermined	

Certain holders of Claims in Class 3 hold Claims that exceed the value of their collateral. The unsecured deficiency portions of such Claims are treated as Class 6 Claims (General Unsecured Claims) under the Plan.

(a) *Description.* Each subclass in Class 3 represents a Secured Claim, including mortgage secured claims which are expected to be Allowed in an aggregate amount between $17,500,000 and $20,900,000 (exclusive of interest and net of reinstatement payments). For the most part, claims in these subclasses arise out of mortgage financings of real property and equipment financings of various types. Each subclass represents a separate mortgage or collateral pool.

(b) *General Treatment.* With respect to all Other Secured Claims not designated in one of Subclasses 3-A through 3-K (the treatment of which is set forth below):

(1) *Sale Transactions.* If the Sale Transactions are implemented, on or as soon as reasonably practicable after the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date an Other Secured Claim becomes an Allowed Other Secured Claim, each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Other Secured Claim, and the liens securing such Allowed Other Secured Claims shall be deemed released.

(2) *Stand-Alone Transactions.* If the Stand-Alone Transactions are implemented, then on or as soon as reasonably practicable after the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date an Other Secured Claim becomes an Allowed Other Secured Claim, each holder of an Allowed Other Secured Claim shall receive, at the option of the Reorganized Debtors, either (a) Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Other Secured Claim, (b) the net proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim; (c) the Collateral securing such Allowed Other Secured Claim; (d) a note with periodic Cash payments having a present value equal to the amount of the Allowed Other Secured Claim; or (e) such other distribution necessary to satisfy the requirements

---

6 Beal disputes the Debtors' contention that this is the appropriate amount of the claim.

of the Bankruptcy Code. In the event the Reorganized Debtors treat an Allowed Other Secured Claim under clause (a) of this Section, the liens securing such Allowed Other Secured Claim shall be deemed released.

(c) *Description and Treatment of Material Other Secured* Claims.

(1) *Subclass 3-A (Secured Claim of Beal Bank SSB, IHS at Clarkston Facility).*

Subclass 3-A consists of the Secured Claim of Beal Bank SSB ("Beal"), as the successor in interest ~~of certain obligations arising out of, inter alia, a Mortgage Note~~ **to all the obligee/mortgagee's right, title and interest in and to the certain Mortgage Note, the certain Mortgage, and the certain Security Agreement, all as amended and/or supplemented, each** dated as of December 17, 1985, ~~in the principal amount of $3,580,400,~~ between Ver Lee Associates, a Michigan co-partnership, as obligor, and Comerica Bank as obligee~~, which is secured by the IHS Michigan at Clarkston facility~~. **The original principal amount of the Mortgage Note was $3,580,400.00; but, pursuant to the Modification of Mortgage and Mortgage Note instrument dated as of May 9, 1988, the principal amount of the Mortgage Note was reduced to $3,396,800.**

Beal has asserted that it has valid and perfected, first priority liens and security interests in and to all the assets comprising the Clarkston Facility, and that the amount of the obligation secured by the Clarkston Facility, as of January 31, 2003, was $3,302,196.84, with interest continuing to accrue, and fees and costs having accrued and continuing to accrue, thereon.

On the Effective Date, the Mortgage Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Mortgage Note will be deemed rescinded, waived or cured and of no force or effect, the terms of the Mortgage Note, as modified on or prior to the Effective Date and any liens created pursuant to the Mortgage Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.

(2) *Subclass 3-B (Secured Claim of U.S. Small Business Administration -- Horizon Assisted Living Facility).*

Subclass 3-B consists of the Secured Claim of the U.S. Small Business Administration (the "SBA"), as assignee under a Note in the principal amount of $500,000, dated September 6, 1985, between KCVT Nursing Centers, Inc, d/b/a Villa Nursing Center ("KCVT"), as obligor, and Ark-Tex Regional Development Company, Inc. ("Ark-Tex"), as obligee. The Note is secured by a Deed of Trust on the Horizon Assisted Living Facility in Mt. Pleasant, Texas. On the Effective Date, the Note and the Deed of Trust will be reinstated in accordance with their terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection therewith will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Note and the Deed of Trust will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.

(3) *Subclass 3-C (Secured Claim of Todd Alexander -- Central Accounting Office of Florida).*

Subclass 3-C consists of the Secured Claim of Todd Alexander, as mortgagee under a secured note (the "Alexander Note"), which is secured by the Debtors' Central Accounting Office facility in Florida. On the Effective Date, the Alexander Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Alexander Note will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Alexander Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.

(4) *Subclass 3-D ~~(Secured Claim of Bank of America -- CAO of South Carolina).~~*

~~Subclass 3-D consists of the Secured Claim of Bank of America, N.A. ("B of A"), as assignee under a note (the "Magnolia Note") dated May 27, 1993, between NationsBank, as obligee, and Magnolia Group, Inc. ("Magnolia"), as obligor, in the original principal amount of $700,000 (the "Magnolia Note"). The Magnolia Note is secured by a mortgage dated May 27, 1993 between NationsBank, as mortgagee, and Magnolia, as mortgagor. On the Effective Date, the Magnolia Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Magnolia Note will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Magnolia Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.~~

~~(5) Subclass 3-E~~ (Secured Claim of Canada Life Assurance Company -- IHS Texoma at Sherman)

Subclass 3-~~E~~ **D** consists of the Secured Claim of Canada Life Assurance Company ("Canada Life"), as assignee under a Deed of Trust Note (the "Texoma Note"), dated as of December 16, 1987, in the original principal amount of $2,700,000, between Arbor Living Centers of Texas, Inc., as obligor, and Mortgage and Trust, Inc., as obligee. The Deed of Trust Note is secured by a mortgage on the IHS Texoma at Sherman facility. On the Effective Date, ~~Canada Life shall receive a new mortgage note in a principal amount equal to all outstanding obligations under the Texoma Note (the "Restructured Texoma Note"), and the Debtors' obligations under the Texoma Note shall be deemed to be discharged and superceded by the Debtors' obligations under the Restructured Texoma Note. The Restructured Texoma Note will bear interest at 7% per year amortized over 25 years, and will mature on the fifth anniversary of the Effective Date. The Restructured Texoma Note will be secured by the Collateral presently securing the Texoma Note.~~ **the Texoma Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Texoma Note will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Texoma Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.**

~~(6) Subclass 3-F (Secured Claim of B of A --~~**(5)** ***Subclasses 3-E and 3-F (Secured Claims of Bank of America --CAO of South Carolina,*** *Inman Healthcare, Golden Age-Inman).*

Subclass 3-E consists of the Secured Claims of Bank of America, N.A. ("B of A"), as assignee under a note (the "Magnolia Note") dated May 27, 1993, between NationsBank, as obligee, and Magnolia Group, Inc. ("Magnolia"), as obligor, in the original principal amount of $700,000. The Magnolia Note is secured by a mortgage dated May 27, 1993 between NationsBank, as mortgagee, and Magnolia, as mortgagor.

Subclass 3-F consists of the Secured Claim of B of A, as assignee under a note (the "Inman Note") dated January 30, 1998, between NationsBank, as obligee, and Magnolia, as obligor is in the original principal amount of $1,840,000. The Inman Note is secured by two mortgages; a mortgage dated January 30, 1998, between NationsBank, as mortgagee and Inman Nursing Facilities, Inc., as mortgagor, and a mortgage dated January 30, 1998, between Nations Bank, as mortgagee, and a Non-Debtor Affiliate, C.W. Johnson Intermediate Care Facility, Inc., as mortgagor.

On the Effective Date, ~~B of A shall receive a mortgage note in a principal amount equal to all outstanding obligations under the Inman Note (the "Restructured Inman Note"), and the Debtors' obligations under~~ **or as reasonably practicable thereafter, BofA will receive a cash payment (the "B of A Payment") in the aggregate amount of $1,800,000, in full settlement and satisfaction of all Claims of B of A arising out of or related to the Magnolia Note and/ or the Inman Note, including without limitation, any Claims for principal, interest or fees. Pending the occurrence of the Effective Date and the receipt by B of A of the B of A Payment, the Stipulation and Order Pursuant to 11 U.S.C. Section 363(e) of the Bankruptcy Code, dated as of September 9, 2001 (the "B of A Stipulation") shall continue in full force and effect. Upon payment of the B of A Payment, all liens on the Collateral securing the Magnolia Note and** the Inman Note shall be deemed to ~~be discharged and superseded by the Debtors'~~ **have been released, and B of A and the Debtors shall be deemed to have released each other from any and all Claims arising out of or related to the Magnolia Note and/ or the Inman Note, including, but not limited to, all** obligations under the ~~Restructured Inman Note. The Restructured Inman Note will bear interest at 7% per year amortized over 25 years, and will mature on the fifth anniversary of the Effective Date. The Restructured Inman Note will be secured by the Collateral presently securing the Inman Note.~~ **B of A Stipulation.**

~~(7)~~**(6)** *Subclass 3-G (Secured Claim of Finova Capital Corporation (f/k/a Greyhound Financial Corporation- Houston Hospital Facility).*

Subclass 3-G consists of the secured Claim of Finova Capital Corporation (f/k/a Greyhound Financial Corporation) ("Finova"), as assignee under the promissory note, dated December 30, 1994, in the principal sum of $10,000,000, between Integrated Health Services at Houston, Inc., as obligor and Greyhound Financial Corporation, as obligee, which is secured by the Debtors' interests in the IHS Hospital at Houston facility ("IHS at Houston"). Unless otherwise agreed by the parties, Finova shall receive (i) an Allowed Other Secured Claim equal to the value of the Debtors' interests in IHS at Houston as determined by the Bankruptcy Court

pursuant to section 506(a) of the Bankruptcy Code; and (ii) an Allowed General Unsecured Claim in an amount equal to the unsecured portion of the Claim of Finova, if any. In full satisfaction of its Allowed Other Secured Claim, Finova shall receive a mortgage note (the "Restructured Finova Note") in a principal amount equal to its Allowed Other Secured Claim. The Restructured Finova Note will bear interest at 7% per year amortized over 25 years, and will mature on the fifth anniversary of the Effective Date. The Restructured Finova Note will be secured by the Collateral presently securing the Finova Note.

~~(8)~~**(7)** *Subclasses 3-H, I, J (Secured Claims of Omega Healthcare Investors, Inc.).*

Subclasses 3-H, I and J consist of the Secured Claims of Omega Healthcare Investors, Inc. ("Omega"), which shall be satisfied in accordance with the terms of a global settlement and compromise between the Debtors and Omega, as approved by Order of the Bankruptcy Court dated December 18, 2002 (the "Omega Settlement Agreement"). The Omega Settlement Agreement provides, among other things, that (i) the Debtors will transfer to Omega or its designee substantially all of the Debtors' real property and certain personal property serving as collateral for the Other Secured Claims in Subclasses 3-H, 3-I and 3-J, pursuant to deeds in lieu of foreclosure and operations transfer agreements; (ii) Omega is deemed to have Allowed General Unsecured Claims against certain of the Debtors in the aggregate amount of $4,500,000; and (iii) Omega is deemed to have released all other Claims it may have against the Debtors.

~~(9)~~**(8)** *Subclass 3-K (Secured Claim of Beal, IHS at Treyburn Facility).*

Subclass 3-K consists of the Secured Claim of Beal, as the successor ~~in interest of certain obligations arising out of, inter alia, a deed of trust note~~ **(to all the obligee/mortgagee's right, title and interest in and to the certain Deed of Trust Note, the certain deed of Trust, and the certain Security Agreement, all as amended and/or supplemented, and with each dated as of January 28, 1993 (collectively,** the "Treyburn Note")~~, dated January 28, 1993, in the principal sum of $4,082,200, between Durham Meridian Limited Partnership, as obligor and Highland Mortgage Company, as obligee, relating to the Treyburn Rehabilitation and Nursing Center ("Treyburn"). On or before the Effective Date, Beal will receive a quitclaim deed to the assets of the Debtors which are collateral securing the Treyburn Note~~**. The original principal amount of the Deed of Trust Note was $4,082,200.00. Pursuant to the Release, Assumption and Modification Agreement dated as of November 19, 1997, Integrated Health Services at Treyburn, Inc. agreed to be bound by the terms of the Treyburn Note.**

Beal asserts that it has valid and perfected, first priority liens and security interests in and to all the assets comprising the Treyburn Facility, and that the amount of the obligation secured by the Treyburn Facility, as of January 31, 2003, was $4,505,970.84, with interest continuing to accrue, and fees and costs having accrued and continuing to accrue, thereon.

On the Effective Date, at the Debtors' option, Beal will receive either: (i) the net proceeds of the sale or disposition of the Collateral securing the Treyburn Note; or (ii) the Collateral securing such Allowed Other Secured Claim, in full satisfaction and release of all Claims of Beal arising out of the Treyburn Note.

4. Senior Lender Claims (Class 4)

Description. Class 4 consists of Claims arising from (i) the Debtors' obligations under the Credit Agreement and related swap termination claims; (ii) the unsecured portion of the Debtors' obligations under the Participation Agreement (including Claims arising under the Class ~~2A~~ **2 A**-Notes and any deficiency claims arising under the Class ~~2B~~ **2 B**-Notes and Class 2 Certificates); and (iii) the Claims arising from the subordination rights to the Claims in Classes ~~8~~ **9** (Settled ~~Senior Subordinated Debt Claims), 9 (Other~~ Senior Subordinated Debt Claims) and 10 (Convertible Subordinated Debenture Claims).

The Claims arising under the Credit Agreement are IHS' obligations as the borrower and primary obligor thereunder, and are guaranteed by substantially all of the other Debtors. These guaranty obligations arise out of a limited joint and several guaranty of IHS' obligations, which was required under the Credit Agreement to be executed by substantially all of IHS' then-existing direct and indirect subsidiaries, as well as any new subsidiaries formed or acquired after the date of the Credit Agreement (collectively, the "Guarantor Subsidiaries"). The Guarantor Subsidiaries secured their obligations by the grant by each Guarantor Subsidiary owning stock of another Guarantor Subsidiary, of a security interest in such stock and certain other assets, including "upstream" intercompany debt and certain intellectual property rights. In addition, IHS directly secured its obligations under the Credit Agreement by granting to the lenders party thereto a security interest in the stock of substantially all of its direct subsidiaries and certain other assets of IHS, including debt owed to it by the Guarantor Subsidiaries. A portion of this security interest consisted of the stock of certain subsidiaries of Litho Group, Inc. ("Litho"), which was sold pursuant to an Order of the Bankruptcy Court dated December 6, 2001. In consideration for the sale, IHS received the Class 4 Cash Fund, which was placed into an escrow account pending a determination of the extent to which the sale proceeds constituted Cash Collateral securing the Senior Lender Claims.

The swap termination Claims arise from the prepetition termination of certain interest rate hedging agreements between Citibank N.A. ("Citibank") and IHS as set forth in the ISDA Master Agreement, dated as of March 3, 1997, and confirmations issued thereunder, between Citibank and IHS (the "ISDA Master Agreement"). Prior to the commencement of the IHS Reorganization Cases, IHS hedged a portion of the floating interest rate risk associated with the obligations under the Credit Agreement identified above. In accordance with the Credit Agreement, IHS' obligations under those hedging agreements were secured by the collateral securing the other Senior Lender Claims. Citibank asserted $2,759,152.18 of Claims against IHS and its subsidiaries due to the termination of the hedging agreements.

The Claims arising from the Participation Agreement are the Synthetic Lease Claims described above in Section II.D.2. The Plan provides treatment for the Secured Synthetic Lease Claims in Class 2. The Allowed Unsecured Synthetic Lease Claims which are not Allowed Secured Synthetic Lease Claims are included in the total amount of the Senior Lender Claims and will be treated in accordance with Class 4.

Pursuant to subordination provisions contained in the indentures for the Claims in Classes ~~8~~, 9 and 10, those Claims are subordinated to the Claims in Class 4. The effect of these subordination provisions is to require that all distributions that would otherwise be made to the

holders of Claims in Classes ~~8,~~ 9 and 10 be made to the holders of Senior Lender Claims~~(which shall in no event exceed $150,000) from the Class 4 Cash Fund prior to its distribution to the Disbursing Agent for Class 4.~~. **The payment of the fees of the indenture trustees for each of the indentures in those Classes is discussed separately below in connection with the descriptions of those Classes.**

For purposes of the Plan, the Claims in Class 4 will be deemed Allowed in the aggregate amount of equal to the sum of (i) $1,260,379,079.40 in Allowed Claims arising under the Credit Agreement plus (ii) the Allowed ~~Unsecured~~ **unsecured** Synthetic Lease Claims.

Treatment. On the Effective Date, irrespective of whether the Sale Transactions or the Stand-Alone Transactions are implemented, the Liquidating LLC or the Reorganized Debtors, as applicable, shall deliver the Class 4 Cash Fund to the Disbursing Agent, which shall distribute to each holder of an Allowed Senior Lender Claim its Pro Rata Share thereof (after deducting all fees and expenses (including professional fees and disbursements) of the Disbursing Agent). To the extent that the Disbursing Agent elects to make a distribution prior to the allowance of all Senior Lender Claims (i.e., prior to the disposition of the collateral securing the Class ~~2B~~ **2 B**-Notes and Class 2 Certificates), the Disbursing Agent shall reserve a portion of the Class 4 Cash Fund equal to the Pro Rata Share payable to the holders of Disputed Senior Lender Claims as if such Claims were allowed in their maximum amounts, and shall make a final distribution as soon as is reasonably practicable after such ~~sales have~~ **disposition has** occurred.

If the Sale Transactions are implemented, then on the Initial Member Distribution Date each holder of a Senior Lender Claim shall receive (a) its Class 4 Pro Rata Share of all Cash distributed pursuant to Section ~~6.2(k)~~ **6.2(m)** and ~~6.2(l)~~ **6.2(n)** of the Plan, and (b) a Class 4 Membership Interest representing the right to receive distributions contemplated by Sections ~~6.2(k)~~ **6.2(m)** and ~~6.2(l)~~ **6.2(n)** of the Plan. Notwithstanding the immediately preceding sentence, solely with respect to the first $15 million of net proceeds, if any, to be distributed from a settlement or judgment obtained in **the** Compensation Action, the Class 4 Pro Rata Share and the Class 6 Pro Rata Share thereof shall be calculated as if there were no Subordinated Debt Claims.

If the Stand-Alone Transactions are implemented, then, in addition to the Cash distribution provided for above, each holder of an Allowed Senior Lender Claim shall receive a Class ~~4/Class 6~~ **4** Pro Rata Share of:

(A) 2.5 million shares of New Common Stock, representing 100% of the total shares of New Common Stock to be issued and outstanding immediately as of the Effective Date**, less any shares of New Common Stock to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan**;

(B) the New Subordinated Notes**, less any New Subordinated Notes to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan**; and

(C) any net proceeds of any settlement or judgment obtained in the Compensation Action; provided, however, that solely with respect to the first $15 million of such net proceeds, if any, the Class 4 Pro Rata Share and the Class 6 Pro Rata Share thereof shall be calculated as if there were no Subordinated Debt Claims.

All aggregate distributions of Cash, Class 4 Membership Interests, New Common Stock and/or the New Subordinated Notes in respect of Senior Lender Claims shall be made to Citibank, N.A., as Disbursing Agent, or its designee. Citibank, N.A. shall make distributions or cause its designee to make distributions to the individual holders of the Senior Lender Claims as of the Distribution Record Date. The delivery by the Debtors of such aggregate distribution to Citibank, N.A. (or its designee) shall be in full satisfaction, release and discharge of all Senior Lender Claims against the Debtors.

Distributions to Individual Holders. Subject to the provisions of this Section and all other applicable provisions of the Plan, each holder of an Allowed Senior Lender Claim shall receive its Pro Rata Share of the Cash (less all amounts deducted by the Disbursing Agent as described in subsection (f) below), Class 4 Membership Interests, New Common Stock and/or New Subordinated Notes, as applicable.

Payment of Fees and Expenses of the Disbursing Agent. If the Sale Transactions are implemented, all fees and expenses incurred by the Disbursing Agent, including all Professional fees and expenses, shall be paid from the Cash distribution set forth in subsection 4.4(c)(1) ~~above~~ **of the Plan,** and the Disbursing Agent shall deduct from such distribution all costs and expenses incurred by it in connection with the IHS Reorganization Cases and unpaid prior to making any distribution to the holders of Allowed Senior Lender Claims. If the Stand-Alone Transactions are implemented, all unpaid fees and expenses of the Disbursing Agent shall be paid in Cash on the Effective Date by the Reorganized Debtors.

5. United States Claims (Class 5)

Description. Class 5 consists of United States Claims (as defined in the Plan). Allowed Class 5 Claims are impaired.

Treatment. On the Effective Date, the Claims in Class 5 shall be settled in full pursuant to the United States Settlement Agreement. The United States Settlement Agreement is contemplated to provide that pursuant to the Plan, *inter alia*, the United States will be paid approximately $19,100,000 in full settlement and satisfaction of the United States Claims, a portion of which will be offset against underpayment obligations. The United States Settlement Agreement will be included in the Plan Supplement.

6. General Unsecured Claims (Class 6)

Description. Based on the aggregate amount of General Unsecured Claims filed against the Debtors on or before the August 29, 2000 bar date and the status of the Debtors' claims reconciliation process, the Debtors estimate that the aggregate amount of Allowed Claims in Class 6 will fall within a range of between $600 million and $1 billion, after deducting

duplicate Claims, Claims against the Rotech Debtors which were improperly filed against the Debtors, Claims not supported by the Debtors' books and records and Claims that are subject to other objections. The Claims in Class 6 generally consist of the Claims of suppliers and other vendors, landlords with prepetition rent Claims and/or Claims based on rejection of leases, parties to contracts with the Debtors that have been or will be rejected, and deficiency Claims of mortgage lenders, if any.

This Class also includes Claims covered in whole or in part by insurance maintained by the Debtors. However, such Claims will be entitled to share in the treatment of this Class only to the extent they are not covered by such insurance.

Treatment. If the Sale Transactions are implemented, then on the Initial Member Distribution Date, each holder of an Allowed General Unsecured Claim in Class 6 which ~~have~~ **has** not made the Class 6 Cash-Out Election shall receive (a) **its** Class ~~4~~ **6** Pro Rata Share of all Cash (other than ~~cash~~ **Cash** distributed to the holders of Allowed General Unsecured Claims which have made the Class 6 Cash-Out Election) distributed pursuant to ~~Section 6.2(k)~~ **Sections 6.2(m)** and ~~6.2(l)~~ **6.2(n)** of the Plan and (b) a Class 6 Membership Interest representing the right to receive distributions contemplated by ~~Section 6.2(k)~~ **Sections 6.2(m)** and ~~6.2(l)~~ **6.2(n)** of the Plan.

~~If the Sale Transactions are implemented, then each holder of a General Unsecured Claim in Class 6 may elect on its Ballot to receive, in lieu of the distributions described in the preceding paragraph, a distribution of Cash in an amount equal to the lesser of (i) 3% of its Allowed General Unsecured Claim and (ii) $3,000.00, which shall be paid by the Liquidating LLC on or as soon as reasonably practicable after the later of (i) the Initial Member Distribution Date and (ii) the date such Claim becomes an Allowed General Unsecured Claim.~~

If the Stand-Alone Transactions are implemented, then ~~on the Effective Date,~~ each holder of an Allowed General Unsecured Claim in Class 6 (other than ~~cash distributed to the holders of Allowed General Unsecured Claims~~ **an Insured Claim and other than those** which ~~have~~ made the Class 6 Cash-Out Election~~) (other than an Insured Claim)~~**, if made effective pursuant to Section 4.6(c) of the Plan, as described below)** shall receive its Class 6 Pro Rata Share of:

(a) 2.5 million shares of New Common Stock, representing 100% of the total shares of New Common Stock to be issued and outstanding immediately as of the Effective Date**, less any shares of New Common Stock to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan**;

(b) the New Subordinated Notes**, less any New Subordinated Notes to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan**; and

(c) any net proceeds of any settlement or judgment obtained in the Compensation Action; provided, however, that solely with respect to the first $15 million

of such net proceeds, if any, the Class 4 Pro Rata Share and the Class 6 Pro Rata Share thereof shall be calculated as if there were no Subordinated Debt Claims.

Under certain circumstances, a holder of a General Unsecured Claim which becomes Allowed in an amount equal to or less than $100,000 may receive a one-time, all-Cash distribution in lieu of the distributions described above. Each holder of a General Unsecured Claim in Class 6 may elect on its Ballot to receive, in lieu of the distributions set forth above, a distribution of Cash in an amount equal to the lesser of (i) 3% of its Allowed General Unsecured Claim and (ii) $3,000.00 (the "Class 6 Cash-Out Election"). If the Sale Transactions are implemented, each holder of a General Unsecured Claim in Class 6 which made the Class 6 Cash-Out Election shall receive, in lieu of the distributions set forth in Section 4.6(a) above, a distribution of Cash in an amount equal to the lesser of (i) 3% of its Allowed General Unsecured Claim and (ii) $3,000.00, which shall be paid by the Liquidating LLC on or as soon as reasonably practicable after the later of (i) the Initial Member Distribution Date and (ii) the date such Claim becomes an Allowed General Unsecured Claim. However, if the Stand-Alone Transactions are implemented, then the Debtors, in their sole discretion, shall determine whether they will give effect to the Class 6 Cash-Out Election. The Debtors shall disclose their determination no later than the Confirmation Hearing. If the Debtors determine that they will give effect to the Class 6 Cash-Out Election, then each holder of a General Unsecured Claim in Class 6 which made the Class 6 Cash-Out Election shall receive, in lieu of the distributions set forth in Section 4.6(b) of the Plan, a distribution of Cash in an amount equal to the lesser of (i) 3% of its Allowed General Unsecured Claim and (ii) $3,000.00, to be paid by the Reorganized Debtors on or as soon as reasonably practicable after the later of (i) the Initial Stand-Alone Distribution Date and (ii) the date such Claim becomes an Allowed General Unsecured Claim.

Insured Claims shall be liquidated in the ordinary course of business following the Effective Date. Each holder of an Allowed General Unsecured Claim that is an Insured Claim (other than a 1999 Insured Tort Claim) shall be paid from the proceeds of any applicable insurance and shall have an Allowed General Unsecured Claim only to the extent the applicable insurance policy does not pay any portion of the Allowed Insured Claim.

~~*Holders of Claims in this Class that are covered by insurance in whole or in part will be paid in the ordinary course of the business to the extent of such insurance, and to the extent that these Claims are not covered by insurance they will be treated in the same manner as the holders of uninsured Claims in this Class.*~~ ***7. Premiere Unsecured Claims (Class 7)***

~~7~~ ***Description.*** **Class 7 consists of unsecured Claims against the Premiere Debtors. The Debtors estimate that the maximum aggregate amount of Allowed Claims in Class 7 will be $20 million.**

Treatment. **The Plan provides treatment of the Claims in Class 7 separate from that of Class 6 only if the provisions of the Plan providing for substantive consolidation of the Premiere Debtors do not become effective as a result of an order of the Bankruptcy Court. In such event and if the Sale Transactions are implemented, then, prior to the Effective Date, the value of the assets of the Premiere Debtors will be**

determined by the Debtors by reference to the net proceeds receivable by the Debtors as a result of the Sale Transactions. The Debtors will also determine the residual value of the assets of the Premiere Debtors which will be the remaining value of the assets of the Premiere Debtors after deducting the aggregate amount of Administrative Expense Claims and Other Priority Claims allocable to the Premiere Debtors and the amount of all Other Secured Claims against the Premiere Debtors. On the Initial Member Distribution Date, each holder of an Allowed Premiere Unsecured Claim shall receive (a) Class 7 Pro Rata Share of all Cash distributed pursuant to Section 6.2(m) of the Plan and (b) a Class 7 Membership Interest representing the right to receive distributions contemplated by Section 6.2(m) and 6.2(n) of the Plan. In no event will any holder of an Allowed Premiere Unsecured Claim be entitled to receive distributions in excess of such holder's Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors. [On or prior to the Effective Date, the Debtors will deposit into escrow with a third-party escrow agent $___ million to provide a fund for the distributions to holders of Allowed Premiere Unsecured Claims contemplated by Section 6.2 of the Plan.]

Under the circumstances describe above, if the Stand-Alone Transactions are implemented, then, on or prior to the Effective Date, the value of the assets of the Premiere Debtors will be determined as provided above, except that such value need not be determined by reference to the net proceeds that would have been receivable by the Debtors if the Sale Transactions were implemented. On the Effective Date, each holder of an Allowed Premiere Unsecured Claim Class 7 shall receive its Pro Rata share of New Common Stock and New Subordinated Notes with an aggregate value determined by the Debtors to be equal to its Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors determined in accordance with the foregoing.

8 *1999 Insured Tort Claims (Class ~~7~~* ***8)***

Description. The Claims in this Class are Tort Claims which are covered by the Debtors' insurance policies for professional and general liability claims arising in 1999. IHS maintained a matching deductible insurance policy with Reliance Insurance Company ("Reliance") for professional and general claims arising in 1999 (the "Reliance Policy"). In the view of IHS, the Reliance Policy provides coverage of $2,000,000 per incident for professional liability claims and $1,000,000 per incident for general liability claims, with an aggregate coverage limit of $9,000,000. Under the Reliance Policy, IHS is subject to deductibles in the same amounts as the coverage limits. Approximately $7,600,000 of the $9,000,000 aggregate coverage limit and matching deductible amount (the "1999 Unpaid Deductible Amount") remains unpaid as of the date of this Disclosure Statement. As described below, coverage under the Reliance Policy is subject to certain contingencies and disputes, and Debtors therefore cannot presently estimate what part, if any, of the 1999 Unpaid Deductible Amount will actually be available for payment of Allowed Class ~~7~~ **8** Claims.

On October 3, 2001, the Commonwealth Court found Reliance to be insolvent and entered an Order of Liquidation for Reliance. M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, was named as the Reliance Liquidator. On or about September 20, 2002, IHS filed the Reliance Action to resolve certain disputes between the Reliance Liquidator and the Debtors with respect to the Reliance Policy. In the Reliance Action,

IHS seeks a declaration that the Reliance Policy provides total coverage of $9,000,000. The Reliance Liquidator maintains that the aggregate policy limit is only $4,500,000. In addition, IHS seeks a declaration that, notwithstanding the matching deductible feature of the policy, the Reliance Policy obligates Reliance to pay claims and defense costs for covered claims, both because IHS is insolvent and because IHS provided Reliance with certain collateral for the deductible obligations of IHS under the Reliance Policy and under certain other insurance policies issued to IHS by Reliance. The Reliance Liquidator has thus far refused to pay any claims or defense costs covered by the Reliance Policy.

The part of the 1999 Unpaid Deductible Amount, if any, that will be available for payment of Allowed Class ~~7~~ **8** Claims will depend upon the ultimate resolution of the foregoing issues and other issues raised in the Reliance Action, as well as issues that may be resolved in the Bankruptcy Court. Moreover, because Reliance is in liquidation and may not have sufficient assets to satisfy its policy obligations in full, the amount of proceeds available to pay 1999 Tort Claims may also depend upon the extent, if any, to which claims under the Reliance Policy are deemed to be general unsecured claims against the Reliance liquidation estate. It is therefore not presently possible to estimate with a reasonable degree of certainty what part, if any, of the 1999 Unpaid Deductible Amount will ultimately be available to pay Class ~~7~~ **8** Claims under the Plan. Any part of the 1999 Unpaid Deductible Amount that is recovered from Reliance or the Reliance Liquidator will be deposited by the Liquidating LLC into the 1999 Insured Tort Claims Escrow. If Debtors recover less than the full amount of the 1999 Unpaid Deductible Amount, holders of Allowed Class ~~7~~ **8** Claims will not recover 100% of the Allowed amount of their Claims.

Holders of Allowed 1999 Insured Tort Claims will share in any available coverage under the Reliance Policy only pursuant to the treatment provided in the Plan. Pursuant to the Plan, holders of 1999 Insured Tort Claims assign to Debtors any rights such holders may have to file a claim under the Reliance Policy in the liquidation proceedings presently pending with respect to Reliance in the Commonwealth Court of Pennsylvania (the "Reliance Liquidation Proceedings"), and Debtors shall file a single claim in the Reliance Liquidation Proceeding on behalf of all holders of Allowed 1999 Insured Tort Claims. To avoid duplication of claims under the Reliance Policy, any claim for proceeds of the Reliance Policy filed in the Reliance Liquidation Proceedings by a holder of an Allowed 1999 Insured Tort Claim shall be deemed void. Any claim for proceeds of the Reliance Policy filed in the Reliance Liquidation Proceedings by the holder of a 1999 Insured Tort Claim shall not be deemed to cause of waiver of such claimant's 1999 Insured Tort Claim against the Debtors.

In addition to the Reliance Policy, IHS maintained excess insurance policies, with firms other than Reliance, for 1999 professional and general liability claims. Coverage under the excess policies totals $100,000,000. The excess insurance layers become available upon the exhaustion of the Reliance Policy coverage limits, that is, when Debtors' liability (including costs of defense) for 1999 covered claims exceeds $9,000,000. The Plan provides that each of the Debtors' excess insurance carriers will pay to the Liquidating LLC, as Claims are liquidated, insurance proceeds payable with respect to such claims. The funds paid by the excess carriers will be deposited by the Liquidating LLC in the 1999 Insured Tort Claims Escrow. To the extent that the total amounts recovered by the Liquidating LLC under the Reliance Policy and under the excess policies (collectively, the "Available 1999 Insurance Proceeds") is insufficient to pay Allowed Class ~~7~~ **8** Claims in full, the Plan provides for a 3% distribution on the deficiency.

The Debtors estimate that Allowed Class ~~7~~ **8** Claims will ultimately total approximately $77,000,000. The ultimate recovery of Class ~~7~~ **8** Claimants will depend on several factors, including, most importantly: (a) how much, if any, of the 1999 Unpaid Deductible Amount is recovered from the Reliance Liquidator; and (b) the total amount of Class ~~7~~ **8** Claims ultimately Allowed. If the amount of insurance proceeds available from the Reliance Policy is less than the 1999 Unpaid Deductible Amount, the recovery to holders of Allowed Class ~~7~~ **8** Claims will be less than 100%. In addition, in the event, which Debtors believe to be unlikely, that total Allowed Class ~~7~~ **8** Claims exceed the amount of coverage available under Debtors' excess insurance policies for 1999, the recovery to holders of Allowed Class ~~7~~ **8** Claims would be less than 100%. Assuming that the total of all Allowed Class ~~7~~ **8** Claims equals $77,000,000 and no recovery from Reliance, Debtors estimate that the recovery of holders of Allowed Class ~~7~~ **8** Claims would equal approximately 90%.

The treatment of Allowed Class ~~7~~ **8** Claims in the Plan is based, in part, on the equitable principle that holders of all Allowed Class ~~7~~ **8** Claims should share equally in any available insurance coverage and in any shortfall in available insurance coverage. For this reason, the final total amount of distributions to be made on account of Allowed Class ~~7~~ **8** Claims can not be determined until the total amount of all Allowed Class ~~7~~ **8** Claims is determined and the total amount of Available 1999 Insurance Proceeds is determined. The Plan accordingly provides that holders of Allowed Class ~~7~~ **8** Claims may receive interim distributions as Class ~~7~~ **8** Claims are liquidated in amount, with a final distribution to be made after all Class ~~7~~ **8** Claims are liquidated and all 1999 Insurance Proceeds are collected by the Liquidating LLC.

Because all Allowed Class ~~7~~ **8** Claims will share *pro rata* in any shortfall between the 1999 Unpaid Deductible Amount and the amount actually recovered under the Reliance Policy, the burden of such a shortfall on each holder of an Allowed Class ~~7~~ **8** Claim would actually decrease, and the recovery to holders of Allowed Class ~~7~~ **8** Claimants would actually increase, as the total amount of Allowed Class ~~7~~ **8** Claims increases. To illustrate this somewhat counterintuitive result, assume the worst case scenario that Debtors recover no part of the $7.6 million 1999 Unpaid Deductible amount, the $7.6 million shortfall would be borne *pro rata* by all holders of Allowed Class ~~7~~ **8** Claims. If total Allowed Class ~~7~~ **8** Claims amount to $60,000,000, the shortfall would amount to 12.7% of the total amount of Allowed Class ~~7~~ **8** Claims, and the recovery of Class ~~7~~ **8** Claimants from insurance proceeds would be approximately 87.3%. On the other hand, if Allowed Class ~~7~~ **8** Claims reached a total of $100 million, the $7.6 million shortfall would amount to only 7.6% of the total amount of Allowed Class ~~7~~ **8** Claims, and the recovery of Class ~~7~~ **8** Claimants from insurance proceeds would be approximately 92.4%.[7]

Claims Against Non-Debtor Insureds. In addition to the Debtors, there are certain non-debtor parties insured under the Reliance Policy and the 1999 excess insurance policies. Such non-debtor insureds include Lyric Healthcare LLC and related companies. The Plan does not affect the administration of claims against non-debtor insureds, and Debtors anticipate that

---

[7] These illustrative calculations do not include the additional recovery afforded by the Debtors' contribution of 3% of the amount of any deficiency between the total Available 1999 Insurance Proceeds and the total Allowed 1999 Insured Tort Claim.

such claims would be pursued and resolved in the ordinary course, outside of the context of this Plan. To the extent that claims against non-debtor insureds result in payments of proceeds of the Reliance Policy or proceeds of the Debtors' 1999 excess insurance policies, such payments would reduce the coverage available under such policies to holders of Allowed 1999 Insured Tort Claims under this Plan. However, based upon Debtors' estimate of total Allowed 1999 Insured Tort Claims, and their knowledge of claims pending against non-debtor insureds, Debtors believe that total claims covered by the Reliance Policy and Debtors' 1999 excess policies, including claims against non-debtor insureds, will not exceed the total amount of coverage under the excess policies, as described above.

Treatment. Irrespective of whether the Sale Transactions or Stand-Alone Transactions are implemented, each holder of an Allowed 1999 Insured Tort Claim shall be entitled to receive its Pro Rata Share of the aggregate sum of (i) the Available 1999 Insurance Proceeds; and (ii) 3% of the difference between the Available 1999 Insurance Proceeds and the total amount of Allowed 1999 Insured Tort Claims. On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating LLC or the Reorganized Debtors, as applicable, shall deposit an amount of Cash equal to 3% of the 1999 Unpaid Deductible Amount plus any Available 1999 Insurance Proceeds due and owing by the Debtors' insurance carriers in respect of Allowed 1999 Insured Tort Claims into the 1999 Insured Tort Claims Escrow. Thereafter, the Liquidating LLC or the Reorganized Debtors, as applicable, shall deposit all additional Available 1999 Insurance Proceeds which become due and owing by the Debtors' insurance carriers in respect of Allowed 1999 Insured Tort Claims into the 1999 Insured Tort Claims Escrow. On the Initial Class ~~7~~ **8** Distribution Date, the Liquidating LLC or the Reorganized Debtors, as applicable, shall make an Initial Class ~~7~~ **8** Distribution to each holder of an Allowed 1999 Insured Tort Claim in Cash in an amount equal to 50% of its Allowed Claim. After the Initial Claims 7 Distribution Date but prior to the Final Class ~~7~~ **8** Distribution Date, the Liquidating LLC or the Reorganized Debtors, as applicable, shall distribute to each holder of a Disputed 1999 Insured Tort Claim which becomes an Allowed 1999 Insured Tort Claim after the Initial Class ~~7~~ **8** Distribution Date within thirty (30) days of such allowance, an amount in Cash equal to 50% of its Allowed 1999 Insured Tort Claim. The Liquidating LLC or the Reorganized Debtors, as applicable, may make additional distributions to holders of Allowed 1999 Insured Tort Claims prior to the Final Class ~~7~~ **8** Distribution Date. If necessary, on the Final Class ~~7~~ **8** Distribution Date, the Liquidating LLC or the Reorganized Debtors, as applicable, shall distribute to each holder of an Allowed 1999 Insured Tort Claim a Catch-up Distribution (or portion thereof), such that the total distribution of Cash received by such holder in respect of its Allowed 1999 Insured Tort Claim equals its Pro Rata Share of the aggregate sum of (i) the Available 1999 Insurance Proceeds; and (ii) 3% of the difference between the Available 1999 Insurance Proceeds and the total amount of Allowed 1999 Insured Tort Claims. Upon payment of the total distribution to be received by holders of Allowed 1999 Insured Tort Claims, all Cash remaining in the 1999 Insured Tort Claims Escrow, if any, shall be returned to the Liquidating LLC or to the Reorganized Debtors, as applicable, for other uses in accordance with the Plan.

*~~8~~ **9**. Settled Senior Subordinated Debt Claims (Class ~~8~~) **9)***

Description. The Claims in this Class total ~~$1,144,401,817~~ **$1,150,814,148.09** and consist of the principal and interest accrued and unpaid through the Commencement Date

under three separate series of senior subordinated notes issued by IHS. The following table describes each series of the notes:

Subordinated Note	Outstanding Principal	Unpaid Prepetition Interest	Amount
10¼% Senior Subordinated Notes due ~~2008~~ **2006** Indenture, dated as of May 15, 1996, between IHS and **The Bank of New York, as successor trustee for** Signet Trust Company; ~~as trustee~~	$143,950,000	$11,394,042	~~$155,344,042~~ **$161,616,667.67**
9⅞% Senior Subordinated Notes due 2007 Indenture, dated as of May 30, 1997, between IHS and U.S. Bank National Association, as successor trustee for First Union National Bank of Virginia	$450,000,000	$16,625,000	$466,625,000
9¼% Senior Subordinated Notes due 2008 Indenture, dated as of September 11, 1997, between IHS and U.S. Bank National Associate, as successor trustee for First Union National Bank	$496,655,000	$25,777,775	$522,432,775
9-5/8% Senior Subordinated Notes, Series A, due 2002 **Second Amended and Restated Supplemental Indenture, dated as of May 15, 1997, between IHS and The Bank of New York, as successor trustee for Signet Trust Company**	**$25,000**	**$1,651**	**$26,651**

Subordinated Note	Outstanding Principal	Unpaid Prepetition Interest	Amount
10-3/4% Senior Subordinated Notes due 2004	**$107,000**	**$6,454**	**$113,454**
Amended and Restated Supplemental Indenture, dated as of May 15, 1997, between IHS and The Bank of New York, as successor trustee for Signet Trust Company			
		Class Total	~~$1,144,401,817~~ **$140,105**
		Class Total	**$1,150,814,148.09**

The Claims in Class ~~8~~ **9** are contractually subordinated to the Senior Lender Claims in Class 4, and the Plan gives effect to these subordination provisions. For purposes of the Plan, the Claims in Class ~~8~~ **9** will be deemed Allowed in the aggregate amount of ~~$1,144,401,817~~ **$1,150,814,148.09**.

As part of the Rotech Plan, the holders of the Senior Lender Claims entered into a settlement (the "IHS Noteholder Settlement") with certain major holders of Claims in Class ~~8~~ **9**. Pursuant to that settlement, the holders of the Senior Lender Claims agreed to use a portion of their cash distribution under the Rotech Plan to fund an escrow (the "IHS Noteholder Escrow Account") in the principal amount of $27,700,000, to be distributed by the ~~Indenture Trustee pro rata~~ **Class 9 Indenture Trustee on a pro rata basis (after deducting the fees and expenses of the Majority Noteholder Counsel and the Class 9 Indenture Trustee)** to holders of Claims in Class ~~8 who do not vote against the Plan (after payment of trustee fees and expenses of counsel) to the holders of Claims in Class 8~~ **9** upon the Effective Date of the Plan. The funds in the IHS Noteholder Escrow Account are not property of the Debtors' estates. The terms of the IHS Noteholder Settlement are described in Section VI.L. below.

Treatment. Pursuant to the Plan and section 510(a) of the Bankruptcy Code, no property or other consideration from the Debtors' estates will be distributed to the holders of any Allowed Claims in this Class, as a result of the enforcement of subordination provisions of the Class ~~8~~ **9** Indentures. However, by operation of the IHS Noteholder Settlement, each holder of an Allowed Settled Senior Subordinated Debt Claim ~~which has voted to accept the Plan or does not vote on the Plan~~ shall receive its Pro Rata Share of the IHS Noteholder Payment (including all actual interest and earnings thereon, and less the fees and expenses of the Majority Noteholder Counsel and the Class ~~8~~ **9** Indenture Trustee as described in the two following paragraphs. ~~Each holder in this Class which votes to reject the Plan shall receive no distribution, and the Pro Rata Share of the IHS Noteholder Payment allocable to such holder shall be distributed to Citibank, N.A., as Disbursing Agent for the holders of the Senior Lender Claims, and such amounts shall be distributed to the holders of the Senior Lender Claims in accordance with the Plan~~).

On the Effective Date, the IHS Noteholder Escrow Agent will pay the Majority Noteholder Counsel's fees and expenses from the IHS Noteholder Escrow, in an amount not to exceed $200,000, and such payment shall not require further approval by the Bankruptcy Court.

On the Effective Date, the IHS Noteholder Escrow Agent will reimburse the Class ~~8~~ **9** Indenture Trustees for their reasonable fees and expenses from the IHS Noteholder Escrow Account to the extent permitted by the respective Class ~~8~~ **9** Indentures, and such payment shall not require further approval by the Bankruptcy Court. **Upon termination of the Class 9 Indentures, the Class 9 Indenture Trustees shall be released from any further obligation or duty under their respective Class 9 Indentures, except as necessary to effectuate distributions under the Plan.**

Certifications. **On the Effective Date, IHS, Rotech,** ~~Certifications. IHS,~~ Citibank, N.A., the Majority Noteholders and the Class ~~8~~ **9** Indenture Trustees shall execute and deliver to the IHS Noteholder Escrow Agent the written certifications and all other documents and information reasonably requested by the **IHS** Noteholder Escrow Agent to facilitate the distributions contemplated from the IHS Noteholder Escrow Account.

~~*9. Other Senior Subordinated Debt Claims (Class 9)*~~

~~*Description. The Claims in this Class total $140,105 and consist of the principal and interest accrued and unpaid through the Commencement Date under two series of senior subordinated notes issued by IHS. The following table describes each series of the notes:*~~
~~*ß Subordinated Note Outstanding Principal Unpaid*~~
~~*ßPrepetition Interest Total 9-5/8% Senior Subordinated Notes, Series A, due 2002*~~
~~*ß*~~
~~*ß Second Amended and Restated Supplemental Indenture, dated as of May 15, 1997, between IHS and Signet Trust Company, as Indenture Trustee $25,000 $1,651 $26,651 10-3/4% Senior Subordinated Notes due 2004*~~
~~*ß Amended and Restated Supplemental Indenture, dated as of May 15, 1997, between IHS and Signet Trust Company, as Indenture Trustee $107,000 $6,454 $113,454 Class Total $140,105*~~
~~*The Claims in Class 9 are contractually subordinated to the Senior Lender Claims in Class 4, and the Plan gives effect to these subordination provisions. For purposes of the Plan, the Claims in Class 9 will be deemed Allowed in the aggregate amount of $140,105.*~~

~~*Treatment. Pursuant to the Plan and section 510(a) of the Bankruptcy Code, no property or other consideration from the Debtors' estates will be distributed to the holders of any Allowed Claims in this Class, as a result of the enforcement of subordination provisions in the Class 10 Indentures.*~~

10. 5 3/4% Convertible ***Senior*** *Subordinated Debenture Claims (Class 10)*

Description. The Claims in Class 10 total ~~$137,513,100~~ **$146,836,484.39** and consist of ~~$132,673,000~~ **$142,355,000** in outstanding principal plus ~~$4,840,100~~ **$4,481,484.99** in accrued and unpaid interest through the Commencement Date, under the 5¾% Convertible Senior Subordinated Debentures issued by IHS, due ~~2004~~ **2001**, which are governed by the terms of an indenture dated as of September 15, 1994, as amended **and restated**, between IHS and

HSBC **Bank USA**, as successor trustee. The Claims in Class 10 are contractually subordinated to the Claims in Classes 11 and 12, which are, in turn, contractually subordinated to the Senior Lender Claims.

Treatment. Pursuant to the Plan and section 510(a) of the Bankruptcy Code, no property or other consideration from the Debtors' estates will be distributed to the holders of any Allowed Claims in this Class, as a result of the enforcement of subordination provisions in the Class 10 Indenture. The Class 10 Indenture Trustee shall be paid its outstanding fees **and expenses** accrued through the Effective Date (which shall in no event exceed $150,000) from the Class 4 Cash Fund prior to its distribution to the Disbursing Agent for Class 4, and any liens that the Class 10 Indenture Trustee had or asserted shall be deemed released upon such payment.

11. Punitive Damage Claims (Class 11)

Description. Class 11 consists of any Claim against any of the Debtors, whether secured or unsecured, for any fine, penalty, forfeiture, attorney's fees, or for multiple, exemplary, or punitive damages, to the extent that such fine, penalty, forfeiture, attorney's fees, or damages is not compensation for actual pecuniary loss suffered by the holder of such Claim. It is the Debtors' position that pursuant to the provisions of the Bankruptcy Code and applicable law, there is no distribution which should be made to this Class.

Treatment. No property or other consideration from the Debtors' estates will be distributed to the holders of any Allowed Claims in this Class. To the extent these Claims are covered by insurance policies, and such insurance is permitted under state law, holders of Allowed Claims in this Class will receive insurance proceeds.

12. Subsidiary Equity Interests (Class 12)

Description. This Class consists of the Equity Interests in the Debtors, other than IHS. Each such Debtor is directly or indirectly owned by IHS. Accordingly, each holder of Subsidiary Equity Interests in this Class is either IHS or a direct or indirect subsidiary thereof.

Treatment. All existing Subsidiary Equity Interests will be retained by the holders thereof, provided, however, that if the Sale Transactions are implemented and the condition set forth in section 7.9 of the Sale Agreement is satisfied, then IHS shall transfer certain Subsidiary Equity Interests identified in the Plan Supplement to either the LTC Subsidiary or the Therapy Subsidiary. Nothing described in this Section II.D.12 shall prohibit the Debtors, the Liquidating LLC or the Reorganized Debtors, as applicable, from merging or dissolving any of the Debtors' wholly-owned subsidiaries in accordance with any other provision of the Plan.

13. IHS Equity Interests (Class 13)

Description. This Class consists of the common Equity Interests in IHS represented by 51,387,704 outstanding shares of IHS common stock, $0.001 par value per share. The Class includes all shares owned by affiliates or members of management of the Debtors and any outstanding options, warrants, or rights to purchase such shares.

Treatment. All IHS Equity Interests shall be deemed canceled as of the Effective Date, and the holder(s) of all IHS Equity Interests shall not receive or retain any property or interest in property on account of such IHS Equity Interests.

On the Effective Date, all IHS Equity Interests shall be extinguished, and the certificates and other documents representing such IHS Equity Interests shall be deemed canceled and of no force and effect.

Compensation and Reimbursement Claims. All entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code (a) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is forty-five (45) days after the Effective Date; and (b) shall be paid in full in such amounts as are allowed by the Bankruptcy Court (i) upon the later of (A) the Effective Date and (B) the date upon which the order relating to the allowance of any such Administrative Expense Claim is entered or (ii) upon such other terms as may be mutually agreed upon between the holder of such an Administrative Expense Claim and either the Liquidating LLC under the Sale Transactions or the Reorganized Debtors under the Stand-Alone Transactions, as applicable. The Debtors are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Confirmation Date and until the Effective Date in the ordinary course and without the need for Bankruptcy Court approval. After the Effective Date, the Liquidating LLC or the Reorganized Debtors, as applicable, are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date (including, without limitation, compensation for services rendered and reimbursement of the expenses incurred by professionals retained by the Liquidating LLC or the Reorganized Debtors, as applicable, the Post-Confirmation Committee and the Liquidating Manager), in the ordinary course and without the need for Bankruptcy Court approval.

Payment of Professional Claims Under the Sale Transactions. If the Sale Transactions are implemented, on the Effective Date, the Liquidating Manager shall deposit in the Excluded Administrative Claims Reserve sufficient Cash to pay all unpaid fees and expenses of Professionals incurred through the Effective Date. The Professionals shall serve estimates of fees and expenses due for periods that have not been billed as of the Effective Date so as to be received by the counsel for the Debtors within twenty (20) days after the Confirmation Date, and the Liquidating Manager shall include such estimated fees and expenses in calculating the amount of the Excluded Administrative Claims Reserve. The Allowed amounts of such Professional Claims shall be paid by the Liquidating LLC out of the Excluded Administrative Claims Reserve and, if and to the extent necessary, the Distribution Reserve Account.

E. Administrative Expenses, DIP Credit Facility Claims and Priority Tax Claims

In order to confirm the Plan, Administrative Expense Claims must be paid in full or in a manner otherwise agreeable to the holders of those Claims. Administrative Expense Claims are the actual and necessary costs and expenses of the IHS Reorganization Cases. Those expenses include, but are not limited to, postpetition salaries and other postpetition benefits for employees, postpetition rent for facilities and offices, amounts owed to vendors providing goods

and services during the IHS Reorganization Cases, tax obligations incurred after the commencement of the IHS Reorganization Cases, professional fees and expenses and certain statutory fees and expenses.

Consistent with the requirements of the Bankruptcy Code, the Plan generally provides for Allowed Administrative Expense Claims to be paid in full on the later of the Effective Date and the first Business Day after the date that is thirty calendar (30) days after the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim~~; provided, however, that~~**. However, notwithstanding the foregoing,** Allowed Administrative Expense Claims in respect of Tort Claims ~~(as defined in the Plan)~~ arising after the Commencement Date~~(as defined in the Plan)~~, including ~~any and all claims relating to professional and general liability with respect to the operation of the Debtors' businesses, ("~~ PLGL Claims ~~")~~, liabilities incurred in the ordinary course of business by the Debtors, as debtors in possession, and liabilities arising under loans or advances or other obligations incurred by the Debtors, as debtors in possession, whether or not incurred in the ordinary course of business, shall be liquidated and paid in the ordinary course of business consistent with the past practice, and in accordance with the terms and subject to the conditions of any agreements governing instruments evidencing, or other documents relating to such transactions~~, whether~~.

If the Sale Transactions are implemented~~(in which case, such Claims shall be assumed by the Purchaser under the Sale Agreement and paid in the ordinary course of business by the Purchaser) or~~**, all Allowed Administrative Expense Claims other than those listed on the Schedule of Excluded Liabilities (the "Purchaser-Assumed Administrative Expense Claims") shall be paid by the applicable Reorganized Debtors owned by the Purchased Subsidiaries, and neither IHS nor the Liquidating LLC shall have any liability for Purchaser-Assumed Administrative Expense Claims. All Allowed Administrative Expense Claims which are included on the Schedule of Excluded Liabilities (the "Excluded Administrative Expense Claims") shall be paid by the Liquidating LLC**[8]**.**

---

[8] Subsidiaries of Lyric Health Care LLC and its affiliate, Claremont Health Care, LLC (collectively, "Lyric"), are lease operators of 40 skilled nursing and long term care facilities (collectively, the "Lyric Facilities") that were subject to Management Agreements and are now subject to an Interim Services Agreement with IHS and/or certain of IHS's affiliates. Monarch Properties, LP and Monarch Properties at Jacksonville, LLC (collectively, "Monarch") are the owners/lessors of 31 of the Lyric Facilities. Lyric and Monarch have stated their intention to assert certain Administrative Expense Claims (the "Administrative Expense Claims") against the Debtors. Briarwood has agreed under the Sale Agreement that the Purchased Subsidiaries will be subject to any and all Allowed Administrative Expense Claims by Lyric and Monarch against the Debtors' estates. Lyric has asserted that it holds Administrative Expense Claims which may include, without limitation, the following: (a) all of Lyric's liabilities for 2001 PLGL Claims in excess of available insurance coverage; (b) all liability of the Debtors to Lyric and/or Monarch for negligence, misconduct, fraud, misappropriation of facility residents, tortious interference or mismanagement involving the Lyric Facilities; (c) all liability of the Debtors to Lyric relating to or involving Lyric's funds; (d) all liability of

(continued...)

If the Stand-Alone Transactions are implemented~~:~~**, all Administrative Expense Claims shall be paid by the Reorganized Debtors**

Unpaid Administrative Expense Claims relating to compensation of the professionals retained by the Debtors, the Creditors' Committee, or for the reimbursement of expenses for certain members of the Creditors' Committee will, unless otherwise agreed by the claimant, be paid on the later of the Effective Date and the date on which an order allowing such Administrative Expense Claim is entered, either by **the** Reorganized ~~IHS~~ **Debtors,** if the Stand-Alone Transactions are implemented, or by the Liquidating LLC, if the Sale Transactions are implemented.

On the Effective Date, all DIP Credit Facility Claims under or evidenced by the DIP Credit Facility (other than DIP Credit Facility Letters of Credit) shall be paid in full in Cash by the Liquidating LLC or the Reorganized Debtors, as applicable. Also on the Effective Date, all outstanding DIP Credit Facility Letters of Credit shall be treated as follows: (a) if the Sale Transactions are implemented, the Purchaser shall either replace or secure each DIP Credit Facility Letter of Credit in accordance with the provisions of the DIP Credit Facility, or (b) if the Stand-Alone Transactions are implemented, all outstanding DIP Credit Facility Letters of Credit shall either be replaced or secured by letters of credit issued under the Exit Financing Facility in accordance with the provisions of the DIP Credit Facility. Upon the payment or satisfaction in full of all DIP Credit Facility Claims (a) all liens and security interests granted to secure such obligations shall be deemed terminated and shall be of no further force and (b) the lenders under the DIP Credit Facility shall take all reasonable action necessary to confirm the removal of any claims and liens on the properties of the Debtors securing the DIP Credit Facility.

Priority Tax Claims consist of all Claims of governmental units of the kind entitled to priority in payment under sections 502(i) and 507(a)(8) of the Bankruptcy Code. Unpaid Priority Tax Claims are estimated to be approximately $11,000,000. If the Sale Transactions are implemented (except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment), the Plan provides that each holder of an Allowed Priority Tax Claim shall receive from the Liquidating LLC (i) Cash in an amount equal to such Allowed Priority Tax Claim, to be paid on, or as soon as is reasonably practicable, after the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim.

---

[8] (...continued)
the Debtors to Lyric and/or Monarch for breach of the various IHS-Lyric Management Agreements; and (e) all liability of the Debtors to Lyric and/or Monarch for breach of any fiduciary duty owed by IHS or any of IHS's affiliates to Lyric or Monarch. Lyric and Monarch assert that these Administrative Expense Claims may total significantly more than $16,000,000 in the aggregate. The Debtors dispute all of the foregoing claims and believe that none of Lyric's Alleged Administrative Expense Claims will become Allowed. However, to the extent that they are ultimately Allowed, they will be obligations of the Purchased Subsidiaries pursuant to the Sale Agreement.

If the Stand-Alone Transactions are implemented (except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment), the Plan provides that each holder of an Allowed Priority Tax Claim shall receive, at the sole option of Reorganized IHS, either (i) Cash in an amount equal to such Allowed Priority Tax Claim, to be paid on or as soon as is reasonably practicable, after the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to six percent (6%), over a period not exceeding six (6) years after the date of assessment of such Allowed Priority Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course as such obligations become due.

F. Substantive Consolidation of the Debtors for Purposes of the Plan

Substantive consolidation is an equitable remedy which the bankruptcy court may be asked to apply in those Chapter 11 cases involving affiliated debtors. As contrasted with procedural consolidation,[9] substantive consolidation may affect the substantive rights and obligations of creditors and debtors. Substantive consolidation involves the pooling and merging of the assets and liabilities of the affected debtors; all of the debtors in the substantively consolidated group are treated as if they were a single corporate/economic entity. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group of debtors and issues of individual corporate ownership of property and individual corporate liability on obligations are ignored. However, substantive consolidation does not affect the debtors' separate corporate existence or independent ownership of property for any purposes other than for making distributions of property under a Plan or otherwise as necessary to implement such plan.

The Premiere Committee opposes substantive consolidation of the Debtors. The Premiere Committee will object, on behalf of the unsecured creditors of the Premiere Debtors, to any plan of reorganization that provides for substantive consolidation of the Premiere Debtors with the other Debtors. The Debtors, on the other hand, believe that substantive consolidation serves the best interests of the Premiere Debtors as well as the other Debtors, and that in the absence of substantive consolidation, the unsecured creditors of the Premiere Debtors would receive less than they will receive if the provisions of the Plan with respect to the substantive consolidation of the Premiere Debtors with the other Debtors become effective.

---

[9] Procedural consolidation is the administrative process (contemplated by Bankruptcy Rule 1015(b)) whereby the proceedings of two or more affiliated debtors are conducted as part of a single proceeding for the convenience of the bankruptcy court and parties in interest. Procedural consolidation does not affect the substantive rights of the debtors or their respective creditors and interest holders.

Entry of the Confirmation Order will constitute the approval, pursuant to section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors for all purposes related to the Plan including, without limitation, for purposes of voting, confirmation and distribution. For purposes of distributions on account of Allowed Claims in Classes 4 through 10, the Debtors will be considered to be a single legal entity. This substantive consolidation has three major effects. First, it eliminates intercompany claims from the treatment scheme. Second, it eliminates guarantees of the obligations of one Debtor by another Debtor. Finally, each Claim filed in Classes 4 through 10 against any of the Debtors will be considered to be a single Claim against the consolidated Debtors.

As set forth in Section VI.N.(3), the Premiere Committee contends that the Premiere Debtors' guaranty of the Senior Lender Agreements and the pledge of Premiere stock pursuant to the guaranty rendered the Premiere Debtors insolvent, were without consideration, and are avoidable as fraudulent conveyances. The Debtors do not believe these claims have merit, and the Debtors further believe that the low likelihood of success does not justify the cost of litigating these claims, which the Premiere Debtors may not have sufficient value to fund in any event.

Subject to the proviso contained at the end of this section, the Debtors believe that the substantive consolidation of their respective estates is warranted in light of the criteria established by the courts in ruling on the propriety of substantive consolidation in other cases. The two critical factors considered in assessing the entitlement to substantive consolidation are (i) whether creditors dealt with the Debtors as a single economic unit and did not rely on their separate identity in extending credit and (ii) whether the affairs of the Debtors are so entangled that consolidation will benefit all creditors. With respect to the first factor, creditors who make loans on the basis of the financial status of a separate entity expect to be able to look to the assets of their particular borrower for satisfaction of that loan. The second factor involves whether there has been a commingling of the assets and business functions and considers whether all creditors will benefit because untangling is either impossible or so costly as to consume the assets. The following is a discussion of these factors as they relate to the Debtors.

There is an ample factual basis for the substantive consolidation of the Debtors. First, IHS is the primary obligor and all the other Debtors are guarantors under the Senior Lender Agreements governing the Senior Lender Claims.

Second, the affairs of the Debtors are entangled to the extent that consolidation will benefit all creditors. The Debtors collectively provide nursing care, rehabilitation services and mobile x-ray and electrocardiogram services from hundreds of locations. In most cases, there is not a direct correlation between the names of the facilities and the names of the legal entities that technically own such facilities. This fact alone makes it very difficult for creditors to ascertain which Debtors they have a claim against. Moreover, due to the organization of their books and records, the Debtors filed with the Bankruptcy Court their statement of financial affairs, schedules of assets and liabilities, and schedules of executory contracts and unexpired leases on a consolidated basis.

With respect to the Premiere Debtors, the Premiere Committee contends that the affairs of the Debtors are not so entangled as to justify substantive consolidation. The

Premiere Committee does not believe that creditors of the Premiere Debtors had difficulty ascertaining which Debtors they have a claim against, or that the centralized cash management system or Debtors' choice to file Debtors' statement of financial affairs, schedules of assets and liabilities, and schedules of executory contracts and unexpired leases on a consolidated basis provide the level of entanglement required for substantive consolidation. The Debtors strongly dispute the Premiere Committee's position in that regard and intend to establish these and other ample grounds justifying substantive consolidation.

Finally, the business units of the Debtors operate in many respects as integrated units. For example, the Debtors participate in a centralized cash management system (which includes non-Debtor subsidiaries) which would make it extremely difficult to confirm a Plan for individual Debtors.

In view of the foregoing, the Debtors believe that creditors would not be materially prejudiced, if at all, by the deemed consolidation proposed in the Plan. The Debtors believe that such substantive consolidation is therefore appropriate herein.

The Premiere Committee believes that even if substantive consolidation might benefit creditors of the non-Premiere Debtors, it will materially and unfairly prejudice the unsecured creditors of the Premiere Debtors. The Debtors intend to disprove these contentions at the Confirmation Hearing.

Proviso. In the event the Plan is not confirmed or consummated, any and all statements made in this section about, and any and all evidence presented with respect to the appropriateness of the substantive consolidation of the Debtors into a single legal entity for all purposes related to the Plan, shall be deemed withdrawn by the Debtors and shall not constitute admissions with respect to the appropriateness of substantive consolidation of such entities.

G. Settlement and Compromise with the Federal Government

The Plan incorporates a settlement and compromise under Bankruptcy Rule 9019 between the Debtors and the United States.

The United States Department of Justice filed Claims against IHS and certain other Debtors, including claims for (1) alleged violations of Medicare regulations and the False Claims Act in the approximate amount of $41 million, plus $123 million in treble damages; and (2) $140 million in contractual indebtedness to the Department of Health and Human Services Health Care Financing Administration, arising from the Debtors' purchase of First American Health Care of Georgia, Inc. In an effort to compromise these Claims and other issues, the Debtors and the Department of Justice have negotiated ~~in principle~~ **the material terms of** the United States Settlement Agreement for the settlement of these Claims. **The Debtors are advised that the Assistant United States Attorneys representing the federal government in connection with the United States Settlement Agreement have recommended approval of such agreement to the Assistant Attorney General with the authority to enter into the agreement on behalf of the United States.** Pursuant to the terms of the United States Settlement Agreement, the Federal government will receive on the Effective Date a payment of

$19,100,000**, a portion of which will be set off against certain underpayments due to the Debtors,** in full settlement and satisfaction of the United States Claims.

The parties to the United States Settlement Agreement are IHS and certain affiliates, the Department of Justice, the Department of Health and Human Services and the Office of Inspector General for the Department of Health and Human Services. The United States will provide a release of all administrative and civil monetary claims under the False Claims Act, Civil Monetary Penalties Law, Program Fraud Civil Remedies, common law theories of payment by mistake, unjust enrichment, breach of contract, and fraud for the covered conduct in the settlement agreement. The United States will also release administrative claims as set forth in the U.S. Settlement Agreement. The United States Government will provide a release of its permissive administrative remedies for the covered conduct in the United States Settlement Agreement.

The Debtors intend to finalize and file the United States Settlement Agreement with the Plan Supplement no later than five (5) days prior to the Confirmation Hearing. Entry of the Confirmation Order will constitute a finding that this compromise and settlement is in the best interests of the Debtors, is fair, equitable, and reasonable, and is made in good faith in accordance with Bankruptcy Rule 9019.

H. Inter-Creditor Settlement between Holders of Senior Lender Claims and Certain Holders of Claims in Class ~~8~~ 9

The Plan also implements the IHS Noteholder Settlement between the holders of Senior Lender Claims and the two largest holders of subordinated indebtedness of IHS. Pursuant to the IHS Noteholder Settlement, holders of Claims in Class ~~8~~ 9 who vote to accept the Plan will be entitled to share in a distribution of Cash from the proceeds of the IHS Noteholder Settlement, which are currently being held in escrow pending substantial consummation of the Plan. The terms of the IHS Noteholder Settlement are described in Section VI.L below.

I. Securities Law Matters Relevant

The holders of the Senior Lender Claims and the holders of Allowed General Unsecured Claims will receive Plan Securities pursuant to the Plan. Section 1145 of the Bankruptcy Code provides certain exemptions from the securities registration requirements for federal and state securities laws with respect to the distribution of securities under a Plan.

1. Issuance and Resale of Plan Securities Under the Plan

Section 1145 of the Bankruptcy Code provides that the securities registration requirements of federal and state securities laws do not apply to the offer or sale of stock, warrants, or other securities by a debtor if (a) the offer or sale occurs under a Plan, (b) the recipients of securities hold a claim against, an interest in, or claim for administrative expense against the debtor, and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. In reliance upon this exemption, the issuance of the Plan Securities on the Effective Date as provided in the Plan generally will be exempt from the registration requirements of the Securities Act.

Accordingly, such securities may be resold without registration under the Securities Act or other federal securities laws pursuant to an exemption provided by section 4(1) of the Securities Act, unless the holder is an "underwriter" (see discussion below) with respect to such securities, as that term is defined in the Bankruptcy Code. In addition, such securities generally may be able to be resold without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the several states. However, recipients of securities issued under the Plan are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

Section 1145(b)(1) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer," (a) purchases a claim against, interest in, or claim for an administrative expense, with a view to distribution of any security received or to be received in exchange for the claim or interest, or (b) offers to sell securities offered or sold under a plan for the holders of such securities, or (c) offers to buy securities offered or sold under a plan from the holders of such securities and if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, the consummation of the plan, or the offer or sale of securities under the plan, or (d) is an issuer of the securities within the meaning of section 2(11) of the Securities Act.

The term "issuer" is defined in section 2(4) of the Securities Act; however, the reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "Control" (as defined in Rule 405 under the Securities Act) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a Plan may be deemed to be a "control person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of the securities of a reorganized debtor may be presumed to be a "control person."

To the extent that persons deemed to be "underwriters" receive Plan Securities Stock pursuant to the Plan, resales by such persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Entities deemed to be statutory underwriters for purposes of section 1145 of the Bankruptcy Code may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 under the Securities Act.

Under certain circumstances holders of New Common Stock and New Subordinated Notes deemed to be "underwriters" may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144. Generally, Rule 144 provides that if certain conditions are met (e.g., the availability of current public information with respect

to the issuer, volume limitations, and notice and manner of sale requirements), specified persons who resell "restricted securities" or who resell securities which are not restricted but which are owned by "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in section 2(11) of the Securities Act.

Pursuant to the Plan, certificates evidencing New Common Stock and New Subordinated Notes received by a holder of ten percent (10%) or more of the outstanding respective New Common Stock will bear a legend substantially in the form below in the event the Debtors reasonably believe such holder is an underwriter.

> **The securities evidenced by this certificate have not been registered under the Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction and may not be sold, offered for sale, or otherwise transferred unless registered or qualified under said act and applicable state securities laws or unless the company receives an opinion of counsel reasonably satisfactory to it that such registration or qualification is not required.**

Any person or entity that would receive legended securities as provided above may instead receive certificates evidencing New Common Stock and New Subordinated Notes without such legend if, prior to the Effective Date, such person or entity delivers to IHS (a) an opinion of counsel reasonably satisfactory to IHS to the effect that the New Common Stock to be received by such person or entity are not subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (b) a certification that such person or entity is not an "underwriter" within the meaning of section 1145 of the Bankruptcy Code.

Any holder of certificates of New Common Stock and New Subordinated Notes bearing such legend may present such certificates or notes to the transfer agent for the New Common Stock or New Subordinated Notes for exchange for one or more new certificates or notes not bearing such legend or for transfer to a new holder without such legend at such time as (a) such securities are sold pursuant to an effective registration statement under the Securities Act or (b) such holder delivers to Reorganized IHS an opinion of counsel reasonably satisfactory to Reorganized IHS to the effect that such securities are no longer subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act, in which event the certificates or notes issued to the transferee shall not bear such legend, unless otherwise specified in such opinion.

Whether or not any particular person would be deemed to be an "underwriter" of Plan Securities to be issued pursuant to the Plan, or an "affiliate" of Reorganized IHS, would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any such person would be such an "underwriter" or an "affiliate".

In view of the complex nature of the question of whether a particular person may be an underwriter or an affiliate of Reorganized IHS, the Debtors make no representations concerning the right of any person to trade in New Common Stock or New Subordinated Notes.

Accordingly, the Debtors recommend that potential recipients of such securities consult their own counsel concerning whether they may freely trade such securities.

2. Registration Rights Agreement

If the Stand-Alone Transactions are implemented, on the Effective Date, Reorganized IHS shall execute and deliver the Registration Rights Agreement obligating Reorganized IHS under certain circumstances to register the New Common Stock under the Securities Act, all as more fully set forth in the Registration Rights Agreement.

III.
Conditions Precedent to Confirmation and the Effective Date

1. Conditions to Confirmation.

Confirmation of the Plan will not occur unless each of the following conditions has been satisfied or has been waived in accordance with Section 9.4 of the Plan:

(a) The Confirmation Date shall occur on or prior to May 30, 2003.

(b) If the Debtors seek to have the Sale Transactions approved, the Sale Approval Order in form and substance satisfactory to the Debtors, the Purchaser, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been entered and shall have become a Final Order.

(c) If the Debtors seek to have the Stand-Alone Transactions approved, IHS shall have received a commitment for the Exit Financing Facility which is acceptable to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group.

2. Conditions Precedent to the Effective Date.

The Effective Date of the Plan will not occur unless each of the following conditions has been satisfied or has been waived in accordance with Section 9.4 of the Plan:

(a) The Confirmation Order, in form and substance reasonably satisfactory to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been issued and entered by the Bankruptcy Court and shall have become a Final Order.

(b) Either the conditions precedent to the Sale Transactions shall have occurred, or the conditions precedent to implementation of the Stand-Alone Transactions shall have occurred, each as set forth below.

(1) Conditions precedent to the Sale Transactions. The Sale Transactions shall not be implemented unless:

(A) each of the conditions to Closing (as defined in the Sale Agreement) under the Sale Agreement shall have been satisfied or waived in accordance with the provisions thereof; and

(B) each of the Sale Transaction Documents, in form and substance reasonably satisfactory to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been effected or executed.

(2) Conditions Precedent to the Stand-Alone Transactions. The Stand-Alone Transactions shall not be implemented unless:

(A) either (i) the conditions to Closing have not been satisfied by July 31, 2003 and the Sale Agreement is terminated, (ii) the Debtors have earlier determined that Purchaser will not proceed with a Closing under the Sale Agreement or (iii) the Sale Agreement is terminated; and

(B) each of the Stand-Alone Transaction Documents, in form and substance reasonably satisfactory to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been effected or executed, in which case, the Stand-Alone Transactions shall be implemented.

(c) All authorizations, consents, and regulatory approvals (if any) necessary to effectuate the Plan shall have been obtained.

(d) The Effective Date shall occur by July 31, 2003, or such later date as may be agreed to by the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group.

3. Effect of Failure of Conditions to Effective Date.

In the event the conditions specified in Section 9.2 of the Plan have not been satisfied or waived, and upon written notification submitted by the Debtors, the Creditors Committee or the Unofficial Senior Lenders' Working Group to the Bankruptcy Court, (a) the Confirmation Order shall be vacated; (b) no distributions under the Plan shall be made; (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred; and (d) all the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained herein or in the Plan shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other entity or to prejudice in

any manner the rights of the Debtors, the Creditors' Committee, the Unofficial Senior Lenders' Working Group or any other entity in any further proceedings involving the Debtors.

4. Waiver of Conditions

The Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group by unanimous consent, in their sole discretion, may waive, in whole or in part, any of the conditions to the effectiveness of the Plan. Any such waiver of a condition may be effected at any time, without notice or leave or order of the Bankruptcy Court and without any formal action, other than the filing of a notice of such waiver with the Bankruptcy Court.

IV.
Voting Procedures and Requirements

Detailed voting instructions are provided with the Ballot accompanying this Disclosure Statement. The following Classes are the only ones entitled to vote to accept or reject the Plan.

Class	Description
2	Secured Synthetic Lease Claims
3	Other Secured Claims
4	Senior Lender Claims
5	United States Claims
6	General Unsecured Claims
7	**Premiere Unsecured Claims**
8	1999 Insured Tort Claims
~~8~~ **9**	Settled Senior Subordinated Debt Claims

If your Claim is not in one of these Classes, you are not entitled to vote and you will not receive a Ballot with this Disclosure Statement. If your Claim is in one of these Classes, you should read your Ballot and follow the listed instructions carefully. Please use only the Ballot that accompanies this Disclosure Statement.

A. Vote Required for Acceptance by a Class

Under the Bankruptcy Code, acceptance of a plan or reorganization by a Class of claims is determined by calculating the number and the amount of claims voting to accept, based on the actual total claims voting. Acceptance requires an affirmative vote of a majority of the holders of claims of such Class voting and two-thirds in amount of the total claims of such Class voting.

B. Classes Not Entitled to Vote

Under the Bankruptcy Code, creditors and interest holders are not entitled to vote if their contractual rights are unimpaired by a plan or reorganization or if they will receive no property from the debtors' estates under a Plan. Based on this standard, the holders of Claims in Class 1 and the holders of Equity Interests in Class 12 are not being affected by the Plan, and are therefore deemed to accept the Plan. In addition, the holders of Claims in Classes 9, 10, and 11 and the holders of Equity Interests in Class 13 are not receiving any distribution from the Debtors' estates and are therefore deemed to reject the Plan.

C. Voting

In order for your vote to be counted, your vote must be received by the Voting Agent at the following address before the voting deadline of 5:00 p.m., Pacific Time, on [~~March~~ **April** __, 2003];

Voting Agent	
If by overnight delivery or hand delivery: **Poorman-Douglas Corporation** **10300 S.W. Allen Boulevard** **Beaverton, OR 97005**	If by standard mailing: **Poorman-Douglas Corporation** **P.O. Box 4230** **Portland, OR 97208**

If the instructions on your Ballot require you to return the Ballot to your bank, broker, or other nominee, or to an agent thereof, you must deliver your Ballot to them in sufficient time for them to process it and return it to the Voting Agent before the voting deadline. If a Ballot is damaged or lost, you may contact the Voting Agent at **(503) 350-4260**. Any Ballot that is executed and returned but which does not indicate an acceptance or rejection of the Plan will not be counted. Failure to timely deliver a properly completed Ballot will constitute an abstention.

D. Reservation of "Cram Down" Rights

The Bankruptcy Code permits the Bankruptcy Court to confirm a Chapter 11 plan over the dissent of any class of claims or equity interests as long as the standards in section 1129(b) of the Bankruptcy Code are met. This power to confirm a plan over dissenting classes – often referred to as "cram down" – is an important part of the reorganization process. It assures that no single group (or multiple groups) of claims or interests can block a restructuring that otherwise meets the requirements of the Bankruptcy Code.

The Debtors reserve the right to seek confirmation of the Plan notwithstanding the rejection or deemed rejection of the Plan by any Class. In the event a Class entitled to vote votes to reject the Plan, the Debtors may request the Bankruptcy Court to rule that the Plan meets the

requirements specified in section 1129(b) of the Bankruptcy Code with respect to such Class and proceed to confirmation. The Debtors may also seek such a ruling with respect to each Class that is deemed to reject the Plan.

V.
Business Description and Reasons for Chapter 11

IHS owns and operates the following healthcare businesses: (i) a Long-Term Care division ("LTC"), which provides inpatient long-term care services, primarily in skilled nursing facilities; and the Symphony division, which provides contract rehabilitation services and diagnostic and radiological services to other healthcare providers. LTC and the Symphony division are each described in greater detail below. As of December 1, 2002, IHS' healthcare businesses, in the aggregate, operated over 261 locations in 35 states and the District of Columbia with approximately 29,300 employees.

A. Long-Term Care

Long-term care is the largest source of revenue for IHS. It is anticipated that by the end of the first quarter of 2003, the long term care division will own, lease or manage in excess of 160 nursing homes and other facilities, as summarized in the table below.

	Owned	Leased	Managed	Total
Skilled Nursing Facilities	29	104	4	137
Assisted Living Facilities	3	1	---	4
Long Term Acute Care Hospitals	5	5	---	10
Hospice Programs	---	6	---	6
Rehabilitation Clinics	---	10	---	10
Total	37	126	4	**167**

IHS provides a wide range of basic medical services at its long-term care facilities, which are licensed as skilled care nursing facilities. Services provided to all patients include required nursing care, room and board, special diets, and other services which may be specified by a patient's physician who directs the admission, treatment and discharge of the patient. Inpatient services also include a wide array of rehabilitative therapies. In addition, IHS offers specialized subacute care programs at its facilities, including complex care ventilators, Alzheimer's care, wound management, subacute rehabilitation and hospice care.

1. Complex Care Program

IHS' complex care program is designed to treat persons who are generally subacute or chronically ill and sick enough to be treated in an acute care hospital. Persons requiring this care include post-surgical patients, cancer patients and patients with other diseases requiring long recovery periods. This program is designed to provide the monitoring and specialized care these patients require but in a less institutional and more cost efficient setting than provided by hospitals. Some of the monitoring and specialized care provided to these patients are apnea monitoring, continuous peripheral intravenous therapy with or without medication, continuous subcutaneous infusion, chest percussion and postural drainage, gastrostomy or naso-gastric tube feeding, ileostomy or fistula care (including patient teaching), post-operative care, tracheotomy care, and oral, pharyngeal or tracheal suctioning. Patients in this program also typically undergo intensive rehabilitative services to allow them to return home.

2. Ventilator Program

IHS' ventilator program is designed for persons who require ventilator assistance for breathing because of respiratory disease or impairment. Persons requiring ventilation include sufferers of chronic obstructive pulmonary disease, muscular atrophy and respiratory failure, pneumonia, cancer, spinal cord or traumatic brain injury, and other diseases or injuries which impair respiration. Ventilators assist or effect respiration in patients unable to breathe adequately for themselves by injecting heated, humidified, oxygen-enriched air into the lungs at a predetermined volume per breath and number of breaths per minute and by controlling the relationship of inhalation time to exhalation time. Patients in this program undergo respiratory rehabilitation to wean them from ventilators by teaching them to breathe on their own once they are medically stable. Patients are also trained to use the ventilators on their own.

3. Alzheimer's Disease/Dementia and Related Disorders Program

IHS' Alzheimer's program is designed to provide care for persons who have Alzheimer's disease or dementia and exhibit disturbances in their memory, behavior, social skills, language, sensory perception and muscle control. Persons suffering from these conditions experience impairment that ranges from forgetfulness to total impairment, on average, over a nine-year time frame. Alzheimer's disease/dementia destroys brain cells and brain function and therefore requires this specialized type of care that works with confused and frightened residents, helping to use their residual skills and adapting for gradual, continuous losses in skills and abilities. The Alzheimer's Renaissance Wing is a therapeutic residence, separate, secured, and specialized within an IHS nursing facility. It is designed to provide specialized therapeutic programming and superior nursing care to middle stage dementia residents. The environment is designed to ensure the safety of its residents, while promoting orientation and independence. The comfortable, home-like atmosphere of these residences help to stimulate past memories of family and allows the use of behavior management systems combined with intensive Alzheimer's/dementia programming and activities.

4 Wound Management Programs

IHS' wound management program is designed to treat persons suffering from post-operative complications and persons infected by certain forms of penicillin and other antibiotic resistant bacteria, such as methicillin resistant staphylococcus aureus. Patients infected with these types of bacteria must be isolated under strict infection control procedures to prevent the spread of the resistant. Because of the need for strict infection control, including isolation, treatment of this condition in the home is not practical.

5 Rehabilitation

IHS provides a comprehensive array of rehabilitative services for patients at all of its geriatric care facilities in order to enable those persons to return home. These services include respiratory therapy with licensed respiratory therapists, physical therapy with a particular emphasis on programs for the elderly, speech therapy, particularly for the elderly recovering from cerebral vascular disorders, occupational therapy, and psychiatric care. Rehabilitation services are instrumental in lowering the overall cost of care by reducing the length of a patient's stay and improving a patient's quality of life. IHS also offers rehabilitation programs, covering victims of strokes to persons who have undergone hip replacement.

6 Hospice Services

IHS provides hospice services, including medical care, counseling and social services, to the terminally ill through six locations in four states. Hospice care is a coordinated program of support services providing physical, psychological, social and spiritual care for dying persons and their families. Services are provided in the home and/or inpatient settings. The goal of hospice care is typically to improve a terminal patient's quality of life rather than trying to extend life.

7 Management of Facilities

The day-to-day operations of each long-term care facility are managed by an on-site state licensed administrator and an on-site business office manager who monitors the financial operations of each facility. The administrator of each facility is supported by other professional personnel, including the facility's medical director, social workers, dietician and recreation staff. Nursing departments in each facility are under the supervision of a director of nursing who is state-registered. The nursing staffs are composed of registered nurses, licensed practical nurses and nursing assistants.

B. Symphony

IHS, through Symphony Health Services, Inc. ("Symphony"), provides contract rehabilitation services to skilled nursing facilities, subacute centers, assisted living facilities, hospitals and other locations. Such services include physical, occupational, speech and respiratory therapies. Rehabilitation services are provided by approximately 5,100 employees who service approximately 1,700 contracts throughout the country. Respiratory services are performed by nearly 300 employees servicing approximately 80 contracts.

Symphony also provides on-call mobile x-ray and electrocardiogram services to facilities operated by others, as well as certain of its own facilities. These services are provided year-round by 435 employees to over 4,500 third-party facilities. In providing these services, IHS utilizes sophisticated computer equipment to transmit digitized x-ray images from the field directly to the radiologist. The technology allows a facility requesting an x-ray to receive written results of the diagnostic test within one hour of the patient test. The predominant market for IHS' diagnostic services includes patients in long-term care facilities, including subacute centers. In addition, services are provided in home health settings, correctional institutions and industrial sites.

C. Former IHS Business Lines

IHS formerly provided home respiratory services, durable medical equipment and home infusion therapy services and products through its wholly owned subsidiary, Rotech. Rotech ceased to be a wholly-owned subsidiary of IHS on March 26, 2002, when the Rotech Plan became effective, and upon such date, IHS ceased to provide the abovementioned services and products.

IHS formerly provided lithotripsy services and products through its wholly-owned subsidiary, Litho. IHS sold all of the outstanding shares of common stock of Litho held by it to Healthtronics Surgical Services, Inc. ("Healthtronics") on December 11, 2001. As a result, IHS no longer provides lithotripsy-related services and products.

D. Revenues Sources

IHS receives payments for services rendered to patients from private insurers and patients themselves, from the federal government under Medicare, and from the states in which certain of its facilities are located under Medicaid. The sources and amounts of IHS' patient revenues are determined by a number of factors, including licensed bed capacity of its facilities, occupancy rate, the mix of patients and the rates of reimbursement among payor categories (private, Medicare and Medicaid). IHS also contracts with private payors, including health maintenance organizations and other managed care organizations, to provide certain healthcare services to patients for a set per diem payment for each patient.

E. Personnel

As of December 1, 2002, IHS had approximately 29,300 full-time and regular part-time employees. Full-time and regular part-time service and maintenance employees at IHS' facilities, totaling approximately 28,600 employees, are covered by collective bargaining agreements. In addition, IHS' corporate staff consisted of approximately 700 people at such date. IHS believes its relations with its employees are good.

F. Events Leading to the Commencement of the Chapter 11 Cases

The principal reason for the commencement of the IHS Reorganization Cases was their liability under the Credit Agreement, which IHS was forced to default on in 1999 as a result of financial difficulties attributable primarily to governmental changes in the reimbursement of medical services. Such changes have had a material adverse impact on the healthcare industry as a whole and on IHS specifically, which ultimately was leveraged too highly to avoid commencement of the IHS Reorganization Cases.

The Debtors' financial difficulties are attributable to a number of factors. First, the federal government made fundamental changes to the reimbursement rates for medical services provided to eligible individuals. The changes have had a significantly negative impact on the healthcare industry as a whole and on the Debtors' cash flows. Second, the federal reimbursement rate changes have exacerbated a long-standing problem of less-than-fair reimbursement by the states for medical services provided to indigent persons. Third, numerous other factors have adversely affected the Debtors' cash flows, including increased labor costs and increased professional liability costs and insurance. Finally, as a result of declining governmental reimbursement rates and in the face of rising inflationary costs, the Debtors were too highly leveraged to service their indebtedness.

1. Medicare Reimbursement

The Health Insurance for Aged and Disabled Act (Title XVIII of the Social Security Act), known as "Medicare," is a broad federal program that provides certain hospital and medical insurance benefits to persons age 65 and older, certain persons under 65 qualifying as disabled and persons with end-stage renal disease, i.e. permanent kidney failure treated with dialysis or a transplant. Medicare includes three related health insurance programs: (i) hospital insurance ("Part A"), (ii) supplementary medical insurance ("Part B"); and (iii) a managed care option for beneficiaries who are entitled to Part A and enrolled in Part B ("Medicare+Choice" or "Medicare Part C"). The Medicare program is currently administered by fiscal intermediaries (for Part A and some Part B services) and carriers (for Part B) under the direction of the Centers of Medicare and Medicaid Services ("CMS", formerly the Health Care Financing Administration) of the Department of Health and Human Services ("HHS").

2. Prospective Payment Systems

Pursuant to the Balanced Budget Act of 1997 (the "BBA") and regulations promulgated by HHS, reimbursement under the Medicare program for skilled nursing facilities has changed from a cost-based retrospective reimbursement system to what is known as a prospective-payment system ("SNF PPS"). Under the SNF PPS, per diem payments are made to nursing home facilities for each resident. The SNF PPS features a case-mix adjustment system that uses data from a standardized clinical assessment tool. Data from this assessment tool are used to classify services into 44 patient resource utilization group ("RUG") categories based on the medical services and functional support the patient is expected to need. The payments received under SNF PPS are intended to cover virtually all services rendered to Medicare patients in skilled nursing facilities, including routine nursing care, most capital-related costs associated with an inpatient stay, and ancillary services such as respiratory therapy, physical therapy, and

speech therapy. However, the reimbursement rates under SNF PPS were not published until May 12, 1998, less than two months prior to the July 1, 1998 implementation of PPS, and were significantly lower than anticipated within the industry. The changes also resulted in the adoption of fee screen schedules which limit and "cap" reimbursement for Medicare Part B therapy services.

Since Medicare patients account for a substantial portion of the Debtors' revenues, this change has materially and adversely affected the financial condition of the Debtors. Among other effects, and despite efforts to reduce costs and otherwise adjust operations, the Debtors revenues fell short of the levels needed to service the debt under their respective debt instruments.

3. Post-BBA Adjustments to Medicare Reimbursement

On November 29, 1999, Congress passed the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act (the "Refinement Act"), which suspended the implementation of the cap on Medicare Part B services and provided for modest increases in the per diem rates paid to skilled nursing facilities for their sickest patients. In spite of the Refinement Act, the substantial reduction in reimbursement under the Medicare system has materially impaired many of the lines of business of the Debtors. Long-term care facilities now receive significantly less compensation for any given level of care. In many cases, reimbursement does not cover the direct cost of care (exclusive of overhead and capital costs).

On December 15, 2000, Congress passed the Medicare, Medicaid and SCHIP Improvement and Protection Act of 2000 ("BIPA") which, among other provisions, increased the nursing component of federal PPS rates by approximately 16.7% for the period April 1, 2001 through September 30, 2002. The legislation also changed the 20% add-on to 3 of the 14 rehabilitation RUG categories to a 6.7% add-on to all 14 rehabilitation RUG categories beginning April 1, 2001. The Part B consolidated billing provision of the Refinement Act will be repealed except for Medicare Part B therapy services, and the moratorium on the $1,500 therapy caps ~~will be~~ **was** extended through calendar year 2002.

The implementation of PPS has been identified as a significant factor affecting the commencement of Chapter 11 cases by five other national nursing home chains (Vencor, Sun Healthcare Group, Inc., Genesis Health Ventures, Inc., Mariner Post-Acute Network, Inc., and Mariner Health Group, Inc.), and the bankruptcy of numerous smaller nursing home companies.

4. Medicaid Reimbursement

Medicaid (Title XIX of the Social Security Act) is a medical assistance program jointly funded by federal and state governments and administered by each state pursuant to which benefits are available to certain categories of "indigent" patients. Each Medicaid program is administered by the applicable state welfare or social service agency. Although Medicaid programs vary from state to state, traditionally they have provided for the payment of certain expenses, up to established limits, at rates determined in accordance with each states' regulations. Most states pay prospective rates and have some form of acuity adjustment.

Although the amount of reimbursement varies significantly from state to state, in general, Medicaid payments are lower than the costs associated with treating Medicaid patients. Moreover, the BBA repealed the "Boren Amendment" federal payment standard for Medicaid payments to nursing facilities effective October 1, 1997. The Boren Amendment required that Medicaid payments to certain healthcare providers be reasonable and adequate in order to cover the costs of efficiently and economically operating healthcare facilities.

This imbalance between Medicaid rates and the costs of providing Medicaid patient care has been a chronic problem which, until the implementation of PPS, was partially offset by Medicare reimbursement rates. With the unanticipated and excessive reductions in Medicare reimbursement under PPS, the Debtors no longer had the ability to subsidize the treatment of their Medicaid patients while meeting their debt service obligations.

5. Debt Burden

The most significant portion of the growth of the Debtors was through acquisitions. Those acquisitions were financed through the sale of stock and the incurrence of a significant amount of senior and junior debt obligations. The amount of debt (leverage) incurred was based on revenue projections. Revenue projections were driven for the most part, by expected reimbursement from the Medicare and Medicaid programs. The negative impact from the implementation of PPS changed the level of debt of the Debtors from "moderate" to "excessive."

Following the completion of the acquisition of Rotech, IHS' primary debt obligations arose under the Credit Agreement, under which it was the borrower and primary obligor. The Debtors' obligations (other than those of IHS) stem from their guaranty of IHS' obligations under the Credit Agreement, as well as the grant of a security interest in the stock of all Debtors owned by any other Debtors. Despite substantial reductions in corporate overhead and operational changes, the Debtors simply were unable to repay such indebtedness in accordance with their respective terms.

VI.
Significant Events During the IHS Reorganization Cases

A. Filing and First Day Orders

On February 2, 2000, the Debtors filed their petitions under Chapter 11 of the Bankruptcy Code. On February 2, 2000, the Bankruptcy Court entered certain orders designed to minimize the disruption of the Debtors' business operations and to facilitate their reorganization.

- *Case Administration Orders.* These orders (i) authorized joint administration of the IHS Reorganization Cases, (ii) established interim compensation procedures for professionals, (iii) authorized the Debtors to file schedules and statements on a consolidated basis, and (iv) authorized the filing of a list of creditors without Claim amounts in lieu of a matrix.

- *Payments on Account of Certain Prepetition Claims.* The Bankruptcy Court authorized the payment of prepetition (i) wages, compensation, and employee benefits, (ii) sales and use taxes, (iii) claims of common carriers and warehousemen, (iv) claims of critical trade vendors, and (v) refunds to patients.

- *Business Operations.* The Bankruptcy Court authorized the Debtors to (i) comply with certain license and regulatory agency fee requirements, (ii) continue customer programs, (iii) continue prepetition premium obligations under workers' compensation insurance and all other insurance policies, and bonds relating thereto, (iv) maintain existing bank accounts and business forms, (v) continue their existing cash management system, (vi) employ certain investment guidelines, (vii) provide adequate assurance to utility companies, including the payment of certain prepetition claims, (viii) grant administrative expense status to undisputed obligations arising from the postpetition delivery of goods ordered in the prepetition period and make payment of such claims in the ordinary course of business, and (ix) maintain patient trust accounts.

B. Appointment of the Creditors' Committee

On February 15, 2000, the United States Trustee for the District of Delaware (the "United States Trustee"), pursuant to its authority under section 1102 of the Bankruptcy Code, appointed a statutory committee of unsecured creditors in the IHS Reorganization Cases.

The Creditors' Committee currently consists of the following eight (8) members:

Credit Suisse First Boston Corporation
11 Madison Avenue
New York, New York 10022

Deutsche Bank AG
New York Branch
31 West 52nd
7th Floor
New York, New York 10019

General Electric Capital Corporation
60 Long Ridge Road
Stamford, Connecticut 06927

Gulf South Medical Supply, Inc.
4345 Southpoint Blvd.
Jacksonville, Florida 32216

Oaktree Capital Management, LLC
333 South Grand Avenue
28th Floor
Los Angeles, California 90071

PharMerica*
175 Kelsey Lane
Tampa, Florida 33619

The Income Fund of America
333 South Hope Street
55th Floor
Los Angeles, CA 90071

U.S. Bank, N.A.
Corporate Trust Services
180 East Fifth Street
St. Paul, Minnesota 55101

* Chair

The Creditors' Committee retained Otterbourg, Steindler, Houston & Rosen, P.C., 230 Park Avenue, New York, New York 10169, and Klehr, Harrison, Harvey, Branzburg & Ellers LLP, 919 Market Street, Suite 1000, Wilmington, Delaware 19801, as its co-counsel. Prior to May 2002, the Creditors' Committee retained Arthur Andersen LLP as its financial advisor. Effective May 2002, the Creditors' Committee retained Eureka Capital Markets LLC as its replacement financial advisor. The Creditors' Committee has actively participated in all aspects of the IHS Reorganization Cases.

C. Formation of the Unofficial Senior Lenders' Working Group

Throughout the IHS Reorganization Cases, the Unofficial Senior Lenders' Working Group, an unofficial committee for holders of the Senior Lender Claims, has been actively involved in all aspects of the Debtors' reorganization cases.

The Unofficial Senior Lenders' Working Group currently consists of the following five (5) members:

Oaktree Management, LLC
333 South Grand Avenue
28th Floor
Los Angeles, CA 90071

Goldman Sachs & Co.
85 Broad Street
New York, NY 10004

General Electric Capital Corporation
60 Long Ridge Road
Stamford, CT 06927

Deutsche Bank AG New York
32 West 52nd Street, 7th Floor
New York, NY 10019

Franklin Mutual Advisors
51 JFK Pkwy
Short Hills, NJ 07078

D. Appointment of the Premiere Group Creditors' Committee

On January 4, 2002, pursuant to an Order of the Bankruptcy Court dated December 26, 2001, the United States Trustee appointed an additional official committee of unsecured creditors (the "Premiere Group Creditors' Committee") for Premiere Associates, Inc., and its direct and indirect subsidiaries (the "Premiere Group"), which are Debtors. The circumstances giving rise to the appointment of the Premiere Group Creditors' Committee are discussed in subsection N.3 below.

The Premiere Group Creditors' Committee currently consists of the following three (3) members:

Great Oaks Nursing Home, Inc.
P.O. Box 397
Roswell, GA 30077

Healthcare Services Group, Inc.
3220 Tillman Drive
Bethlehem, PA 19020

Angell Care Inc., Bermuda Village Limited Partnership (Chair)
6000 Meadowbrook Mall
Suite 27
Clemmons, NC 27012

The Premiere Group Creditors' Committee retained Blanco Tackaberry Combs & Matamoros, P.C., Stratford Point Building - 5th Floor, Winston-Salem, NC 27114-5008, and The Bayard Firm, 222 Delaware Avenue Suite 900, P.O. Box 25130, Wilmington, Delaware 19899, as its attorneys, and BDO Seidman, 330 Madison Avenue, New York, New York 10017, as its financial advisor.

E. The Initial DIP Credit Facility and the Replacement DIP Credit Facility

On March 6, 2000, the Bankruptcy Court approved up to $300 million in financing under a Secured Super-Priority Debtor-In-Possession Revolving Credit Agreement, dated as of February 3, 2000, among IHS, as borrower, and Citicorp USA, Inc., as agent, and the lenders party thereto (the "Initial DIP Credit Facility"). The obligations of IHS under the Initial DIP Credit Facility were guaranteed by all of the Debtors, as well as the Rotech Debtors, and were secured by substantially all the assets of all of the Debtors and the Rotech Debtors. The Initial DIP Credit Facility provided for maximum borrowings based upon a borrowing base. In January 2001, IHS voluntarily reduced the Initial DIP Credit Facility to $200 million.

The Initial DIP Credit Facility would have terminated by its terms on February 3, 2002, but was extended, pursuant to an amendment approved by the Bankruptcy Court on January 24, 2002, to the earlier of May 3, 2002 and the effective date of the Rotech Plan (which ultimately occurred on March 26, 2002).

Prior to the Rotech Debtors' emergence from Chapter 11, the Rotech Debtors provided a major source of creditworthiness for the IHS. In recognition of the fact that the Debtors would require their own sources of working capital and other funds following the consummation of the Rotech Plan, the Debtors conditioned the effectiveness of the Rotech Plan on, among other things, the procurement of an acceptable amendment to, or replacement of the Initial DIP Credit Facility.

By Order dated March 21, 2002, the Bankruptcy Court approved a Secured Super-Priority Debtor-In-Possession Revolving Credit Agreement, dated as of March 21, 2002, among IHS, as borrower, The CIT Group/Business Credit, Inc., as Administrative Agent and Lender, CapitalSource Finance LLC, as Collateral Agent and Lender, and the lenders party thereto (the "Replacement DIP Credit Facility"). The Replacement DIP Credit Facility provides for maximum borrowings of up to $75,000,000 in the aggregate, of which $50,000,000 is available for letters of credit, subject to certain conditions precedent, based upon a borrowing base. The Replacement DIP Credit Facility terminates on the earlier of March 21, 2003 or the Effective Date of the Plan. The obligations of IHS under the Replacement DIP Credit Facility are guaranteed by all of the Debtors and are secured by substantially all the assets of all of the Debtors.

F. Claims Process and Bar Date

1. Schedules and Statements

On May 22, 2000, the Debtors filed with the Bankruptcy Court their statements of financial affairs, schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and schedule of Equity Security holders, each of which, other than the schedule of equity security holders, was prepared on a consolidated basis, as authorized by order of the Bankruptcy Court dated April 17, 2000.

2. Bar Date

By an order dated June 23, 2000, the Bankruptcy Court fixed August 29, 2000, at 4:00 p.m. (Eastern Daylight Savings Time) as the date and time by which proofs of claim were required to be filed in the IHS Reorganization Cases, except that, pursuant to section 502(b)(9) of the Bankruptcy Code and Bankruptcy Rule 3002(c)(1), governmental entities were required to file proofs of claim on or before July 31, 2000, at 4:00 p.m. (Eastern Daylight Savings Time). In accordance with the order fixing the bar date, notices informing creditors of the last date to timely file proofs of claims, and a "customized" proof of claim form, reflecting the nature, amount, and status of each creditor's claim as reflected in the schedules of assets and liabilities, were mailed to all creditors listed on the schedules of assets and liabilities. In addition, consistent with that order the Debtors caused to be published in the national editions of *The Wall Street Journal*, *The New York Times* and *USA Today* a notice of the last date to timely file proofs of claim.

G. Appointment of Restructuring Experts

On September 8, 2000, the Court entered an Order (the "September 8 Order"), approving, with modification, the terms of a letter agreement dated July 25, 2000 (as modified by the September 8 Order, the "Letter Agreement") among IHS, Alvarez & Marsal, Inc. ("A&M"), and Joseph A. Bondi ("Bondi"). Pursuant to the Agreement, the Debtors were authorized to employ Bondi as Chief Restructuring Officer of IHS until the anticipated departure of IHS' then-Chief Executive Officer Robert N. Elkins, and as Chief Executive Officer of IHS thereafter. The Debtors also were authorized to employ two other A&M personnel, Guy Sansone and William Johnsen (collectively with Bondi, the "Officers").

The Letter Agreement originally provided a compensation package for the Officers that included: (i) a monthly fee of $275,000; (ii) an "Earnings Bonus" in the minimum amount of $2 million, subject to upward adjustment based upon the Debtors' achievement of certain EBITDA thresholds calculated at confirmation; and (iii) a "Plan Bonus" of up to $500,000 (contingent upon achieving plan confirmation by September 1, 2001), subject to a downward sliding scale of $83,333 per month, which eliminated the Plan Bonus if confirmation was not achieved by February 28, 2002. The Bankruptcy Court subsequently approved an amendment of the Letter Agreement on June 12, 2001, which modified the foregoing EBITDA thresholds and timing provisions. A second amendment to the Letter Agreement was approved by the Bankruptcy Court on June 6, 2002, pursuant to which the Officers' monthly fee was reduced to $225,000, and the timing of the Officers' entitlement to the Plan Bonus was extended, such that the Officers may earn a Plan Bonus of up to $500,000 (contingent upon the Debtors' filing of a plan that has the support of Creditors' Committee prior to September 30, 2002), subject to a downward sliding scale of $83,333 per month, which eliminates the Plan Bonus if such plan is first filed subsequent to March 30, 2003.

H. Key Employee and Executive Retention Programs

The Debtors have established a retention program for key employees, which was approved by the Bankruptcy Court by two Orders dated June 21, 2000, and January 22, 2001, respectively, as part of a comprehensive retention program for key employees of all of the Debtors. The retention program is designed to encourage key employees of IHS to continue to provide integral management and other necessary services to the Debtors throughout the reorganization process, until the Debtors emerge from Chapter 11.

Pursuant to the retention program, a maximum amount of approximately $12,247,000 in retention bonus payments were available for all qualifying key employees of the Debtors. Qualifying key employees of the Debtors receive stay bonuses in amounts generally ranging from 25% to 100% of each such employee's salary, payable in three installments due August 2, 2000, February 2, 2001, and within 30 days of the Effective Date of the Plan.

I. Settlement with Former Chief Executive Officer

On January ~~12~~ 5, 2001, the Bankruptcy Court approved an agreement between IHS and Dr. Robert N. Elkins, IHS' co-founder and former Chief Executive Officer (the "Elkins Settlement Agreement"), pursuant to which Dr. Elkins resigned as an officer and director of IHS, his employment agreement was terminated and he surrendered his equity interests in IHS. Dr. Elkins beneficially owned approximately 8.1% of the outstanding common stock of IHS.

Pursuant to the terms of the Elkins Settlement Agreement, IHS paid Dr. Elkins $1,494,000 upon his resignation from IHS. Dr. Elkins agreed that, for a period of three years, he would not compete with the Debtors, he would not solicit the Debtors' employees and he would hold trade secrets in confidence.

Also pursuant to the terms of the Elkins Settlement Agreement, all outstanding principal and accrued interest on loans made by the Debtors to Dr. Elkins to allow him, among other things, to purchase stock, exercise stock options and pay taxes associated with stock option exercises, which unamortized balance aggregated approximately $24,090,000 at December 31, 2000, was forgiven, and IHS paid the payroll withholding tax obligations to the appropriate tax authorities for the account of Dr. Elkins an amount equal to his federal and state employment tax liability due as a result of the forgiveness of the loans.

The Debtors released Dr. Elkins, his family, and certain other entities from all claims they may have against such parties, other than claims giving rise to a loss from wrongful acts defined in IHS' director and officers' insurance policies (but only to the extent of the coverage under such policy), conduct constituting criminal fraud and Dr. Elkins' obligations under the agreement. Dr. Elkins and certain other released parties released the Debtors from all claims they may have against them. IHS obtained an option to acquire Dr. Elkins' interest in Monarch Properties, LLC for one dollar, which it exercised on or about March 26, 2002.

To the extent that the Debtors have any ongoing obligations under the Elkins Settlement Agreement, such obligations will become obligations of either the Liquidating LLC.,

if the Sale Transactions are implemented, or the Reorganized Debtors, if the Stand-Alone Transactions are implemented.

J. Rotech Debtors' Emergence from Bankruptcy

On November 20, 2001, the Rotech Debtors filed the Rotech Plan and an accompanying disclosure statement with the Bankruptcy Court, both of which were subsequently amended. By Order dated February 13, 2002, the Bankruptcy Court confirmed the Rotech Plan, which became effective on March 26, 2002. Upon the effectiveness of the Rotech Plan, the Rotech Debtors emerged from their Chapter 11 proceedings as separate and independent operating companies no longer affiliated with IHS.

K. The IHS-Rotech Settlement Agreement

In connection with the Rotech Plan, the Debtors and the Rotech Debtors entered into a settlement agreement, notice of which was served upon all known creditors of the Debtors. The IHS-Rotech Settlement Agreement was approved by the Bankruptcy Court pursuant to Bankruptcy Rule 9019 on February 13, 2002. Pursuant to the IHS-Rotech Settlement Agreement, the Debtors and the Rotech Debtors agreed to release their claims against each other, ~~and~~ **for** $45,000,000 in Cash, **subject to adjustment based on a formula contained in the settlement agreement** which was distributed to IHS on the Effective Date of the Rotech Plan~~, subject to adjustment based on a formula contained in the settlement agreement~~. In addition, the remainder of the Debtors' and Rotech Debtors' collective Cash on hand was retained by IHS. The Debtors and Rotech Debtors released all intercompany Claims against each other such that (a) the Debtors released their prepetition claims against the Rotech Debtors which aggregated approximately $495 million; and (b) the Rotech Debtors released their Administrative Expense Claims against the Debtors aggregating approximately $79 million. The holders of the Senior Lender Claims agreed to and did reduce their aggregate Claims against the Debtors by $1 billion, in recognition of the estimated value received by them pursuant to the Rotech Plan.

L. IHS Noteholder Settlement

In connection with the confirmation of the Rotech Plan, the holders of Senior Lender Claims and the two largest holders of Claims in Class ~~8~~ **9** entered into the IHS Noteholder Settlement. The IHS Noteholder Settlement involves a settlement of issues arising out of the IHS Reorganization Cases, and in particular, the language of the subordination provisions of the indentures for the Settled Subordinated Debt Claims in Class ~~8~~ **9**. Pursuant to the IHS Noteholder Settlement, the holders of the Senior Lender Claims agreed to fund a settlement, for the benefit of Class ~~8~~ **9**, with a portion of the Cash distributions to which they were entitled under the Rotech Plan. The terms of the IHS Noteholder Settlement are described below.

(1) Under the IHS Noteholder Settlement, as of the confirmation date of the Rotech Plan, the Majority Holders were deemed to have agreed to the IHS Noteholder Settlement. Pursuant to the IHS Noteholder Settlement, on March 26, 2002, the Rotech Debtors deposited the IHS Noteholder Payment (as defined below) into the IHS Noteholder Escrow Account (as defined below).

On the IHS Noteholder Payment Date (as defined below), the IHS Noteholder Escrow Agent will pay the IHS Noteholder Payment, plus all interest and earnings thereon, (x) first to Majority Noteholder Counsel in an amount equal to such Majority Noteholder Counsel's fees and expenses not in excess of $200,000 (it being understood and agreed that Majority Noteholder Counsel need not file any fee application in respect thereof with the Bankruptcy Court), (y) then to reimburse the Indenture Trustee for its reasonable fees and expenses to the extent permitted by the IHS Indentures and (z) then to the IHS Noteholders as their respective interests may appear.

(2) Subrogation and waiver. As between the IHS Noteholders and the holders of Senior Lender Claims, the payment described in the second sentence of paragraph (1) above will be deemed to be in full and complete satisfaction of all claims of IHS Noteholders against the Debtors under or in respect of the IHS Notes or the IHS Indentures provided, however, that upon the occurrence of such payment, the holders of Senior Lender Claims shall be subrogated to, and entitled to assert, the claims of the IHS Noteholders against the Debtors pursuant to the terms and provisions in each IHS Note Indenture concerning the subordination of the IHS Noteholders' claims to the Senior Lender Claims, as if no such payment and satisfaction had occurred. The acceptance of the Rotech Plan by the holders of Senior Lender Claims, and their receipt of distributions under the Rotech Plan, constituted (without necessity of further action by such holders or any other person or entity) the agreement by all such holders to the provisions of the IHS Noteholder Settlement and the waiver by all such holders of such subordination terms and provisions to the extent necessary to allow the IHS Noteholders to receive and retain, and not pay over to the holders of Senior Lender Claims, the IHS Noteholder Payment.

(3) Condition. The payment described in paragraph (1) above is subject to the condition that the Majority Noteholders will (a) subject to the satisfaction of section 1125 of the Bankruptcy Code, vote their IHS Note Claims to accept an Acceptable IHS Plan and (b) neither file or prosecute, nor authorize or direct the IHS Indenture Trustee to file or prosecute, with the Bankruptcy Court (x) an objection to an Acceptable IHS Plan or (y) a motion seeking the appointment of a Chapter 11 trustee for IHS or the conversion of the IHS Chapter 11 case to a case under Chapter 7 of the Bankruptcy Code (it being understood and agreed that this paragraph 3(b) shall not be deemed to refer to any such objection or motion filed or prosecuted by the Creditors' Committee (with or without the Majority Noteholders' support)).

(4) Definitions. As used in this section, the following terms have the meanings ascribed thereto: (a) "Acceptable IHS Plan" means a Plan of IHS that complies with applicable law and as to which no less than ten days prior to the voting deadline therefor Citibank, N.A. (or its successor), in its capacity as Agent for the holders of Senior Lender Claims, advises the Majority Noteholders in writing (with a copy to Majority Noteholder Counsel) that the Banks support such plan, (b) "IHS Indenture Trustees" means U.S. Bank National Association and Signet Trust Company (and their successors and assigns) in their capacity as indenture trustees for the IHS Noteholders, (c) "IHS Indentures" means (x) the Indenture between IHS, as issuer of the $450,000,000 in original principal amount of 9½% Senior Subordinated Notes due 2007, and U.S. Bank National Association (successor trustee for First Union National Bank of Virginia) dated as of May 30, 1997, as amended), (y) the Indenture between IHS, as issuer of $500,000,000 in principal amount of the 9¼% Senior Subordinated Notes due 2008,

and U.S. Bank National Association (successor trustee for First Union National Bank of Virginia) dated as of September 11, 1997, as amended, and (z) the Indenture between IHS, as issuer of $150,000,000 in principal amount of the 10¼% Senior Subordinated Notes due 2008, and Signet Trust Company, as trustee, dated as of May 15, 1996, (d) "IHS Noteholder Escrow Account" means an escrow or other similar account established with the IHS Indenture Trustee for the benefit of the IHS Noteholders pursuant to an escrow agreement in form and substance reasonably satisfactory to the Debtors, the IHS Noteholder Escrow Agent and the Majority Noteholders, (e) "IHS Noteholder Escrow Agent" means U.S. Bank National Association, (f) "IHS Noteholder Payment" means $27,700,000, (g) "IHS Noteholder Payment Date" means the earlier to occur of (x) the substantial consummation of a Plan of IHS and (y) the conversion of the Chapter 11 case of IHS to a case under Chapter 7 of the Bankruptcy Code, (h) "IHS Noteholders" means the holders of IHS Notes, (i) "IHS Notes" means the notes, bonds, debentures and similar instruments issued under the IHS Indentures, (j) "Majority Noteholders" means Capital Research and Management Company ("Cap Re") and Credit Suisse First Boston ("CSFB") (or their respective affiliates) in their respective capacities as holders of IHS Notes, and their successors or assigns, and (k) "Majority Noteholder Counsel" means Wachtell, Lipton, Rosen & Katz as counsel to Cap Re and CSFB in their respective capacities as holders of IHS Notes.

(5) Miscellaneous.

(A) Cap Re and CSFB executed and delivered "lock- up" agreements confirming their agreement to the terms of the IHS Noteholder Settlement and their agreement not to sell their IHS Notes unless the purchaser executes a substantially similar "lock-up" agreement.

(B) Unless otherwise agreed to by the Majority Noteholders, (i) no term or provision of the Plan, of any Plan of the IHS Debtors, or of any order entered by the Bankruptcy Court, will modify, amend or supersede the foregoing paragraphs and (ii) all plans of reorganization for the IHS Debtors (x) will contain terms consistent with the foregoing paragraphs and (y) may contain terms providing that only those IHS Noteholders who vote to accept such plan will receive their pro rata share of the IHS Noteholder Payment (with the portion thereof otherwise allocable to IHS Noteholders who do not so vote, being distributed to Citibank, N.A., as Agent for the holders of Senior Lender Claims) (it being understood and agreed that if the Bankruptcy Court declines to confirm such plan with such treatment, then such plan will be modified to provide that all IHS Noteholders receive their pro rata share of the IHS Noteholder Payment, irrespective of whether they voted to accept or reject the plan).

M. Sale of Assets During the Chapter 11 Cases

1 Sale of Lithotripsy Division

On December 11, 2001, IHS consummated the sale of all of the outstanding stock of its wholly-owned subsidiary, Litho, to Healthtronics. Litho, along with its direct and indirect subsidiaries, constituted IHS' lithotripsy line of business. Pursuant to the agreement governing the sale, IHS received $42,500,000 in exchange for the Litho stock and agreed to indemnify Healthtronics until December 11, 2002 for the breach of any representation, warranty, covenant, agreement or obligation to be performed or complied with by IHS.

2 Sale of APS Interests

On April 29, 2002, the Debtors consummated the sale of their interests in APS Enterprises Holding Company, Inc. ("APS"), a company which distributes medications for patients with chronic health disorders. The Debtors' interests in APS consisted of (a) twenty percent (20%) of the issued and outstanding common stock of APS and (b) an interest-bearing promissory note issued by APS in the original principal amount of $6,500,000. Pursuant to a sale agreement approved by the Bankruptcy Court on March 21, 2002, the Debtors sold these interests to US Bioservices Corporation, in exchange for consideration of $12,000,000 in cash, which amount is subject to upward adjustment under certain limited circumstances.

3 Facility Divestitures

Throughout their Chapter 11 cases, the Debtors have continuously reviewed their portfolio of long term care facilities to determine whether divestiture of any such facilities would enhance the value of the estates. In doing so, the Debtors have sold 45 of their owned facilities and transferred the operations of 126 leased facilities to landlords or third party operators. In some cases, the estates have realized positive value from these divestitures; in others, facilities were transferred for minimal or no consideration because their negative value and continued liability accruals were burdensome to the Debtors' estates.

4 Rotech

In addition to the foregoing divestitures, each of the Rotech Debtors emerged from bankruptcy as a separate company on March 26, 2002, and are no longer affiliated with IHS.

N. Pending Litigation

1 Professional and General Liability Claims

(a) *Insurance Coverage and Exposure for Prepetition Professional and General Liability Claims.* Prior to the Commencement Date, the Debtors and/or persons or entities the Debtors indemnify, were defendants or potential defendants in claims of the type that are covered by IHS' prepetition general and professional insurance policies, including lawsuits or notices of intent to sue which alleged personal injury, wrongful death, advertising injury,

products liability, property damage and other similar allegations against the Debtors (the "Insured Claims"). Most Insured Claims that existed on the Commencement Date remained unresolved and were either pending in state and federal courts nationwide or were still in pre-suit status. The Debtors dispute the allegations contained in the remaining Insured Claims and intend to vigorously defend the same and/or seek resolution through informal negotiation or through mediation as required by the state or federal court where the Insured Claim is pending.

(b) *Litigation With Reliance Over Coverage for 1999 Insured Tort Claims.* As discussed above at Section II.D.6, prior to the Commencement Date, IHS maintained the Reliance Policy -- a matching deductible insurance policy with Reliance for professional and general claims arising in 1999. In the view of IHS, the Reliance Policy provides coverage of $2,000,000 per incident for professional liability claims and $1,000,000 per incident for general liability claims, with an aggregate coverage limit of $9,000,000. Under the Reliance Policy, IHS is subject to deductibles in the same amounts as the coverage limits. Approximately $7,600,000 of the $9,000,000 aggregate coverage limit and matching deductible amount remains unpaid as of the date of this Disclosure Statement.

On October 3, 2001, the Commonwealth Court found Reliance to be insolvent and entered an Order of Liquidation for Reliance. M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, was named as the Reliance Liquidator. On or about September 20, 2002, IHS filed the Reliance Action to resolve certain disputes between the Reliance Liquidator and the Debtors with respect to the Reliance Policy. In the Reliance Action, IHS seeks a declaration that the Reliance Policy provides total coverage of $9,000,000. The Reliance Liquidator maintains that the aggregate policy limit is only $4,500,000. In addition, IHS seeks a declaration that, notwithstanding the matching deductible feature of the policy, the Reliance Policy obligates Reliance to pay claims and defense costs for covered claims, both because IHS is insolvent and because IHS provided Reliance with certain collateral for the deductible obligations of IHS under the Reliance Policy and under certain other insurance policies issued to IHS by Reliance. The Reliance Liquidator has thus far refused to pay any claims or defense costs covered by the Reliance Policy.

The part of the 1999 Unpaid Deductible Amount, if any, that will be available for payment of Allowed Class ~~7~~ **8** Claims will depend upon the ultimate resolution of the foregoing issues and other issues raised in the Reliance Action, as well as issues that may be resolved in the Bankruptcy Court. Moreover, because Reliance is in liquidation and may not have sufficient assets to satisfy its policy obligations in full, the amount of proceeds available to pay 1999 Tort Claims may also depend upon the extent, if any, to which claims under the Reliance Policy are deemed to be general unsecured claims against the Reliance liquidation estate. Any part of the 1999 Unpaid Deductible Amount that is recovered from Reliance or the Reliance Liquidator will be deposited by the Liquidating LLC into the 1999 Insured Tort Claims Escrow. If Debtors recover less than the full amount of the 1999 Unpaid Deductible Amount, holders of Allowed Class ~~7~~ **8** Claims will not recover 100% of the Allowed amount of their Claims.

(c) *Insurance Coverage and Exposure for Postpetition Professional and General Liability Claims.*

Since the Commencement Date, the long-term care industry has experienced an increasing trend in the number and severity of PLGL Claims asserted against service providers which is likely a result of the increasing number of large judgments against long-term care providers in recent years resulting in an increased awareness by plaintiffs' lawyers of potentially large recoveries.

For periods since the Commencement Date through November 30, 2002, 1,037 PLGL ~~claims~~ **Claims** have been asserted by tort plaintiffs against various Debtors, with estimated incurred losses of $101 million. Additional claims are expected to be reported in future periods for the reported years, and the settlement judgments and defense costs of the currently asserted claims may increase. During 2000 and 2001, IHS maintained insurance policies that provided for insurance in excess of retained losses. Losses are retained up to $2 million per claim, subject to an aggregate limit of $14 million in 2001 and $12 million in 2000. The excess policy limits are $100 million in 2000 and $25 million in 2001. In negotiating the term of the Sale Agreement, IHS and the Purchaser estimated the uninsured exposure in the range of $130 million.

If the Sale Transactions are implemented, the Debtors' liability for postpetition PLGL Claims which exceed their insurance coverage will be assumed by the Purchaser pursuant to the Sale Agreement. If the Stand-Alone Transactions are implemented, the Reorganized Debtors expect to be able to pay these claims in the ordinary course of business for less than the cost of obtaining insurance coverage for such claims.

2. *Compensation Action*

By Order dated January 24, 2002, the Bankruptcy Court authorized the Creditors' Committee to commence a civil action (the "Compensation Action"), on behalf of the Debtors' estates, against certain current and former members of the Board of Directors of IHS. The Compensation Action asserts claims arising out of certain compensation arrangements between 1997 and 2000, including, without limitation, the issuance of millions of dollars in loans to senior officers and executives of IHS, which were subsequently forgiven by their terms.

The claims being asserted in the Compensation Action allege, among other things, that the members of the Board of Directors of IHS breached their fiduciary duties in approving the compensation transactions described therein. The defendants in the Compensation Action believe that the damages arising from the claims relating to the compensation transactions are covered in whole or in part by the Debtors' directors' and officers' liability insurance (the "D&O Policy"). The Creditors' Committee also believes that the claims asserted in the Compensation Action are covered by the D&O Policy. The Debtors' insurance carriers have challenged the assertion of coverage, and the defendants and the insurance carrier are in litigation to resolve the coverage dispute.

The Compensation Action is **currently** pending before the Bankruptcy Court. The Creditors' Committee has moved the District Court to withdraw the reference from the

Bankruptcy Court and the defendants have moved to dismiss the Complaint or, in the alternative, seek that the Bankruptcy Court abstain from hearing the case. Pursuant to the Plan, to the extent the Compensation Action is not adjudicated or otherwise resolved prior to the Effective Date, it will be prosecuted by ~~post-confirmation committee~~ **the Post-Confirmation Committee**, which will disburse any **net** recoveries thereunder to the ~~Liquidation LLC which administer~~ **Liquidating LLC or the Reorganized Debtors, as applicable, which shall distribute**such recoveries pursuant to the terms of the ~~Liquidating LLC Agreement. Discussion Topic Separate Account to distribution of proceeds?~~ **Plan.**

3. *Premiere Avoidance Action* ***and Premiere Action Against Current and Former Officers and Directors of the Premiere Debtors***

On January 4, 2002, pursuant to an Order of the Bankruptcy Court dated December 26, 2001, the United States Trustee appointed an additional official committee of unsecured creditors (the "Premiere Committee") for the Premiere Debtors. On January 9, 2002, the Premiere Committee filed two motions (the "Premiere Motions") in the Bankruptcy Court, pursuant to which it sought authority to commence and prosecute certain actions on behalf of the Debtors' estates. Specifically, the Premiere Committee sought to commence an adversary proceeding against the holders of Senior Lender Claims to avoid the guaranty obligations of the Premiere Debtors for IHS' prepetition indebtedness under the Credit Agreement, pursuant to section 544 of the Bankruptcy Code and state fraudulent conveyance law. In addition, the Premiere Committee sought to commence and prosecute an action against certain current and former officers and directors of the Premiere Debtors, asserting claims of personal liability for causing the Premiere Debtors to be bound by the guaranty of the Credit Agreement.

IHS acquired the stock of Premiere and its direct and indirect subsidiaries (the "Premiere Debtors") through a merger between Premiere and an IHS subsidiary in June, 1998. The Premiere Committee believes that the Premiere Debtors were solvent and profitable at the time of the merger. Two months following the merger, the Premiere Debtors guaranteed the $2.1 billion Credit Agreement, which guaranty is secured by a pledge of the Premiere Debtors' stock. The Premiere Committee contends that the guaranty rendered the Premiere Debtors insolvent, and that the Premiere Debtors received no consideration, or inadequate consideration, in exchange for the guaranty and stock pledge. The Premiere Committee believes that if the adversary proceeding to avoid the guaranty obligations of the Premiere Debtors is ultimately successful, the unsecured creditors of the Premiere Debtors may be paid either in full, or at least substantially more than if their claims pool is diluted by the Senior Lender Claims and the unsecured claims of all of the non-Premiere Debtors' other unsecured creditors. After formation of the Premiere Committee, the Court authorized the Premiere Committee to employ BDO Seidman as its financial advisor. BDO Seidman conducted an extensive analysis of the potential avoidability of the Premiere Debtors' guaranty obligations under the Senior Lender Agreements. Based on the BDO Seidman analysis, the Premiere Committee concluded that the guaranty obligations of the Premiere Debtors and the stock pledge are avoidable as fraudulent conveyances. In addition, the Premiere Committee assessed the risks and potential benefits of pursuing both actions and concluded that the claims were worthy of pursuit.

The Premiere Committee's adversary proceeding against certain former and current officers and directors of the Premiere Debtors, on behalf of the Premiere Debtors, is based on the officers and directors causing the Premiere Debtors to execute the guaranty and stock pledge. The Premiere Committee believes that the claims asserted against the current and former officers and directors of the Premiere Debtors are covered by Debtors' insurance policy. If the adversary proceeding against the current and former officers and directors of the Premiere Debtors is ultimately successful, the Premiere Committee believes that unsecured creditors of the Premiere Debtors might recover 100% of their claims, and would recover significantly more than under the Plan, which proposes substantive consolidation of the Debtors.

Prior to the formation of the Premiere Committee, the Debtors conducted an extensive analysis of the potential avoidability of the Debtors' guaranty obligations under the Senior Lender Agreements. Upon conclusion of that analysis, the Debtors' counsel prepared a written report filed with the Bankruptcy Court, which concludes, among other things, that the guaranty obligations the Premiere Committee seeks to challenge are not vulnerable to attack as fraudulent conveyances under any state's fraudulent conveyance laws. In addition, the Debtors assessed the risks and potential benefits of pursuing these causes of action and concluded that the claims were not worthy of pursuit.

In January 2002, the Bankruptcy Court (i) authorized the Premiere Committee to file a complaint against the Premiere Debtors' officers and directors but stayed prosecution of the action pending a hearing and ruling on whether the action should be pursued; and (ii) approved a consensual tolling of the avoidance action against the holders of the Senior Lender Claims pending a hearing and ruling on whether the action should be pursued.

In April 2002, a hearing was held to present evidence and argue the merits of the Premiere Motions. The Bankruptcy Court has not yet ruled on the Premiere Motions.

4. Litchfield Action

On February 1, 2002, the Debtors commenced an adversary proceeding (the "Litchfield Action") against Litchfield Investment Company, LLC ("Litchfield"). Litchfield is the landlord under 42 facility leases which were rejected by the Debtors in January 2002. Pursuant to the lease agreements, the Debtors were required to make "Refundable Lease Deposit" payments to Litchfield. The Debtors have made payments to Litchfield in excess of $50 million on account of Refundable Lease Deposit obligations. The Debtors believe that they are entitled to recover the Refundable Lease Deposits and/or offset such amounts against Litchfield's rejection damage claims. Litchfield has taken the position that the Debtors forfeited their entitlement to the Refundable Security Deposits by rejecting the leases.

The Litchfield Action is pending before the Bankruptcy Court. Pursuant to the Plan, to the extent the Litchfield Action is not adjudicated or otherwise resolved prior to the Effective Date, it will be prosecuted by the Liquidating LLC, which will receive any recoveries thereunder and administer such recoveries pursuant to the terms of the Liquidating LLC Agreement.

5. *Preference Actions*

On or about February 1, 2002, the Debtors commenced approximately 30 actions (the "Preference Actions") in the Bankruptcy Court, by which the Debtors are seeking to recover, pursuant to section 547 of the Bankruptcy Code, certain payments made by the Debtors to third parties prior to the Commencement Date in the aggregate amount of approximately $12,800,000. In addition, the Debtors entered into tolling agreements with certain other potential defendants pending a determination of whether payments made to such parties may be avoidable as preferences. A list of the **retained** Preference Actions and the outstanding tolling agreements will be included in the Plan Supplement.

The Preference Actions are pending before the Bankruptcy Court. Pursuant to the Plan, to the extent the Preference Actions are not adjudicated or otherwise resolved prior to the Effective Date, they will be prosecuted by the Liquidating LLC **or the Reorganized Debtors, as applicable**, which will receive any recoveries thereunder and administer such recoveries pursuant to the terms of the Liquidating LLC Agreement.

6 *Qui Tam Suits*

Certain of the Debtors are defendants in various *qui tam* lawsuits brought by third parties alleging, among other things, violations of the federal False Claims Act, 31 U.S.C. §§ 3729-33. The United States Settlement Agreement addresses the resolution of certain *qui tam* claims against the Debtors in these lawsuits under 31 U.S.C. §§ 3730(b) or (d). All other *qui tam* claims will be treated as General Unsecured Claims in Class 6. The Debtors intend to file an objection seeking to disallow all such *qui tam* claims, and, if necessary, seek to have those claims estimated by the Bankruptcy Court.

7 *Jay M. Felser, et al. Litigation*

On or about December 10, 1998, Plaintiffs Jay M. Felser and Felser Health Ventures, Inc. ("Plaintiffs"), filed a Maryland State Court Complaint in the Circuit Court for Baltimore County, captioned as *Jay M. Felser and Felser Health Ventures, Inc., v Integrated Health Services, Inc. and Monarch Properties, Inc., and Lyric Health Care, LLC*, case no. 03C-98-012297 (the "Felser State Court Action"). The Felser State Court Action arises from allegations including, but not limited to, breach of contract resulting from Plaintiffs' retention as an independent contractor for IHS.

By Order of this Court dated April 11, 2002 (the "Order"), the automatic stay was modified to allow Plaintiffs to prosecute their claims in the Felser State Court Action through to judgment, provided however, the Movants may not enforce a judgment in the State Court Action against the Debtors except to the extent of available insurance coverage or any distribution made on account of any proof of claim filed in this bankruptcy. The Order further provided that "this Order shall be without prejudice to the [Plaintiffs'] rights, if any, as against non-Debtor parties to collect any agreed settlement and/or judgment in Movants' favor, whether or not it is covered by insurance . . . ."

VII.
The Debtors' Marketing Efforts and Selection of the Purchaser

Beginning in approximately November 2001, the Debtors, in consultation with their key creditor constituencies and with the assistance of UBS Warburg, undertook a series of marketing efforts for the sale of the Debtors' remaining businesses, which included contacting parties with potential interest in submitting a bid for LTC, the contract rehabilitation business, or both. This extensive marketing effort eventually led to UBS Warburg contacting approximately 85 entities, 50 of which were provided financial and organizational information regarding the LTC and Symphony businesses. The Debtors also made a data room available to provide potential bidders access to all pertinent information needed to conduct their due diligence reviews. From this group of 50 potential buyers, 14 expressed initial expressions of interest in January of 2002, and six submitted final bids in April of 2002.

After receiving the final bids, the Debtors and UBS Warburg, at the request of the Creditors' Committee, arranged and attended separate meetings for the two leading bidders for LTC and Symphony along with Arthur Andersen, the financial advisor for the Creditors' Committee[10]. After careful evaluation of the bids, the Debtors and UBS Warburg recommended to the Creditors' Committee that a combined bid for LTC and Symphony be pursued. The Creditors' Committee and their advisors agreed with that recommendation. THI emerged as the leading candidate, and the Debtors negotiated a stock purchase agreement, dated as of December 3, 2002, for the sale of the Shares THI. The transaction was made subject to a Bankruptcy Court-approved overbid process (see Section II.A.1. above) that culminated in the Auction, which was held on January 22, 2003. At the conclusion of the Auction, IHS, in consultation with the Creditors' Committee and their respective Professionals, determined that the highest and best bid was submitted by the Purchaser, Abe Briarwood Corp.

Prior to the Auction, the Purchaser delivered the Purchaser Deposit to Kaye Scholer LLP, to be held in escrow pending the outcome of the Auction. ~~The Purchaser has the right under~~ **Pursuant to** the Sale Agreement ~~to substitute,~~ the Purchaser ~~Deposit for~~ **has substituted** a letter of credit in the amount of $12,250,000 **for the cash deposit previously delivered, and such letter of credit is being held by Wilmington Trust Company, pursuant to an escrow agreement among Wilmington Trust Company, IHS, and the Purchaser**.

As part of the solicitation process and the negotiation of the Sale Agreement, the Debtors performed due diligence on, among other things, the creditworthiness of the Purchaser. The Sale Agreement contains certain obligations for the Purchaser to demonstrate its ability to consummate the Sale Agreement and to operate the long-term care and contract rehabilitation businesses as of the Closing Date. Specifically, the Purchaser agreed to deliver evidence that it (x) has a net worth (or a commitment for an equity contribution) of no less than ~~$2,500,000~~ **$25,000,000** (and will maintain such net worth through the Closing Date) and (y) has arranged for committed lines of credit of no less than ~~$2,500,000~~ **$25,000,000** to be made available to the Purchased Subsidiaries (as defined in the Sale Agreement), and will keep in place such lines of

---

[10] Effective May 2002, the Creditors' Committee retained Eureka Capital Markets LLC as its replacement financial advisor.

credit through the Closing Date. The Purchaser also agreed to not encumber the accounts receivable of the Purchased Subsidiaries in connection with financing the Purchase Price. Based on the information provided to them and the obligations of the Purchaser under the Sale Agreement, the Debtors believe that the Purchaser will be able to perform its obligations under the Sale Agreement if it is consummated.

VIII.
Financial Information, Projections, and Valuation Analyses

A. Introduction

This section provides summary information concerning the recent financial performance of the Debtors, including summary financial statements and five-year projections if the Stand-Alone Transactions are implemented. This section also discusses an estimate of a going concern valuation for the Debtors, based on information available at the time of the preparation of this Disclosure Statement.

The financial projections assume that the Plan will be confirmed and consummated in accordance with the Stand-Alone Transactions and all other operative terms of the Plan, and that there will be legislation to restore a portion of the Medicare rate reduction at the level proposed by the House Ways and Means Committee, and that no new legislation will have a material adverse impact on the Debtors' operations.

It is important to note that the projections and estimates of values described below may differ from actual performance and are highly dependent on significant assumptions concerning the future operations of these businesses. These assumptions include reimbursement levels under the Medicare and state Medicaid programs, professional liability insurance costs, growth of certain lines of business, labor costs, and other operating costs, inflation, and the level of investment required for capital expenditures and working capital. Please refer to Section XII, below, for a discussion of many of the factors that could have a material effect on the information provided in this Section.

The estimates of value are not intended to reflect the values that may be attainable in public or private markets. They also are not intended to be appraisals or reflect the value that may be realized if assets are sold.

B. Operating Performance

Long Term Care Division

As of the Commencement Date, LTC owned, leased or managed 403 skilled nursing facilities, long-term acute care facilities, hospice locations as well as clinics. Since the Commencement Date, LTC has embarked upon aggressive downsizing of the business, eliminating 159 underperforming facilities through September 30, 2002, with an additional 77 to be disposed prior to the Effective Date of the Plan. On the Effective Date, the LTC facility portfolio (the "Base Portfolio") is expected to consist of 167 facilities.

In addition to the cost reductions realized through the downsizing of the LTC portfolio, the Debtors have reduced corporate overhead by approximately $25 million since the Commencement Date. The LTC portfolio downsizing, as well as the related cost reduction initiatives were supplemented by management changes, including the retention of restructuring specialists affiliated with a crisis management firm, beginning in approximately August 2000. These management changes led to improvements in cost controls, as well as a more detailed analysis of facility performance. In addition, the Debtors' restructuring specialists assisted in stabilizing census levels after the Commencement Date through the introduction of marketing programs not before utilized by LTC.

Prior to 1999, LTC's primary driver of profitability was cost reimbursement under federal Medicare programs. The ~~BBA~~ **Balanced Budget Act of 1997 ("BBA")** established a prospective payment system for skilled nursing facilities ("SNF PPS") for cost reporting periods beginning on or after July 1, 1998. The SNF PPS replaced the previous cost-based reimbursement system. This shift to PPS drastically reduced per diem reimbursement by over $60 per patient day for Medicare patients.

In response to industry lobbying efforts, the ~~BBRA and the BIPA~~ **Balanced Budget Refinement Act of 1999 ("BBRA") and the Medicare, Medicaid Benefits Improvement and Protection Act of 2000 ("BIPA")** were enacted to temporarily restore some of the per diem reimbursements skilled nursing facilities ("SNF's") lost under PPS due to the BBA. The principal provisions of such legislation were as follows:

BBRA Medicare add-ons:

- A 20% increase for 15 RUGs implemented in April 2000 which will remain in place until the current RUG system is refined.
- A 4% across the board increase in the federal per diem rate exclusive of the 20% RUG increase, which expired on October 1, 2002.

BIPA Medicare add-on's:

- A 16.7% increase in the nursing component of the federal rate, which expired on October 1, 2002.
- A 6.7% increase in the 14 RUG payments for rehabilitation therapy services. This increase spreads the increase directed at 3 of the 20 RUGs identified under BBRA to an additional 11 Rehabilitation RUGs.

Under applicable law, the 20% increase under BBRA, as well as the 6.7% increase under BIPA, will remain in place until such time that a new RUG classification system is established. The 4% across the board increase under BIPA and the 16.7% nursing component add-on expired on October 1, 2002.

As of October 8, 2002 both the Senate Finance Committee and the House Ways and Means Committee adopted packages that would restore a portion of the temporary "Medicare Add-Ons" that expired on October 1, 2002. Under the House Ways and Means package the 16.66% nursing add-on would be restored in part, at a level of 12% in fiscal year 2003, 10% in fiscal year 2004, and 8% in fiscal year 2005. The annual impact on the Debtors' performance under the House package would be as follows:

	PPD Reduction	**EBITDA Reduction**
FY'03	$17	$7,752,017
FY'04	$20	$9,120,020
FY'05	$23	$10,488,023

Under the Senate (Baucus) package the 16.66% nursing add-on would be reduced to 15% in fiscal year 2003, 13% in fiscal year 2004, and 11% in fiscal year 2005. The annual impact on the Debtors' performance under the Senate package would be as follows:

	PPD Reduction	**EBITDA Reduction**
FY'03	$14	$6,384,614
FY'04	$16	$7,296,016
FY'05	$19	$8,664,019

Symphony Division

Symphony consists of the Rehabworks Division that delivers contract rehabilitation and respiratory services and the Diagnostic Services Division that delivers mobile x-ray services. From May 2000 through January 2002 Symphony as a whole was performing to expectations. In January of 2002 reimbursement rates for Medicare diagnostic billing were reduced 5% reducing anticipated EBITDA from the Diagnostic Services Division to $0 from $1.9 million for fiscal 2002. Diagnostic Service Division is excluded from the projections set forth below and is being treated as a liquidated business for the purposes of the Plan. Additionally, in March 2002, the bankruptcy process began to take its toll on field operations of Symphony. From March 2002 through September 2002 profit margins on the Rehabworks Division have deteriorated resulting in a reduction in annual projected 2002 EBITDA from $16.5 million to $9.8 million.

At the direction of A&M, Symphony embarked upon a process designed to eliminate all unprofitable contracts by October 31, 2002, thus stabilizing EBITDA levels in 2003 at $10.5 million.

C. Five-Year Projections

Long-Term Care Division

General Assumptions.

The projections set forth herein for fiscal year 2002 reflects the actual results of operations of the LTC for the period from January 1, 2002 through July 31, 2002, with the projected results for the balance of the fiscal year 2002 based on the LTC business plan, which was developed through a detailed bottom-up budgeting approach. Fiscal years 2003-2006 have been projected using fiscal year 2002 as a basis and adjusting for anticipated changes in the government reimbursement rates, corporate overhead reductions, and marketing efforts. As of December 16, 2002, the government had not acted to restore any of the Medicare reimbursement provisions that expired as of October 1, 2002. Although retroactive action may be taken to restore some portion of the expired add-ons, such action may not be taken until after the Confirmation Date, if at all. The following represent the highlights of the financial projections:

The "Medicare Cliff" is assumed to be restored retroactively to October 2, 2002 at the level of the House Ways and Means Committee proposed package.

Revenue Compounded Annual Growth Rate ("CAGR") 2002-2006 of 3.7%

EBITDA Margin % at 3.3% in 2002, decreasing to 1.6% in 2006 as a result of the phase in of Medicare rate reductions set forth in the House Ways and Means Committee packages.

Capital expenditures of $13.5 million per year except that in 2003 and 2004, respectively, an additional $5 million and $2 million, respectively is assumed for system replacements.

Projections

The following table presents summary projected financial information for LTC:

	Fixed Year ($ in millions)				
	2002	2003	2004	2005	2006
Net Revenue	$895.7	$922.1	$955.4	$990.2	$1027.3
EBITDA	$29.6	$18.8	$17.5	$16.8	$17.0
EBITDA %	3.3%	2.0%	1.8%	1.7%	1.6%
Capital Expenditures	$13.5	$18.5	$15.5	$13.5	$13.5

Symphony

General Assumptions.

Fiscal year 2002 reflects the actual results of operations of Symphony for the period from January 1, 2002 through July 31, 2002, with the projected results for the balance of fiscal year 2002 based on the Symphony business plan, which was developed through a detailed bottom-up budgeting approach. Fiscal years 2003-2006 have been projected using fiscal year 2002 as a basis and adjusting for anticipated changes in the government reimbursement rates, patient demand, and marketing efforts. The following represent the highlights of the financial projections:

Revenue CAGR 2002-2006 of 4.1%

EBITDA CAGR 2002-2006 of 1.9%

EBITDA Margin remains between 5.4% and 6.1%

Capital expenditures at $3 million annually from 2002-2006

Projections

The following table presents summary projected financial information for Symphony:

	Fixed Year ($ in millions)				
	2002	2003	2004	2005	2006
Net Revenue	$179.7	$172.0	$181.2	$193.3	$205.8
EBITDA	$9.8	$10.5	$10.7	$11.3	$11.6
EBITDA %	5.4%	6.1%	5.9%	5.8%	5.6%
Capital Expenditures	$3	$3	$3	$3	$3

More detailed information on the financial projections and the assumptions underlying the financial projections will be included in the Plan Supplement.

D. Going Concern Valuation

UBS Warburg has acted as the Debtors' financial advisor in connection with the IHS Reorganization Cases. In connection with UBS Warburg's engagement, IHS requested that UBS Warburg analyze the Debtors' enterprise value. As set forth in Exhibit C to the Disclosure Statement, UBS Warburg has advised the Debtors that, based upon and subject to the qualifications set forth in Exhibit C, UBS Warburg's analysis indicated that the enterprise value of the Debtors is between $50 million and $100 million.

IX.
Governance and Administration of the Liquidating LLC if the Sale Transactions are Implemented

This section describes the procedures to be followed for liquidation of the Debtors' property and distributions to creditors if the Sale Transactions are implemented.

1. Formation of the Liquidating LLC

The Liquidating LLC shall be established in accordance with the terms of the Liquidating LLC Agreement prior to the Effective Date. Upon execution and delivery of the Liquidating LLC Agreement, the Liquidating Manager shall be authorized to take any other steps necessary to complete the formation of the Liquidating LLC and to manage the Liquidating LLC, provided that prior to the Effective Date the Debtors or the Liquidating Manager, as applicable, are authorized to act as organizers of the Liquidating LLC and take such steps in furtherance thereof as may be reasonably necessary or appropriate to ensure that the Liquidating LLC shall be formed and in existence as of the Effective Date.

2. Purpose and Operation of the Liquidating LLC

The principal purpose of the Liquidating LLC shall be to liquidate, collect and maximize the Cash value of the assets of the Debtors remaining after the Sale Agreement is consummated and make distributions in respect of Allowed Claims in accordance with the terms of the Plan. During the term of its existence, the Liquidating LLC shall comply with all of its obligations, including but not limited to obligations arising under the Plan or by operation of law.

3. Assets of the Liquidating LLC

On the Effective Date, the Debtors shall transfer and assign to the Liquidating LLC (a) all assets of the Debtors or their estates which are neither distributed nor abandoned by the Debtors on the Effective Date, including, without limitation, all Cash and Cash proceeds of the Sale Agreement and all Excluded Assets (except for the ~~claims~~ **Claims** and Causes of Action ~~arising under or relating to~~ **in** the Compensation Action); and (b) the Excluded Liabilities, which shall be assumed by the Liquidating LLC subject to the treatment of the Excluded Liabilities under the Plan (but excluding the Compensation Action). On the Effective Date, the Liquidating Manager shall establish the Distribution Reserve Account, in which the Liquidating Manager shall deposit (i) all Cash and cash equivalents received from the Debtors on the Effective Date; and (ii) any net realized Cash proceeds received by the Liquidating Manager thereafter from, among other things, the liquidation of non-Cash assets and prosecution of the Debtors' Claims. On the Effective Date, the Liquidating Manager shall establish the Excluded Administrative Expense Claims Reserve, the Disputed Claims Accounts, the Disputed Other Priority Claims Account, the Disputed Other Secured Claims Account, the Disputed Priority Tax Claims Account, the Disputed General Unsecured Claims Reserve, the Unclaimed Distribution Reserve and the Expense Reserve Account, and shall transfer funds from the Distribution Reserve Account to such respective Reserves and Accounts as provided in Section 6.2 of the Plan. The Liquidating LLC will hold and administer the following assets: (i) the Excluded Administrative Expense Claims Reserve; (ii) the Disputed Other Priority Claims Account; (iii) the Disputed

Other Secured Claims Account; (iv) the Disputed Priority Tax Claims Account; (v) the Unclaimed Distributions Reserve; (vi) the Expense Reserve Account; (vii) the Disputed General Unsecured Claims Reserve; (viii) the 1999 Insured Tort Claims Escrow; (ix) the Distribution Reserve Account; (x) all Debtors' Claims; (xi) the Wind-up Reserve; and (xii) any other assets of the Debtors that are neither abandoned nor distributed on the Effective Date. If necessary, the Liquidating LLC will also hold and administer the Unclaimed Distributions Reserve.

4. Selection, Removal and Replacement of the Liquidating Manager

The Liquidating Manager shall be selected jointly by the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group and appointed pursuant to the Confirmation Order. The identity of the Liquidating Manager shall be disclosed in the Confirmation Order. After the Effective Date, the Liquidating Manager may be removed and/or replaced in accordance with the terms of the Liquidating LLC Agreement.

5. Powers and Duties of the Liquidating Manager

The Liquidating Manager shall be deemed the representative of the estate under Section 1123(b)(3)(B) of the Bankruptcy Code, and shall have all rights associated therewith. Pursuant to the terms of the Liquidating LLC Agreement, the Liquidating Manager shall have all duties, powers, standing and authority necessary to implement the Plan and to administer and liquidate the assets of the Liquidating LLC for the benefit of holders of Allowed Claims. These powers shall include, without limitation, the following:

(a) Administering the Reserves;

(b) Investing any Cash of the Liquidating LLC;

(c) Selling or otherwise transferring for value any non-Cash assets that are included in the Liquidating LLC;

(d) Filing with the Bankruptcy Court the reports and other documents required by the Plan or otherwise required to wind up the IHS Reorganization Cases;

(e) Preparing and filing tax and informational returns for the Debtors, the Liquidating LLC, the Disputed General Unsecured Claims Reserve and the 1999 Insured Torts Claims Escrow;

(f) Retaining such Professionals as the Liquidating Manager may in his or her discretion deem necessary for the operation and management of the Liquidating LLC, including entering into contingent fee arrangements with respect to the prosecution of Debtors' Claims;

(g) Litigating or settling any Claims or causes of action asserted against the Debtors or the Liquidating LLC and using all commercially reasonable efforts to cooperate with other parties in such litigation;

(h) prosecuting objections to Claims;

(i) Evaluating, filing, litigating, settling or abandoning Debtors' Claims and/or causes of action of the Liquidating LLC;

(j) Setting off amounts owed to the Debtors or the Liquidating LLC against any amounts otherwise due to be distributed to the holder of an Allowed Claim;

(k) Abandoning any property of the Debtors or the Liquidating LLC that cannot be sold or otherwise disposed of for value and whose distribution to holders of Allowed Claims would not be feasible or cost-effective in the reasonable judgment of the Liquidating Manager;

(l) Administering the Disputed General Unsecured Claims Reserve and the 1999 Insured Tort Claims Escrow, each of which shall be maintained as a separate, segregated fund. The Liquidating Manager's service as manager of the Liquidating LLC and administrator of the Disputed General Unsecured Claims Reserve and the 1999 Insured Tort Claims Escrow shall be considered as being provided in separate capacities. The Liquidating LLC shall indemnify the Liquidating Manager for its actions as administrator of the Disputed General Unsecured Claims Reserve and the 1999 Insured Tort Claims Escrow to the fullest extent permitted by law;

(m) Making interim and final distributions of Liquidating LLC assets;

(n) Winding up the affairs of the Debtors, the Non-Debtor Affiliates, and the Liquidating LLC and dissolving each of them under applicable law;

(o) Providing for storage and disposal of records;

(p) Incurring such charges, costs, and fees as are necessary to wind down or sell any operating assets of the Liquidating LLC; and

(q) Taking any other actions that the Liquidating Manager, in his or her reasonable discretion, determines to be in the best interest of the Debtors' estates.

6. *Exculpation and Indemnification of Liquidation Manager*. The Liquidating Manager Agreement shall provide for and govern the exculpation and indemnification of the Liquidating Manager.

7. *Tax Valuation of Assets*

As soon as possible after the Effective Date, but in no event later than 30 days thereafter, the Liquidating Manager shall determine, in good faith, the value of the assets (other than Cash) transferred to the Liquidating LLC under the Plan. The value determined by the Liquidating Manager shall be conclusive absent manifest error. All parties (including, without limitation, the Debtors, the Liquidating Manager and the holders of Allowed Claims) shall use

this valuation for all federal income tax purposes. This valuation shall be made available by the Liquidating Manager upon written request of the parties or their assigns.

8. Distributions by the Liquidating Manager

The Liquidating Manager is authorized to make all distributions required under the Plan in accordance with Section 6 of the Plan.

9. Wind-Up and Dissolution of Debtors and Non-Debtor Affiliates. The Liquidating Manager shall be responsible for winding up the affairs any Debtor and any Non-Debtor Affiliate transferred to the Liquidating LLC on or after the Effective Date which is not sold, transferred or otherwise disposed of by the Liquidating Manager, including but not limited to preparing and filing final tax returns, filing dissolution documents pursuant to applicable law, paying any franchise taxes and other fees that are due in connection with such dissolution, and taking any other actions that are necessary to wind up the affairs of the Debtors and such Non-Debtor Affiliates.

10. Compensation of Liquidating Manager.

The compensation of the Liquidating Manager shall be as specified in the Liquidating Manager Agreement and shall be paid by the Liquidating LLC. The Liquidating Manager shall also be entitled to reimbursement of his or her reasonable expenses, which expenses shall include the reasonable fees and expenses of attorneys, accountants and other Professionals retained by the Liquidating Manager, as more fully described in the Liquidating LLC Agreement. Such compensation and expenses shall be paid solely from the Expense Reserve Account.

11. Membership Interests in the Liquidating LLC

On the Effective Date, **or as soon thereafter as reasonably practicable,** each holder of an Allowed **Senior Lender Claim in Class 4, each holder of an Allowed** General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made) ~~and Senior Lender~~**, each holder of an Allowed Premiere Unsecured** Claim in Class ~~4~~ **7,** and the Disputed General Unsecured Claims Reserve, ~~in respect of the Disputed Claims, shall~~ **for the benefit of the holders of the deemed Disputed Claims referred to in Sections 4.2(c) and 4.2(d)(2) of the Plan, and Disputed Claims in Classes 6 (other than a Disputed General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made) and 7,** by operation of the Plan, **shall:** (i) be admitted to the Liquidating LLC as a member of the Liquidating LLC, (ii) become bound by the Liquidating LLC Agreement, and (iii) receive a Membership Interest in the Liquidating LLC conferring membership in the Liquidating LLC and representing the rights conferred ~~on~~ **upon** such holder by the Plan. ~~No other entity, including the Debtors, shall be permitted to hold 10% or more of the total Membership Interests in the Liquidating LLC.~~ No other entity, including the Debtors, shall have any interest, legal, beneficial, or otherwise, in the Liquidating LLC or its assets. The Liquidating Manager shall maintain a registry of the membership interests in the Liquidating LLC.

12. Non-Transferability of Membership Interests in the Liquidating LLC

Except as provided otherwise in the Liquidating LLC Agreement, membership interests in the Liquidating LLC will be non-transferable.

13. Termination of the Liquidating LLC; Discharge of the Liquidating Manager

In accordance with Section 6.2 of the Plan, as soon as practicable after the Final Liquidating LLC Distribution Date, the Liquidating Manager shall wind up the affairs of the Liquidating LLC, file final tax returns, arrange for storage of its records and dissolve it pursuant to applicable law. As soon as practicable thereafter, the Liquidating Manager shall file with the Bankruptcy Court a final report of distributions and perform such other duties as are specified in the Plan, whereupon the Liquidating Manager shall have no further duties under the Plan.

X.
Governance of the Reorganized Debtors and Administration of the Plan if the Stand-Alone Transactions are Implemented

This Section describes the corporate governance of the Reorganized Debtors and the procedures to be followed for making distributions to creditors if the Stand-Alone Transactions are implemented.

A. Board of Directors of Reorganized IHS

Upon the consummation the Stand-Alone Transactions, the initial Board of Directors of Reorganized IHS will consist of up to nine members, whose names, qualifications and compensation will be disclosed no later than the hearing to confirm the Plan, if the Debtors expect to consummate the Stand-Alone Transactions. A majority of the members of the Board of Director of Reorganized IHS will be selected by the holders of the Senior Lender Claims. Each member of the initial Board of Directors will serve on the Board of Directors in accordance with Reorganized IHS' Amended Articles of Incorporation and Amended Bylaws, as the same may be amended from time to time. After the Effective Date, the holders of the New Common Stock will elect members of the board of directors of Reorganized IHS in accordance with the Amended Certificate of Incorporation and Amended Bylaws and applicable nonbankruptcy law.

B. Senior Management of Reorganized IHS

The names, qualifications and compensation of the senior officers of Reorganized IHS will be disclosed no later than the hearing to confirm the Plan, if the Debtors expect to consummate the Stand-Alone Transaction. Each of the senior officers of IHS will be employed pursuant to an employment agreement, the material terms of which will be described in the Plan Supplement.

C. Post-Effective Date Security Ownership of Certain Owners

Based upon the ownership of Senior Lender Claims as of December 31, 2002, the following are the holders of Senior Lender Claims (including affiliates and related entities) which are likely to own beneficially more than 5% of the New Common Stock as of the Effective Date, if the Stand-Alone Transactions are implemented:

General Electric Capital Corporation
60 Long Ridge Road
Stamford, Connecticut 06927

Goldman Sachs & Co.
85 Broad Street
New York, NY 10004

Oaktree Management, LLC
South Grand Avenue
28th Floor
Los Angeles, California 90071

D. Corporate Action

Reorganized IHS shall file the Amended Certificate of Incorporation with the Secretary of State of the State of Delaware on the Effective Date, and each of the Debtors that is a corporation shall file its respective amended certificate of incorporation with the Secretary of State of the applicable jurisdiction on the Effective Date. The Amended Certificate of Incorporation and the amended certificates of incorporation for each of the Reorganized Debtors that are corporations shall prohibit the issuance of nonvoting equity securities, subject to further amendment of such certificates of incorporation as permitted by applicable law. The Amended Bylaws shall be deemed adopted by the board of directors of Reorganized IHS as of the Effective Date. All partnership and limited liability company agreements to which any of the Debtors are parties shall be treated in accordance with Section 8 hereof. The Amended Certificate of Incorporation shall, inter alia, authorize the cancellation of all IHS Equity Interests and authorize the issuance of up to 50,000,000 shares of New Common Stock, of which 2,500,000 shares shall be issued to holders of Allowed Claims in Classes 4 and 6 pursuant to the Plan.

The adoption of the Amended Certificate of Incorporation and the Amended Bylaws shall be authorized and approved in all respects to be effective as of the Effective Date, in each case without further action under applicable law, regulation, order or rule, including, without limitation, any action by the shareholders of Reorganized IHS. On the Effective Date, the cancellation of all IHS Equity Interests, the authorization and issuance of the New Common Stock and all other matters provided in the Plan involving the corporate structure of the Reorganized Debtors or corporate action by any of the Reorganized Debtors shall be deemed to have occurred, be authorized, and shall be in effect from and after the Effective Date without requiring further action under applicable law, regulation, order or rule, including, without limitation, any action by the stockholders or directors of any of the Debtors or any of the Reorganized Debtors.

E. General Distribution Procedures

1. Distribution Record Date

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Equity Interests as maintained by the Debtors or their representatives shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Equity Interests. The Debtors and the Liquidating LLC or the Reorganized Debtors, as applicable, shall have no obligation to recognize any transfer of any Claims or Equity Interests occurring on or after the Distribution Record Date. The Debtors, the Liquidating LLC or the Reorganized Debtors, as applicable, shall be entitled to recognize and deal for all purposes hereunder only with those record holders stated on the transfer ledgers as of the close of business on the Distribution Record Date, to the extent applicable.

2. Date of Distributions

Any distributions or payments to be made pursuant to the Plan shall be deemed to be timely made if made within thirty (30) days after the dates specified in the Plan. In the event that any payment or act under the Plan is required to be made, or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

3. Disbursing Agent

If the Sale Transactions are implemented, all distributions under the Plan (other than distributions described in the next sentences) shall be made by the Liquidating LLC, as Disbursing Agent, or such other entity designated by the Liquidating LLC as a Disbursing Agent on or after the Effective Date. If the Stand-Alone Transactions are implemented, all distributions under the Plan (other than distributions described in the next sentences) shall be made by Reorganized IHS, as Disbursing Agent, or such other entity designated by Reorganized IHS as a Disbursing Agent on or after the Effective Date. Citibank, N.A., as administrative agent under the Credit Agreement and/or such other entity as it may reasonably designate, shall be the Disbursing Agent for the holders of Claims in Class 4. Citicorp USA, Inc., as administrative agent under the Participation Agreement, and/or such other entity as it may reasonably designate, shall be the Disbursing Agent for the holders of Claims in Class 2. U.S. Bank, N.A. shall be the Disbursing Agent for holders of Claims in Class ~~8~~ **9**. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Liquidating LLC or Reorganized IHS, as applicable.

4. Rights and Powers of Disbursing Agent

(a) *Powers of the Disbursing Agent.* The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (ii) make all distributions contemplated hereby, (iii) employ Professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

(b) *Expenses Incurred on or After the Effective Date.* Except as otherwise stated herein or ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by any Disbursing Agent on or after the Effective Date (including, without limitation, reasonable attorney's fees and expenses) shall be paid out of the distribution to the Class for which the Disbursing Agent's services were rendered and/or expenses were incurred.

5. Surrender of Instruments

From and after the Effective Date, except as provided otherwise herein, each certificated instrument or note which represents a Claim or Equity Interest against any of the Debtors shall be deemed to be null and void and of no force and effect. Except as Reorganized IHS or the Liquidating Manager may otherwise agree, as a condition to receiving any distribution under the Plan, each holder of a certificated instrument or note must surrender such instrument or note (other than a holder of an allowed Senior Lender Claim) held by it to the Disbursing Agent or its designee. Any holder of such instrument or note that fails to (a) surrender such instrument or note, or (b) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent and furnish a bond in form, substance, and amount reasonably satisfactory to the Disbursing Agent before the first anniversary of the Effective Date shall be deemed to have forfeited all rights and Claims and may not participate in any distribution under the Plan. Any distribution so forfeited shall become property of the Liquidating LLC or Reorganized IHS, as applicable.

6. Delivery of Distributions

Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim, except the holders of Claims in Classes 2, 4 and ~~8~~ **9**, shall be made at the address of such holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their agents or in a letter of transmittal, unless the Debtors, the Liquidating LLC or the Reorganized Debtors, as applicable, have been notified in writing of a change of address, including, without limitation, by the filing of a proof of claim by such holder that contains an address for such holder different from the address reflected on such Schedules for such holder. Any distributions to Citibank, N.A., as administrative agent under the Credit Agreement, shall be deemed a distribution to the holders of Senior Lender Claims. Any distributions to Citicorp USA, Inc., as agent under the Participation Agreement, shall be deemed a distribution to the holders of Secured Synthetic Lease Claims. In the event that any distribution to any holder is returned as undeliverable, the Disbursing Agent shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such distribution shall be made to such holder without interest or accruals of any kind; provided, that

such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one (1) year from the Effective Date. After such date, all unclaimed property or interest in property shall revert to the Liquidating LLC or Reorganized IHS, as applicable, and the Claim of any other holder to such property or interest in property shall be discharged and forever barred.

7. Manner of Payment Under Plan

(a) All distributions of Cash, New Common Stock and New Subordinated Notes, if any, to the creditors of each of the Debtors under the Plan shall be made by, or on behalf of, the applicable Debtor.

(b) At the option of the Debtors, any Cash payment to be made hereunder may be made by a check or wire transfer.

8. Fractional Shares

If the Stand-Alone Transactions are implemented, no fractional shares of New Common Stock shall be distributed. For purposes of distribution, fractional shares of New Common Stock shall be rounded up to the next whole number.

9 Setoffs

The Debtors and the Liquidating LLC may, but shall not be required to, set off against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), any claims of any nature whatsoever that the Debtors may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any such claim the Debtors may have against the holder of such Claim.

10. Compliance With Tax Requirements

To the extent applicable, the Liquidating LLC or the Reorganized Debtors, as applicable, shall comply with all tax withholding and reporting requirements imposed on them or on the General Unsecured Claims Reserve or on the 1999 Insured Tort Claims Escrow by any governmental unit (including with respect to the Disputed Claims Reserve), and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements.

F. Distribution Procedures in the Event the Sale Transactions are Implemented

The following procedures for making distributions under the Plan shall be applicable only in the event that the Sale Transactions are implemented.

1. Expense Reserve Account for Operation of the Liquidating LLC

(a) On the Effective Date, or as soon as reasonably practicable thereafter, the Liquidating Manager shall deposit in the Expense Reserve Account sufficient funds from the Distribution Reserve Account to pay all accrued and projected expenses and costs (including, without limitation, the Wind-Up Reserve) of the Liquidating LLC to be incurred through the Final Liquidating LLC Distribution Date.

(b) Subject to the terms of the Liquidating LLC Agreement, the Liquidating Manager may transfer Cash from the Expense Reserve Account to the Distribution Reserve Account for interim distributions to creditors to the extent that the amount of Cash held in the Expense Reserve Account exceeds the amount that the Liquidating Manager determines should be retained for purposes of paying the fees and expenses of the Liquidating LLC.

2. Excluded Administrative Expense Claims

(a) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall:

(1) pay in full all Excluded Administrative Expense Claims which have become Allowed as of the Effective Date; and

(2) deposit in the Excluded Administrative Expense Claims Reserve sufficient funds from the Distribution Reserve Account to pay all Disputed Excluded Administrative Expense Claims in full.

(b) Each Disputed Excluded Administrative Expense Claim shall be paid from the Excluded Administrative Expense Claims Reserve on the first Business Day after the date that is thirty (30) calendar days after the date such Excluded Administrative Expense Claim becomes an Allowed Excluded Administrative Expense Claim or as soon thereafter as is reasonably practicable.

(c) If the Excluded Administrative Expense Claims Reserve has insufficient funds to satisfy the aggregate amount of Allowed Excluded Administrative Expense Claims, the Liquidating Manager shall satisfy the excess Excluded Administrative Expense Claims from the Distribution Reserve Account. If excess funds remain in the Excluded Administrative Expense Claims Reserve after all such Excluded Administrative Expense Claims have been paid, disallowed or withdrawn, such excess funds shall be transferred to the Distribution Reserve Account.

3. Priority Tax Claims

(a) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall

(1) pay in full all Priority Tax Claims which have become Allowed as of the Effective Date; and

(2) transfer to the Disputed Priority Tax Claims Account sufficient funds from the Distribution Reserve Account to pay all Disputed Priority Tax Claims in full.

(b) Each Disputed Priority Tax Claim shall be paid from the Disputed Priority Tax Claims Account on the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is reasonably practicable.

(c) When all Disputed Priority Tax Claims have been either Allowed and paid, Disallowed, or withdrawn, the Liquidating Manager shall transfer to the Distribution Reserve Account any Remaining Funds from the Disputed Priority Tax Claims Account.

4. Other Priority Claims

(a) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall (a) pay in full all Other Priority Claims which have become Allowed as of the Effective Date; and (b) transfer to the Disputed Other Priority Claims Account sufficient funds from the Distribution Reserve Account to pay all Disputed Other Priority Claims in full.

(b) Each Disputed Other Priority Claim shall be paid from the Disputed Other Priority Claims Account on the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is reasonably practicable.

(c) When all Disputed Other Priority Claims have been either Allowed and paid, Disallowed, or withdrawn, the Liquidating Manager shall transfer to the Distribution Reserve Account any Remaining Funds from the Disputed Other Priority Claims Account.

5. Secured Synthetic Lease Claims

(a) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall **deliver the Restructured Headquarters Note and** pay ~~to Citicorp USA, Inc., as Disbursing Agent,~~ all amounts payable pursuant to Section ~~4.2(c)(1)~~ **4.2(d)(1)** of the Plan**, to Citicorp USA, Inc., as Disbursing Agent**.

(b) The Liquidating LLC shall sell the Headquarters Property as provided in Section ~~4.2(c)(2)~~ **4.2(d)(2)** of the Plan, and make all payments required under that Section. The Liquidating Manager shall deposit any proceeds from such sale which are in excess of amounts required to be paid pursuant to Section ~~4.2(c)(2)~~ **4.2(d)(2)** into the Distribution Reserve Account.

6. Other Secured Claims

(a) On the Effective Date, or as soon thereafter as is reasonably practicable, with respect to each Other Secured Claim (other than those for which the Debtors' Obligations are being assumed by the Purchaser), the Liquidating Manager shall:

(1) pay in full from the Distribution Reserve Account all Allowed Other Secured Claims of such holder or provide for such other treatment as may have otherwise been agreed upon by such holder and the Debtors or the Liquidating Manager, as the case may be; and

(2) transfer to the Disputed Other Secured Claims Account sufficient funds from the Distribution Reserve Account to pay all Disputed Other Secured Claims in full if and to the extent they are Allowed.

(b) If and to the extent a Disputed Other Secured Claim becomes an Allowed Other Secured Claim, the Liquidating Manager shall pay such Claim in Cash in an amount equal to the Allowed Amount of such Claim from the Disputed Other Secured Claims Account on the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is reasonably practicable.

(c) When all Disputed Other Secured Claims have been either Allowed and paid or satisfied, disallowed, or withdrawn, the Liquidating Manager shall transfer to the Distribution Reserve Account any Remaining Funds from the Disputed Other Secured Claims Account.

7. Senior Lender Claims

On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall deliver to Citibank, N.A., as Disbursing Agent, or its designee, the Class 4 Cash Fund. In addition, each holder of an Allowed Senior Lender Claim shall be entitled to a Class 4 Membership Interest and all distributions as provided in Section 4.4(c)~~(2)~~ of the Plan pursuant to which it shall be entitled to receive its Class 4 Pro Rata Share of all distributions made pursuant to Sections ~~6.2(k)~~ **6.2(m)** and ~~6.2(l)~~ **6.2(n)** of the Plan, taking into account an appropriate amount for any potential Allowed Senior Lender Claim arising in favor of holders of Class ~~2B~~ **2 B**-Notes and Class 2 Certificates as described in Section 4.2(c) ~~(ii)~~ **and 4.2(d)(ii) of the Plan**.

8. General Unsecured Claims

(a) On the Effective Date, or as soon thereafter as is reasonably practicable, each holder of an Allowed General Unsecured Claim which has not made the Class 6 Cash-Out Election shall be entitled to a Class 6 Membership Interest as provided in Section 4.6(a)~~(1)~~ of the Plan, pursuant to which it shall be entitled to receive its Class 6 Pro Rata Share of all distributions made pursuant to Sections ~~6.2(k)~~ **6.2(m)** and ~~6.2(l)~~ **6.2(n)** of the Plan in favor of holders of Class ~~2B~~ **2 B**-Notes and Class 2 Certificates as described in Section 4.2(c) ~~(ii)~~. **and 4.2(d)(ii) of the Plan.**

~~*(b) The Liquidating Manager shall set aside, segregate and hold in escrow, on account of holders of Disputed General Unsecured Claims in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made), any Class 6 Membership Interests and any Cash distributable which may become Allowed General Unsecured Claims in Class 6. The amount of funds and Class 6 Membership Interests to be deposited in the*~~ ***9. Premiere Unsecured Claims.***

(a) Under the circumstances set forth in Section 4.7 of the Plan, on the Effective Date or as soon thereafter as is reasonably practical, each holder of an Allowed Premiere Unsecured Claim shall be entitled to a Class 7 Membership Interest as provided in Section 4.7(a) of the Plan, pursuant to which it shall be entitled to receive distributions not in excess of its Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors.

10. The *Disputed General Unsecured Claims Reserve* ~~*shall have been.*~~ **The Liquidating Manager shall set aside, segregate and hold on account of (A) any Disputed General Unsecured Claims in Class 6, any Class 6 Membership Interests and any Cash that may be distributable if such Disputed Claims become Allowed General Unsecured Claims in Class 6; (B) any Disputed Claims referred to in Sections 4.2(c) and 4.2(d)(2) of the Plan, any Class 4 Membership Interests and any Cash that may be distributable if such Claims become Allowed Senior Lender Claims in Class 4; and (C) any Disputed Premiere Unsecured Claims in Class 7, any Class 7 Membership Interests and any Cash that may be distributable if such Disputed Claims become Allowed General Unsecured Claims in Class 7. The amount of such funds and Membership Interests to be deposited in the Disputed General Unsecured Claims Reserve referred to in Clauses (A) and (C) above shall be** determined by the Bankruptcy Court upon a motion of the Debtors or upon a motion of the Liquidating Manager, in accordance with Section 7.4 ~~of the Plan~~ **hereof**.

~~*9*~~ ***11.*** *1999 Insured Tort Claims*

(a) On the Effective Date, the Liquidating Manager shall deposit the sum of 3% of the 1999 Unpaid Deductible Amount into the 1999 Insured Tort Claims Escrow. From the Effective Date until the Final Class ~~7~~ **8** Distribution Date, the Debtors' insurance carriers shall pay to the Liquidating Manager all insurance proceeds which become due and owing in respect of 1999 Insured Tort Claims, and the Liquidating Manager shall deposit all such amounts into the 1999 Insured Tort Claims Escrow.

(b) On the Initial Class ~~7~~ **8** Distribution Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall make an Initial Class ~~7~~ **8** Distribution to each holder of an Allowed 1999 Insured Tort Claim on the Initial Class ~~7~~ **8** Distribution Date, in an amount equal to 50% of the Allowed amount of such 1999 Insured Tort Claim.

(c) After the Initial Class ~~7~~ **8** Distribution Date but prior to the Final Class ~~7~~ **8** Distribution Date, the Liquidating Manager shall distribute:

(1) shall distribute a Catch-Up Distribution of Cash from the 1999 Insured Tort Claims Escrow to each holder of a Disputed 1999 Insured Tort Claim which

becomes an Allowed 1999 Insured Tort Claim after the Initial Class ~~7~~ **8** Distribution Date, within thirty (30) days of such allowance, such that the holder of such Claim receives the same amount of Cash that such holder would have received had its Claim been an Allowed 1999 Insured Tort Claim in such amount as of the latter of (i) the Initial Class ~~7~~ **8** Distribution Date or (ii) the most recent distribution made pursuant to (2) below; and

(2) may make additional distributions from from the 1999 Insured Tort Claims Escrow to each holder of an Allowed 1999 Insured Tort Claim, as additional funds become available, and as the Liquidating Manager deems reasonably necessary and appropriate.

(d) On the Final Class ~~7~~ **8** Distribution Date, the Liquidating Manager shall distribute to each holder of an Allowed 1999 Insured Tort Claim a Catch-up Distribution from the 1999 Insured Tort Claims Escrow, such that the total distribution of Cash received by each holder of an Allowed 1999 Insured Tort Claim under the Plan equals its Pro Rata Share of the sum of 3% of the 1999 Unpaid Deductible Amount plus the Available 1999 Insurance Proceeds, not to exceed 100% of such Allowed 1999 Insured Tort Claim. Any funds remaining in the 1999 Insured Tort Claims Escrow shall be transferred to the Distribution Reserve Account.

~~10~~ **12**. *The Unclaimed Distributions Reserve*. Unclaimed Distributions to holders of Claims shall be held by the Liquidating Manager in the Unclaimed Distributions Reserve. If the creditor to whom an Unclaimed Distribution was payable makes a claim for such distribution within the earlier of six (6) months after such Unclaimed Distribution was made and the Final Liquidating LLC Distribution Date, the Liquidating Manager shall deliver such Unclaimed Distribution to such creditor upon proof of such creditor's entitlement thereto, without any interest with respect thereto. Unclaimed Distributions that remain unclaimed at the expiration of such period shall be ~~redistributed to other creditors in the same Class in accordance with the Plan, and the creditors originally entitled to receive such Unclaimed Distributions shall have no further right thereto.~~ **transferred**

~~11~~ **13**. *Initial and Interim Member Distributions*.

Pursuant to the provisions set forth in this Section, the Liquidating Manager shall provide for the payment of a Pro Rata Share of available funds to each holder of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made)**, each holder of an Allowed Premiere Unsecured Claim in Class 7 (up to such holder's Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors)** and each holder of an Allowed Senior Lender Claim.

(a) *Initial Distributions*. On the Initial Manager Distribution Date, the Liquidating Manager shall pay from the Distribution Reserve Account:

(1) *Initial and Interim Member Distributions*.

Pursuant to the provisions set forth in this Section, the Liquidating Manager shall provide for the payment of a Pro Rata Share of available funds to each holder of an Allowed General Unsecured Claim**, each holder of an Allowed Premiere Unsecured Claim**

(up to such holder's Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors), and each holder of an Allowed Senior Lender Claim.

(b) *Initial Distributions.* On the Initial Member Distribution Date, the Liquidating Manager shall pay from the Distribution Reserve Account (including, but not limited to, the amount of Cash that would otherwise be distributed to the holders of Subordinated Debt Claims):

(1) first, to each holder of an Allowed General Unsecured Claim which made the Class 6 Cash-Out Election, Cash equal to the lesser of (i) 3% of such Allowed General Unsecured Claim and (ii) $3,000.00; and then

(2) **second,** (i) to the Disbursing Agent for Class 4, Cash equal to the aggregate of all funds in the Distribution Reserve Account allocable to the holders of Class 4 Membership Interests, taking into account an appropriate **reserve** amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c)~~;~~ **and** 4.2(d)(2) ~~and 4.2(e)(2)~~ of the Plan ~~and~~**;** (ii) to each holder of an Allowed General Unsecured Claim ~~which did not make the~~ **in Class 6 (other than a General Unsecured Claim in respect of which a** Class 6 Cash-Out Election **has been made),** Cash equal to such holder's Class 6 Pro Rata Share of all funds in the Distribution Reserve Account**; and (iii) to each holder of an Allowed Premiere Unsecured Claim in Class 7, Cash equal to such holder's Class 7 Pro Rata Share of all funds in the Distribution Reserve Account (but not in excess of such holder's Class 7 Pro Rata Share of the net residual value of the assets of the Premiere Debtors).**

(c) *Interim Distributions.* After the Initial Member Distribution Date but prior to the Final Liquidating LLC Distribution Date, the Liquidating Manager:

(1) shall distribute from the Disputed General Unsecured Claims Reserve~~,~~ a Catch-Up Distribution to each holder of a Disputed ~~General Unsecured~~ Claim in Class 4 ~~and~~**,** Class 6 (other than a General Unsecured Claim in respect of which a Class 6 **Cash-Out** Election has been made)**, or Class 7,** which becomes an Allowed ~~General Unsecured Claim~~ **Claim in Class 4, Class 6 or Class 7 after the Initial Member Distribution Date** within thirty (30) days ~~of~~ **after** such allowance, such that the holder of such Allowed ~~General~~ **Senior Lender Claim, Allowed General Unsecured Claim or Allowed Premiere** Unsecured Claim receives the same ~~amount of~~ consideration that such holder would have received had its Claim been ~~an~~ Allowed Senior Lender Claim in Class 4 ~~or~~**,** Allowed General Unsecured Claim in Class 6 **or Allowed Premiere Unsecured Claim in Class 7**, respectively, in such Allowed amount on the Effective Date, taking into account an appropriate **reserve** amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c)~~;~~ **and** 4.2(d)(2) ~~and 4.2(e)(2)~~ **of the Plan**; and

(2) may make additional Class 4 Pro Rata Share Distributions ~~and~~**,** Class 6 Pro Rata Share Distributions **and Class 7 Pro Rata Share Distributions** from the Distribution Reserve Account to the Disbursing Agent for Class 4 and to the individual holders of Class 6 Membership Interests **and Class 7 Membership Interests (but not in excess of each such holder's Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors),** as the case may be, as additional funds become available, and as the Liquidating

Manager reasonably deems necessary and appropriate~~, taking into account an appropriate amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c), 4.2(d)(2) and 4.2(e)(2) of the Plan~~.

(d) *Final Liquidating LLC Distribution Date*. The Final Liquidating LLC Distribution Date shall occur as soon as reasonably practicable after: (i) in the reasonable judgment of the Liquidating Manager, all assets of the Liquidating LLC have been liquidated; (ii) there remain no Disputed Claims; and (iii) the Liquidating Manager is in a position to cause the Final Liquidating LLC Distribution Date to occur in accordance with applicable law, provided, however, that unless the terms of the Liquidating LLC Agreement provide otherwise, the Final Liquidating LLC Distribution Date shall occur no later than five (5) years after the Effective Date. The Liquidating Manager shall provide at least thirty (30) days' prior notice of the Final Liquidating LLC Distribution Date to the holders of all Claims, except to the extent such Claims have been disallowed, withdrawn or paid or satisfied in full as of the time such notice is provided.

(e) *Final Liquidating LLC Distributions*. On or prior to the Final Liquidating LLC Distribution Date, the Liquidating Manager shall:

(1) establish the Wind-Up Reserve with funds from the Expense Reserve Account;

(2) transfer the Expense Reserve Account Residual to the Distribution Reserve Account;

(3) transfer to the extent not already transferred all Remaining Funds to the Distribution Reserve Account; and

(4) pay from the Distribution Reserve Account~~(i)~~**:**

(a) to the Disbursing Agent for Class 4, Cash equal to the aggregate Class ~~4/Class 6~~ **4** Pro Rata Share of all funds in the Distribution Reserve Account allocable to the holders of Class 4 Membership Interests;

~~and~~

~~(ii)~~**(b)** to each holder of a Class 6 Membership Interest, Cash equal to such holder's Class ~~4/Class~~ 6 Pro Rata Share of all funds in the Distribution Reserve Account ; **allocable to such holder's Class 4 Membership Interest; and**

(c) to each holder of a Class 7 Membership Interest, Cash equal to such holder's Class 7 Pro Rata Share of all funds in the Distribution Reserve Account allocable to such holder's Class 7 Membership Interest (but not in excess of such holder's Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors); and

(5) promptly thereafter, request the Bankruptcy Court to enter an order closing the IHS Reorganization Cases.

(f) *Remaining Funds.* If funds remain in the Wind-Up Reserve, the Unclaimed Distributions Reserve or the Distribution Reserve Account after the Liquidating Manager has performed all of its responsibilities under the Plan, such ~~Remaining Funds~~ **remaining funds** shall be paid or distributed as determined in accordance with the Liquidating LLC Agreement. The Liquidating Manager shall be entitled to deduct from any such supplemental distribution its fees and expenses for making such supplemental distribution.

(g) *Reports of Distributions by the Liquidating LLC.* Every one hundred twenty (120) days after the Effective Date, the Liquidating Manager shall provide to the Post-Confirmation Committee a report detailing the calculation of Cash for the immediately preceding 120-day period (including a summary of costs incurred, any receipts of the Liquidating LLC, and a summary of disbursements from, or increases in the amount of, any Reserve). A copy of such report shall be furnished to any holder of a Membership Interest in the Liquidating LLC that delivers to the Liquidating Manager a written request for a copy of such report.

(h) *Subordinated Debt Claim Exclusion.*

Notwithstanding anything in the Plan to the contrary, the net proceeds of the Compensation Action shall be distributed by the Liquidating Manager to the holders of Allowed Claims in Classes 4 and 6 (other than holders of Claims in Class 6 which made the Class 6 Cash-Out Election), in accordance with Section 4.4(c)(3) of the Plan.

14 ~~*12.*~~ *Distribution Procedures for Classes* ~~*4*~~**,** ***6*** *and* ~~*6*~~ ***7*** *under the Stand-Alone Transactions.*

(a) *Initial Distribution; Reserve for Disputed Claims.* If the Stand-Alone Transactions are implemented, then on the (i) Effective Date or as soon thereafter as is reasonably practicable, the Reorganized Debtors shall deliver to Citibank, N.A., as Disbursing Agent, or its designee, the Class 4 Cash Fund ~~and,~~ (ii) on the Initial Stand-Alone Distribution Date, the Reorganized Debtors shall distribute to each holder of an Allowed Senior Lender Claim in Class 4 and each holder of an Allowed General Unsecured Claim in Class 6 the consideration provided for in Sections 4.4(c)(4) and 4.6(b) of the Plan, calculated by (A) treating all Disputed General Unsecured Claims in Class 6 as though they will become Allowed General Unsecured Claims in Class 6 in the amounts asserted, or otherwise as estimated or reserved for by the Bankruptcy Court, as applicable**, and (iii) in the circumstances set forth in Section 4.7(b) of the Plan, on the Initial Stand-Alone Distribution Date, the Reorganized Debtors shall distribute to each holder of an Allowed Premiere Unsecured Claim in Class 7, the consideration provided in such Section 4.7(b)**; and (B) taking into account an appropriate reserve amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c)~~, 4.2(d)(2)~~ and 4.2(e)(2) of the Plan.

(b) *Interim Distributions*. After the Initial Stand-Alone Distribution Date but prior to the Final Stand-Alone Distribution Date, the Reorganized Debtors shall distribute from the Disputed General Unsecured Claims Reserve (in accordance with Section 7 of the Plan) the consideration provided for in Sections 4.4(c)(4) and 4.6(b) hereof (including any dividends or accrued interest with respect thereto, net of their proportionate share of any taxes or expenses incurred by the Disputed General Unsecured Claims Reserve with respect thereto), to each holder **(other than those which have made the Class 6 Cash-Out Election, if made effective pursuant to section 4.6(c) of the Plan)** of a Disputed Claim in Class 4 ~~and~~, Class 6 **or Class 7** which becomes an Allowed Claim in such Class after the Effective Date within thirty (30) days after such allowance, such that the holder of such Claim receives the same amount of consideration that such holder would have received had its Claim been an Allowed Claim in Class 4 ~~or~~, Class 6 **or Class 7**, as applicable, in such Allowed amount as of the Initial Stand-Alone Distribution Date.

(c) *Final Distributions*. If necessary, on the Final Stand-Alone Distribution Date, the Reorganized Debtors shall distribute from the Disputed General Unsecured Claims Reserve:

(1) to the Disbursing Agent for Class 4, New Common Stock, New Subordinated Notes and Cash, if any, equal to the aggregate Class 4 Pro Rata Share of all remaining consideration required to be distributed under the Plan but not yet distributed; and

(2) to each holder of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made~~)~~**, if made effective pursuant to Section 4.6(c) of the Plan)**, New Common Stock, New Subordinated Notes and Cash, if any, equal to such holder's Class 6 Pro Rata Share of all remaining consideration required to be distributed under the Plan but not yet distributed**; and**

(3) to each holder of an Allowed Premiere Unsecured Claim in Class 7, New Common Stock and New Subordinated Notes, if any, equal to such holder's Class 7 Pro Rata Share of all remaining consideration required to be distributed under the Plan but not yet distributed.

(d) In the event that any proceeds are realized in the Compensation Action, as soon thereafter as is practicable, but in no event later than 45 days after receipt of such proceeds, the Reorganized Debtors shall distribute to each holder of an Allowed Senior Lender Claim in Class 4 and each holder of an Allowed General Unsecured Claim in Class 6~~, who has not made~~ **(other than a General Unsecured Claim in respect of which** a Class 6 Cash-Out Election~~;~~ **has been made, if made effective pursuant to Section 4.6(c) of the Plan)** a portion of the proceeds in accordance with Sections ~~4.4(c)4(C)~~ **4.4(c)(4)(C)** and 4.6(b)(3), respectively.

G. Procedures for Treating Disputed Claims

(a) *Objections to Claims.* The Liquidating LLC or the Reorganized Debtors, as applicable, shall be entitled to object to any and all Claims. Any objections to Claims shall be served and filed on or before one hundred and twenty (120) days after the Effective Date or such later date as may be fixed by the Bankruptcy Court.

(b) *Payments and Distributions with Respect to Disputed Claims.*

(i) *General.* Notwithstanding any other provision of the Plan, if any portion of a Claim is a Disputed Claim, no payment or distribution provided thereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim. Any Claim subject to a pending objection on or prior to the Initial Member Distribution Date, the Initial Stand-Alone Distribution Date, or the Initial Class ~~7~~ **8** Distribution Date (as applicable) shall be deemed to be a Disputed Claim.

(ii) *Disputed Claims Reserves and Accounts Under the Sale Transactions.* If the Sale Transactions are implemented, all distributions with respect to (A) Disputed Excluded Administrative Claims shall be deposited in the Excluded Administrative Expense Claims Reserve, (B) Disputed General Unsecured Claims shall be deposited in the Disputed General Unsecured Claims Reserve and (C) other Disputed Claims shall be accounted for by entry on the books of the Liquidating LLC in the Disputed Claims account applicable to such Disputed Claim.

(iii) *Tort Claims.* All Tort Claims shall be deemed Disputed Claims unless and until they are liquidated. Any Tort Claim which has not been liquidated prior to the Effective Date and as to which a proof of claim was timely filed in the IHS Reorganization Cases shall be determined and liquidated in the administrative or judicial tribunal in which it is pending on the Effective Date or in any administrative or judicial tribunal of appropriate jurisdiction, or in accordance with any alternative dispute resolution or similar proceeding as may be approved by order of a court of competent jurisdiction. Any Tort Claim determined and liquidated (i) pursuant to a judgment obtained in accordance with the section of the Plan described herein and applicable nonbankruptcy law which is no longer appealable or subject to review, or (ii) in an alternative dispute resolution or similar proceeding approved by order of a court of competent jurisdiction, shall be deemed, to the extent applicable, an Allowed Claim in Class 6 or ~~7~~ **8** (as applicable), in such liquidated amount (*provided* that for Insured Claims, such amount shall not exceed the liquidated amount of the Claim less the amount paid by the insurer) and treated in accordance with Section 4.6 or 4.7 (as applicable) hereof. Nothing contained in this Section shall constitute or be deemed a waiver of any Claim, right, or cause of action that any of the Debtors may have against any person in connection with or arising out of any Tort Claim, including, without limitation, any rights under section 157(b)of title 28 of the United States Code.

(c) *Distributions After Allowance.*

After such time as a Disputed Claim becomes, in whole or in part, an Allowed Claim, the applicable Disbursing Agent shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan. No interest shall be paid on any Disputed Claim that later becomes Allowed.

(d) *Estimations and Reserves for Contingent, Unliquidated and Disputed Claims.*

The Debtors, the Liquidating LLC or the Reorganized Debtors, as the case may be, in consultation with the Creditors' Committee or the Post-Confirmation Committee, as the case may be, shall request estimation or establishment of a reserve pursuant to section 502(c) of the Bankruptcy Code for every Disputed Claim that is contingent or unliquidated and the fixing or liquidation of which, as the case may be, would unduly delay distributions, regardless of whether any Debtor previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

XI.
Other Aspects of the Plan

A. Treatment of Executory Contracts and Unexpired Leases

1. Contracts and Leases Not Expressly Assumed Are Rejected

The Bankruptcy Code grants the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the counter party to the agreement may file a claim for damages incurred by reason of the rejection. In the case of rejection of leases of real property, such damage claims are subject to certain limitations imposed by the Bankruptcy Code.

Pursuant to the Plan, any executory contracts or unexpired leases (a) which are not listed on the Schedule of Assumed Leases and Executory Contracts that will be included in the Plan Supplement; (b) which have not been assumed and assigned or rejected with the approval of the Bankruptcy Court as of the Effective Date; or (c) which are not the subject of a motion to assume the same pending as of the Effective Date, shall be deemed to have been

rejected by the applicable Reorganized Debtor or the Debtors, as the case may be, effective on the Effective Date. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in the best interest of the applicable Debtor, its estate, and all parties in interest in the IHS Reorganization Cases.

Any executory contracts or unexpired leases of the Debtors listed on the Schedule of Assumed Leases and Executory Contracts that will be part of the Plan Supplement or which are the subject of a pending motion to assume as at the Confirmation Date shall be deemed to have been assumed by the applicable Debtor as of the Effective Date, the Plan shall constitute a motion to assume such executory contracts and unexpired leases. With respect to each such executory contract or unexpired lease assumed by a Reorganized Debtor, any monetary amounts required as cure payments shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the cure amount in Cash as soon as practicable after and in no event later than thirty (30) days after the Effective Date or upon such other terms as the parties to such executory contracts or unexpired leases otherwise may agree. In the event of a dispute regarding (i) the amount of any cure payment, (ii) the ability of the applicable Debtor, Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (iii) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving such dispute.

2. Rejection Claims

Claims arising from the rejection of an executory contract or unexpired lease pursuant to the Plan or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served upon counsel for the Debtors, no later than thirty (30) days after (i) in the case of an executory contract or unexpired lease that (A) was terminated or expired by its terms prior to the Confirmation Date or (B) is deemed rejected pursuant to the Plan, the Confirmation Date, (ii) in the case of an executory contract or unexpired lease rejected by any Debtor, the entry of the order of the Bankruptcy Court authorizing such rejection, or (iii) in the case of an executory contract or unexpired lease that is deemed rejected pursuant to the Plan, the Confirmation Date.

Any Claims for which a proof of claim is not filed and served within such time will be forever barred from assertion and shall not be enforceable against the Debtors or their estates, assets, properties, or interests in property, or against the Reorganized Debtors or their estates, assets, properties, or interests in property. All claims arising from the rejection of executory contracts or unexpired leases that are timely filed as provided herein shall be treated under the Plan as General Unsecured Claims.

B. Releases

Subject to the exception described **in subsection C.** below, the Plan includes a limited release of the officers, directors, agents, employees, representatives, financial advisors, professionals, accountants, and attorneys of the Debtors, solely to the extent of their direct and indirect participation in the business and financial affairs of the Debtors. Section 5.5 of the Plan provides that such representatives shall be deemed released by the Debtors from any and all Claims against them held by the Debtors **and the Debtors' estates** solely to the extent that such Claims relate to their conduct in their respective capacities as representatives of the Debtors, except ~~to the extent that such Claims are covered by any applicable insurance policies of the Debtors, or~~ as otherwise expressly provided in the Plan or the Confirmation Order. These releases are being made in recognition of their substantial efforts and contribution to the reorganization process.

C. Limitation on Releases, Indemnification and Exculpation of Directors

The Plan contains an exception to the ~~releases provided under section 5.5 and described above~~ **release, indemnification and exculpation provisions of the Plan** Specifically, Section 5.6 of the Plan provides that no provision of the Plan or the Confirmation Order will **in any way** modify, release, limit or be deemed **in any way** to modify, release or limit, the liability of any officer or director from the claims that are or may be asserted in the Compensation Action**, subject to, and in accordance with, the Order, dated January 24, 2002, authorizing the Creditors' Committee to commence the Compensation Action**.

D. Effect of Confirmation

1. Vesting of Assets

Except as provided in the Plan or the DIP Credit Facility, upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Debtor's bankruptcy estates shall vest in either the Liquidating LLC or the Reorganized Debtors, as applicable, free and clear of all Claims, liens, encumbrances, charges, and other interests not specifically contemplated by the Plan to either survive the IHS Reorganization Cases or to be created or granted in connection therewith. The Liquidating LLC or the Reorganized Debtors, as applicable, may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as provided herein.

2. Discharge of Claims and Termination of Equity Interests

Except as provided in the DIP Credit Facility, the rights afforded in the Plan and the payments and distributions to be made hereunder shall completely satisfy and discharge all existing debts and Claims, and terminate all Equity Interests, of any kind, nature, or description whatsoever against or in the Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in the Plan or the DIP Credit Facility, upon the Effective Date, all existing Claims against and Equity Interests in the Debtors, shall be, and shall be deemed to be, discharged, satisfied, released and terminated in

full, and all holders of Claims and Equity Interests shall be precluded and enjoined from asserting against the Liquidating LLC or the Reorganized Debtors, as applicable, their successors and assigns, or any of their respective assets or properties, any other or further Claim or Equity Interest based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a proof of claim or proof of equity interest and whether or not the facts or legal bases therefor were known or existed prior to the Effective Date. Regardless of any provisions to the contrary, neither Debtors' Disclosure Statement, nor their Plan of Reorganization, release the claims of Jay M. Felser and Felser Health Ventures, Inc., against any non-Debtor ~~entities or against their successors or assigns~~ **entity,** which is named as a defendant in the Felser State Court Action**, or against its successors or assigns**. Furthermore, despite any provisions to the contrary, neither the Disclosure Statement nor the Plan of Reorganization revise, rescind or allow for the alteration of the relief granted by Order of the United States Bankruptcy Court, dated May 5, 2002, titled "Order Granting the Felser Parties' Motion for Relief from the Automatic Stay: Docket Nos. 6680 and 6717."

3. Discharge of Debtors

Upon the Effective Date and in consideration of the distributions to be made under the Plan, except as otherwise expressly provided in the Plan or the DIP Credit Facility each holder (as well as any trustee or agent on behalf of such holder) of a Claim or Equity Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Equity Interest in the Debtors.

4. Term of Injunctions or Stays

Unless otherwise provided **in the Plan**, all injunctions or stays arising under or entered during the IHS Reorganization Cases under section 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 later of the Effective Date and the date indicated in the order providing for such injunction or stay.

5. Injunction Against Interference With Plan

Upon the entry of the Confirmation Order and except as otherwise provided in the Plan or the DIP Credit Facility, all holders of Claims and Equity Interests and other parties in interest, along with their respective present or former employers, agents, officers, directors, or principals, shall be permanently and forever barred, restrained and enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

6. Injunction Against Suits Against IHS Under the Sale Transactions

If the Sale Transactions are implemented, then upon consummation thereof and effective as of the Confirmation Date, and except as otherwise provided in the Plan or the DIP Credit Facility, all holders of Claims and Equity Interests and other parties in interest, along with their respective present or former employers, agents, officers, directors, or principals, shall be permanently and forever barred, restrained and enjoined from taking any action, directly or indirectly, against IHS, to collect, recover or receive payment of, on, or with respect to any Claim or Equity Interest arising on or before the date of the Confirmation Order, including claims (within the meaning of section 101(5) of the Bankruptcy Code) against IHS relating to any asset or liability being purchased or assumed by the Purchaser under the Sale Agreement.

7. Exculpation

Pursuant to the Plan, neither the Debtors, A&M, any Disbursing Agent, the Liquidating LLC, the Liquidating Manager, the Creditors' Committee, **the Post-Confirmation Committee,** the Unofficial Senior Lenders' Working Group, nor any of their respective members, officers, directors, employees, agents, counsel or other professionals shall have or incur any liability to any holder of any Claim or Equity Interest or any other entity for any act or omission in connection with, or arising out of, the IHS Reorganization Cases, the formulation, dissemination, implementation or confirmation of the Plan of Reorganization, the consummation of the Plan of Reorganization, or the administration of the Plan of Reorganization or property to be distributed under the Plan of Reorganization, or any other act or omission in connection with the Plan of Reorganization, the Disclosure Statement, or any contract, instrument, release or other document or agreement related thereto, provided, however, that the foregoing shall not affect the liability of any person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted gross negligence or willful misconduct. Any of the foregoing parties in all respects shall be entitled to rely on the advice of counsel with respect to their duties and responsibilities in connection with the Plan of Reorganization, and certain other specified matters.

8. Retention of Causes of Action/Reservation of Rights

(a) Nothing contained in the Plan of Reorganization or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or causes of action that the Debtors, **the Debtors' estates,** the Liquidating LLC, **the Post-Confirmation Committee** or the Reorganized Debtors may have or which the Liquidating LLC or the Reorganized Debtors, as applicable, may choose to assert under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all Claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against any of the Debtors, the Liquidating LLC, the Reorganized Debtors, their officers, directors, or representatives, and (ii) the turnover of any property of any of the Debtors' estates.

(b) Notwithstanding the foregoing, the Debtors and the Liquidating LLC or the Reorganized Debtors, as applicable, under the Plan waived all Avoidance Claims except as set forth in the Plan Supplement.

(c) Nothing contained in the Plan of Reorganization or the Confirmation Order shall be deemed to be a waiver or relinquishment of any claim, cause of action, right of setoff, or other legal or equitable defense which any of the Debtors **or the Debtors' estates** had immediately prior to the Commencement Date or thereafter, against or with respect to any Claim left unimpaired by the Plan of Reorganization. The Liquidating LLC or the Reorganized Debtors, as applicable, shall have, retain, reserve, and be entitled to assert all such claims, causes of action, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Commencement Date or thereafter fully as if the IHS Reorganization Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any Claim left unimpaired by the Plan of Reorganization may be asserted after the Confirmation Date to the same extent as if the IHS Reorganization Cases had not been commenced.

9. Indemnification

The Plan provides that any obligations of the Debtors pursuant to their corporate charters and bylaws or agreements, entered into at any time prior to the Effective Date or pursuant to the Elkins Settlement Agreement, to the extent permitted by applicable law, to indemnify current directors, officers, agents, and/or employees, or the Elkins Released Parties with respect to all present and future claims, actions, suits, and proceedings against the Debtors or such directors, officers, agents, and/or employees, based upon any act or omission for or on behalf of the Debtors shall not be discharged or impaired by confirmation of the Plan of Reorganization, provided, however, ~~notwithstanding~~ **this provision shall not affect the priority of any claim for indemnification under the applicable provisions of the Bankruptcy Code and applicable law, as to which all rights are reserved. Notwithstanding**the foregoing, the current directors, officers, agents and/or employees of the Debtors who are defendants in the Compensation Action shall be entitled to the advancement and/or reimbursement of the reasonable fees and expenses of their respective legal counsel incurred in connection with the Compensation Action.

10. Cancellation of Existing Securities and Agreements

Except for purposes of evidencing a right to distributions under the Plan or as otherwise provided ~~hereunder~~ **under the Plan**, on the Effective Date all agreements and other documents evidencing Claims or rights of any holder of a Claim against any of the Debtors, including all indentures and notes evidencing such Claims, shall be canceled and deemed null and void and of no force and effect as against the Debtors**; provided, however, that (a) the Class 9 Indentures shall continue in effect for the purposes of (i) allowing the Class 9 Indenture Trustees to make any distributions on account of the respective Settled Senior Subordinated Debt Claims pursuant to the Plan and to perform such other necessary administrative functions with respect thereto, and (ii) permitting the Class 9 Indenture Trustees to maintain and assert any rights or liens for reasonable fees, costs and expenses under the Class 9 Indentures; and (b) the Class 10 Indenture shall continue in effect for the purpose of allowing the Class 10 Indenture Trustee to retain its charging lien until**

payment of its fees pursuant to section 4.10(c) of the Plan. Upon termination of the indentures, the indenture trustees shall be released from any further obligation or duty under their respective indentures, except as necessary to effectuate distributions under the Plan.

11. Merger and Liquidation of Subsidiaries

Except as otherwise set forth herein, prior to or as of the Effective Date, the Debtors may cause any or all of the Debtors to engage in any corporate restructuring transactions deemed reasonably necessary or appropriate to effectuate the implementation of the Plan, including, without limitation, merging, dissolving or transferring assets between or among Debtors.

E. Waiver of Certain Avoidance Actions

During the IHS Reorganization Cases, the Debtors commenced avoidance actions, some of which are still pending. Each of these avoidance actions will be identified in the Plan Supplement. The Debtors, the Liquidating LLC and Reorganized IHS, as applicable, are waiving all other avoidance actions.

F. Miscellaneous Provisions

The Plan contains provisions relating to the cancellation of existing securities, corporate actions, the Disbursing Agent, delivery of distributions, manner of payment, vesting of assets, binding effect, term of injunctions or stays, injunction against interference with the Plan, payment of statutory fees, retiree benefits, cessation of the Creditors' Committee, recognition of guaranty rights, substantial consummation, compliance with tax requirements, severability, revocation, and amendment of the Plan, governing law, and timing. For more information regarding these and other miscellaneous items, see the Plan attached hereto as Exhibit A.

XII.
Certain Factors to Be Considered

A. Certain Bankruptcy Considerations

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. In addition, although the Debtors believe that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing.

The Plan provides for no distribution to Classes ~~9 (Other~~ **10 (Convertible** Senior Subordinated Debt Claims), ~~10 (Convertible Subordinated Debt Claims),~~ 11 (Punitive Damage Claims) and 13 (IHS Equity Interests). The Bankruptcy Code deems these classes to have rejected the Plan. Notwithstanding the fact that these Classes are deemed to have rejected the

Plan, the Bankruptcy Court may confirm the Plan if at least one impaired Class votes to accept the Plan (with such acceptance being determined without including the vote of any "insider" in such Class). Thus, for the Plan to be confirmed, one of the impaired subclasses in Class 3, or one of Class 2 (Secured Synthetic Lease Claims), Class 4 (Senior Lender Claims), Class 5 (United States Claims), Class 6 (General Unsecured Claims), Class 7 **(Premiere Unsecured Claims), Class 8** (1999 Insured Tort Claims) or Class ~~8~~ **9** (Settled Senior Subordinated Debt Claims) must vote to accept the Plan. As to each impaired Class that has not accepted the Plan, the Plan may be confirmed if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to these Classes. The Debtors believe that the Plan satisfies these requirements. For more information, see Section XII.B, below.

B. Risks Associated with the Sale Transactions

The ~~Sales~~ **Sale** Transactions are subject to various conditions, including without limitation, the (i) nonexistence of a Material Adverse Effect (as defined in the Sale Agreement) on the business or operations of the Seller (as defined in the Sale Agreement); (ii) attainment of minimum levels of earnings before interest, taxes, depreciation and amortization; (iii) receipt of certain consents; (iv) execution of a comprehensive settlement agreement with certain government agencies providing for the settlement of all asserted claims against the Seller; (v) entry of an Order approving and authorizing the assumption of the Assumed Contracts (as defined in the Sale Agreement) (and the actual assumption of such Assumed Contracts by the LTC Subsidiary and Therapy Subsidiary) and (vi) certain regulatory approvals. While the Debtors hope to satisfy all conditions to the closing of the Sale Transactions, there can be no assurance that the Debtors will actually satisfy such conditions. Accordingly, there is a risk that the Sale Transactions may not be consummated.

C. Risks Associated with the Stand Alone Transactions

1. Dependence on Third-Party Payors

A substantial percentage of the Debtors' revenue is and will continue to be attributable to third-party payors, including private insurers, Medicare and Medicaid. The Debtors' levels of operating revenue and profitability, like those of other healthcare companies, are affected by the continuing efforts of third-party payors to contain or reduce the costs of healthcare by lowering reimbursement rates, increasing case management review of services and negotiating reduced contract pricing. Changes in reimbursement policies by third-party payors, or the reduction in or elimination of such reimbursement programs, could have a material adverse impact on revenues. Neither the Purchaser (under the Sale Transactions) nor the Reorganized Debtors (under the Stand-Alone Transactions) can be sure that state and federal health reform initiatives will not lead to additional changes in reimbursement programs.

Managed care organizations and other third-party payors have continued to consolidate to enhance their ability to influence the delivery of healthcare services. Consequently, the healthcare needs of a large percentage of the United States population are provided by a small number of managed care organizations and third-party payors. These organizations generally enter into service agreements with a limited number of providers for needed services. To the extent such organizations terminate agreements with any of the

Reorganized Debtors as a preferred provider and/or engage Reorganized competitors as a preferred or exclusive provider, the Reorganized Debtors' business could be materially adversely affected. In addition, private payors, including managed care payors, increasingly are demanding discounted fee structures or the assumption by healthcare providers of all or a portion of the financial costs.

2. Risk of Failure of Congress to Restore Medicare and Medicaid Funding

Pursuant to the BBRA, BIPA, Congress temporarily restored a portion of the funding that was eliminated pursuant to the BBA. A significant portion of these add-ons expired on October 1, 2002, as a result of which the reimbursement outlook for the industry in general is currently in a state of flux. Although some of the funding may be restored through future legislation, a failure of Congress to enact such legislation could have a material adverse effect on the Reorganized Debtors' results of operations and financial condition.

3. Extensive Government Regulations, Changes in Laws, Payment Methodology

The Debtors are subject to stringent laws and regulations at both the federal and state levels, requiring compliance with burdensome and complex billing, substantiation and record-keeping requirements. Financial relationships between the Debtors and physicians and other referral sources are subject to strict limitations. In addition, the provision of services, pharmaceuticals and equipment are subject to strict licensing and safety requirements. Violations of these laws and regulations could subject the Reorganized Debtors to severe fines, facility shutdowns and possible exclusion from participation in federal healthcare programs such as Medicare and Medicaid.

Government officials and the public will continue to debate healthcare reform. Changes in healthcare law, new interpretations of existing laws, or changes in payment methodology may have a dramatic effect on the business and results of operations of the Reorganized Debtors.

4. Professional Liability

The frequency and dollar amounts of judgments and settlements for professional liability claims has increased dramatically in the past few years. The increases have been concentrated in the States of Florida and Texas. If this trend continues and/or spreads to other States where the Debtors operate skilled nursing facilities, such increased losses may have a dramatic effect on the business and results of operations of the Reorganized Debtors

5. Timely Collection of Accounts Receivable

Timely collection of accounts receivable is, and after the Effective Date, will remain an important part of the Debtors' business, requiring constant focus and involvement by senior management and ongoing enhancements to information systems and billing center operating procedures. Further, some of the Debtors' payors may experience financial difficulties, or may otherwise not pay accounts receivable when due, resulting in increased write-offs. There can be no assurance that the Reorganized Debtors will be able to maintain the current levels of

collectibility or that third-party payors will not experience financial difficulties. If the Reorganized Debtors are unable to properly bill and collect their accounts receivable, their revenues and profitability will be adversely affected.

6. Pending Investigations and Legal Proceedings

The Debtors are from time to time involved in various legal proceedings. Although the Debtors do not believe that any currently pending proceeding will materially and adversely affect them, the Debtors can give no assurances that any current or future proceeding will not have a material adverse affect on the Debtors or the Reorganized Debtors' financial position or results of operations.

7. Dependence on Key Personnel

The Debtors' performance is dependent on several of its key executives. If any of these individuals leave the Reorganized Debtors' employ, the Debtors may not be able to find adequate replacements. The loss of any of these individuals or any of certain other key employees could harm the Reorganized Debtors' ability to continue to develop and manage their business. The Debtors do not maintain "key person" life insurance that would result in a payment to the Reorganized Debtors in the event of the death of any of its executive officers.

8. Enforcement of Non-Competition Agreements

Certain of the Debtors' current and former senior personnel, many of whom have had access to proprietary information of and may have the capability to compete with in the industries in which operates, are subject to non-competition agreements. Any violations of these agreements could have a material adverse effect on the Debtors' performance.

9. Capital-Intensive Business

The Debtors operate in a highly capital-intensive business. As such, if reimbursement rates decline, the Debtors' return on invested capital will also decline. There can be no assurance that reimbursement rates will remain at or near their current levels.

D. Risks Relating to Plan Securities To be Issued if the Stand-Alone Transactions are Implemented

1. Variances from Projections

The projections included in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of Reorganized IHS and with respect to the prevailing market and economic conditions which are beyond the control of Reorganized IHS and which may not materialize. The Debtors believe that the assumptions underlying the projections are reasonable. However, unanticipated events and circumstances occurring subsequent to the preparation of the projections may affect the actual financial results of the Debtors and/or Reorganized Debtors. Therefore, the actual results achieved throughout the

periods covered by the projections necessarily will vary from the projected results, which variations may be material and adverse.

2. Substantial Leverage; Ability to Service Debt

If the Stand-Alone Transactions are implemented, Reorganized IHS will have substantial indebtedness. On the Effective Date, after giving effect to the transactions contemplated by the Plan, Reorganized IHS will have approximately $55 million in secured and unsecured indebtedness. Significant amounts of cash flow will be necessary to make payments of interest and repay the principal amount of such indebtedness.

3. Significant Holders

Under the Plan, certain holders of Allowed Claims may receive distributions of shares of New Common Stock representing in excess of five percent (5%) of the outstanding shares of New Common Stock. If holders of a significant number of shares of the New Common Stock were to act as a group, such holders may be in a position to control the outcome of actions requiring shareholder approval, including the election of directors. Further, the possibility that one or more of the holders of a number of shares of the New Common Stock may determine to sell all or a large portion of their shares in a short period of time may adversely affect the market price of the New Common Stock.

4. Lack of Trading Market

The shares of New Common Stock initially will not be listed on a national securities exchange or a qualifying interdealer quotation system. Accordingly, there can be no assurance that a holder of such securities will be able to sell such shares in the future or as to the price at which such shares might trade. Moreover, the Debtors are delinquent with respect to their reporting obligations under the Securities Exchange Act of 1934, as amended, and accordingly, if they were to seek listing of the New Common Stock on a national securities exchange there is a risk that such securities would not be so listed.

5. Dividend Policies

Because most of Reorganized IHS' cash flows will be used in the foreseeable future (a) to make payments under the Exit Financing Facility that will be entered into in connection with the emergence from Chapter 11, (b) to make payments under the New Subordinated Notes, (c) to fund the Debtors' other obligations under the Plan, and (d) for working capital and capital expenditure purposes, Reorganized IHS does not anticipate paying dividends on the New Common Stock in the near future.

6. Restrictions on Transfer

Holders of Plan Securities who are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code, including holders who are deemed to be "affiliates" or "control persons" within the meaning of the Securities Act, will be unable freely to transfer or to sell their securities except pursuant to (a) "ordinary trading transactions" by a holder that is not

an "issuer" within the meaning of section 1145(b), (b) an effective registration statement covering the sale of such securities under the Securities Act and under equivalent state securities or "blue sky" laws, or (c) pursuant to the provisions of Rule 144 under the Securities Act or another available exemption from the registration requirements thereof. For a more detailed description of these matters, see section II, above.

XIII.
Confirmation of the Plan

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a Plan. The confirmation hearing is scheduled for **[9:30 a.m.]**, Eastern Standard Time, before the Honorable Mary F. Walrath, United States Bankruptcy Court for the District of Delaware, 824 Market Street, 5th Floor, Wilmington, DE, 19801, on **[~~March 26~~ April __, 2003]**. The confirmation hearing may be adjourned from time to time by the Debtors or the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan or reorganization. Any objection to confirmation of the Plan must be in writing, must conform to the Federal Rules of Bankruptcy Procedure, must set forth the name of the objector, the nature and amount of claims or interest held or asserted by the objector against the particular Debtor or Debtors, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service thereof, and served upon (i) Kaye Scholer LLP, Co-Attorneys for the Debtors, 425 Park Avenue, New York, NY 10022, Attention: Michael J. Crames, Esq., Arthur Steinberg, Esq. and Marc D. Rosenberg, Esq.; (ii) Jenkens & Gilchrist – Parker Chapin LLP, Co-Attorneys for the Debtors, The Chrysler Building, 405 Lexington Avenue, New York, NY 10174, Attention: Charles P. Greenman, Esq.; and Lee W. Stremba, Esq.; (iii) Young, Conaway, Stargatt & Taylor LLP, Co-Attorneys for the Debtors, The Brandywine Building, 1000 West Street, 17th Floor, P.O. Box 391, Wilmington, DE 19899-0391, Attention: James P. Patton, Esq. and Robert S. Brady, Esq.; (iv) The Office of the United States Trustee for the District of Delaware, Curtis Center, Suite 950 West, 601 Walnut Street, Philadelphia, PA 19106, Attention: Don Beskrone, Esq.; (v) Otterbourg, Steindler, Houston & Rosen, P.C., Attorneys for the Creditors' Committee, 230 Park Avenue, 30th Floor, New York, NY 10169, Attention: Glenn B. Rice, Esq.; (vi) Weil Gotshal & Manges, LLP, Attorneys for the Senior Lenders, 767 Fifth Avenue, New York, NY 10153, Attention: Stephen Karotkin, Esq.; and (vii) Dewey Ballantine LLP, counsel for the DIP Lenders, 1301 Avenue of the Americas, New York, NY 10019, Attention: Marc Hirschfield, Esq.

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

B. General Requirements of Section 1129

At the confirmation hearing, the Bankruptcy Court will determine whether the Debtors have satisfied the provisions of section 1129 of the Bankruptcy Code.

C. Best Interest Test

As described above, the Bankruptcy Code requires that each holder of an impaired Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code as of the Effective Date.

The first step in determining whether this step has been satisfied is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a Chapter 7 liquidation case. The gross amount of Cash that would be available for satisfaction of Claims and Equity Interest would be the sum consisting of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by the unencumbered Cash held by the Debtors at the time of the commencement of the liquidation case. IHS believes that the liquidation value of its assets will be less than the reorganizational value distributed to creditors under the Plan. The "going concern value" of the Debtors as an ongoing business is as demonstrated in the Liquidation Analysis section greater than the liquidation value of the Debtors' assets.

The next step is to reduce that gross amount by the costs and expenses of liquidation and by such additional administrative and priority Claims that might result from the termination of the Debtors' business and the use of Chapter 7 for the purposes of liquidation. Any remaining net Cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of such allocations (taking into account the time necessary to accomplish the liquidation) are compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under Chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the Chapter 11 cases allowed in the Chapter 7 cases, such as compensation for attorneys, financial advisors, appraisers, accountants, and other professionals for the Debtors and the Creditors' Committee, and costs and expenses of members of the Creditors' Committee, as well as other compensation Claims. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of these Chapter 11 cases.

The foregoing types of claims, costs, expenses, fees, and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition priority and unsecured claims. **The Debtors believe that in a Chapter 7 case, Classes 5, 6, 8, 9, 10, 11, 12 and 13**

would receive no distribution of property, and Chapter 11 administrative claims would not be satisfied in full.

After consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 7 cases, including (i) the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) additional costs associated with the rapid transfer or cessation of operations at the facilities and the erosion in value of assets in a Chapter 7 case in the context of the expeditious liquidation required under Chapter 7 and the "forced sale" atmosphere that would prevail, and (iii) the substantial increases in Claims that would be satisfied on a priority basis, the Debtors have determined that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtors under Chapter 7.

The Debtors also believe that the value of any distributions to each Class of Allowed Claims in a Chapter 7 case, including all secured Claims, would be less than the value of distributions under the Plan because such distributions in a Chapter 7 case would not occur for a substantial period of time. In this regard, it is possible that distribution of the proceeds of the liquidation could be delayed for one or more years after the completion of such liquidation in order to resolve claims and prepare for distributions. In the event litigation was necessary to resolve Claims asserted in a Chapter 7 case, the delay could be prolonged and administrative expenses increased.

D. Liquidation Analysis

The Debtors' liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical Chapter 7 liquidation of the Debtors. The analysis is based on a number of significant assumptions which are described. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

The Debtors' liquidation analysis has been prepared by the Debtors in consultation with UBS Warburg. A copy of the liquidation analysis and the accompanying Notes is attached hereto as Exhibit "D".

Best Interest Comparison

Class	Liquidation Recovery Low	Liquidation Recovery High	Chapter 11 Recovery
1	22%	37%	100%
2	100% (of secured parties)	100% (of secured parties)	100% (of secured parties)
3	100%	100%	100%
4	.0003	.0003	8.3% - 10.9%
5	0	0	undetermined

6	0	0	2.5% - 3.8%
7	**0**	**0**	**0 - 3.8%**
8	up to 100%	up to 100%	up to 100%
~~8~~ **9**	0	0	0 - 2.4%
~~9 0 0 0~~ 10	0	0	0
11	0	0	0
12	n/a	n/a	n/a
13	0	0	0

E. Feasibility

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared projections contained in Section VIII above. Based upon such projections, the Debtors believe that they will be able to make all payments required pursuant to the Plan and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

F. Section 1129(b)

The Bankruptcy Court may confirm a Plan over the rejection or deemed rejection of the Plan by a Class of claims or equity interests if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

1. No Unfair Discrimination

This test applies to Classes of Claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair."

2. Fair and Equitable Test

This test applies to Classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no Class of Claims receive more than 100% of the allowed amount of the Claims in such Class. As to the dissenting Class, the test sets different standards, depending on the type of claims or interests in such Class:

- *Secured Creditors.* Each holder of an impaired secured Claim either (a) retains its liens on the property to the extent of the allowed amount of its secured Claims and receives deferred Cash payments totaling at least the allowed amount of such Claim, of a value, as of the effective date of

the plan, of at least the value of such holder's interest in the estate's interest in such property, or (b) has the right to sell any property that is subject to the liens securing such Claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) or (c) of this paragraph or (c) has the right to receive the "indubitable equivalent" of its Allowed Claim.

- *Unsecured Creditors.* Either (a) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its Allowed Claim or (b) the holders of Claims and interests that are junior to the claims of the dissenting Class will not receive any property under the plan.

- *Equity Interests.* Either (a) each Equity Interest holder will receive or retain under the plan property of a value equal to the greater of (i) the fixed liquidation preference or redemption price, if any, of such stock and (ii) the value of the stock, or (b) the holders of interests that are junior to the Equity Interests of the dissenting Class will not receive or retain any property under the Plan.

The Debtors believe the Plan will satisfy the "fair and equitable" requirement notwithstanding that Classes ~~9 (Other~~ **10 (Convertible** Senior Subordinated Debt Claims), ~~10 (Convertible Subordinated Debt Claims),~~ 11 (Punitive Damage Claims) and 13 (IHS Equity Interests) are deemed to reject the Plan.

Because several classes of Claims are not being paid in full, the existing Equity Interests in IHS, are being extinguished pursuant to the Plan.

XIV.
Alternatives to Confirmation and Consummation of the Plan

A discussion of the effect that a chapter 7 liquidation would have on the recoveries of the holders of Claims is set forth in Section XIII.D. of this Disclosure Statement. The Debtors believe that liquidation under Chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan.

XV.
Certain Federal Income Tax Consequences of the Plan

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtors and certain holders of Claims. The following summary does not address the federal income tax consequences to holders whose Claims are

entitled to reinstatement or payment in full in cash, or are otherwise unimpaired under the Plan (e.g., holders of certain Other Secured Claims and Other Priority Claims).

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS. Thus, there can be no assurance that the IRS would agree with the positions taken by the Debtors with respect to these issues. In addition, this summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special Classes of taxpayers (such as foreign taxpayers, broker-dealers, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations and investors in pass-through entities).

This discussion assumes that the various debt and other arrangements to which the Debtors are currently a party and any distributions of securities, debt or equity issued by the Debtors under the Plan will be respected for federal income tax purposes in accordance with their form.

Accordingly, the following summary of certain federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of a Claim. All holders of Claims are urged to consult their own tax advisors for the federal, state, local and other tax consequences to them of the implementation of the Plan.

A. Consequences to the Debtors

The Debtors have, prior to filing this Plan, filed consolidated federal income tax returns together with the Rotech Debtors, excluding those Debtors that are treated as partnerships, or otherwise as fiscally transparent, for federal income tax purposes. For federal income tax purposes, the Debtors have substantial consolidated net operating loss carryforwards ("NOLs") and capital loss carryforwards. The amount of such NOLs and the other tax attributes of the Debtors may be adjusted during the course of the preparation of the actual tax returns and remain subject to examination by the IRS. The Rotech Plan was implemented in a manner that allowed Rotech Healthcare, Inc. ("RHI") to elect to treat the Rotech Plan as a taxable transaction in which a significant portion, if not all, of the Debtors' consolidated NOLs were utilized to offset the gain recognized by the Debtors in connection therewith. As a consequence, the consolidated group of corporations of which Reorganized IHS is the common parent (the "IHS Group") will not have significant NOLs available to offset future income.

1 Cancellation of Debt

In general, the discharge of a debt obligation by a debtor for an amount less than the remaining balance of the debt obligation (as determined for federal income tax purposes) gives rise to Cancellation of Debt ("COD") income which must be included in the debtor's income, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD income in a title 11 bankruptcy case (such as where the payment of the canceled debt would have given rise to a tax deduction). As to any obligations of IHS, a statutory exception applies to corporate and certain other debtors if the discharge is granted in a title 11 bankruptcy case or pursuant to a plan approved by a bankruptcy court.

In general, for a debtor in bankruptcy, no portion of the COD is includible in income; however the debtor must still reduce certain of its tax attributes – such as NOLs, current year net operating losses, capital loss carryforwards, current year capital losses, tax credits and tax basis in assets – by the amount of any excluded COD. Any COD in excess of the tax attributes available for reduction is simply excluded. It is unclear whether this reduction of tax attributes will occur on a separate company basis, that is, if only the attributes of the taxpayer the debt of which is discharged must be reduced, even though that taxpayer files consolidated tax returns with other corporations. Thus, the Debtors expect to reduce only IHS's tax attributes as a result of any COD with respect to its liabilities, even though IHS files consolidated federal income tax returns with the Debtors. The Debtors are aware that the IRS has, in certain cases, asserted the reduction of certain of these attributes should occur on a consolidated basis. The vast majority of the debt being discharged as part of the Plan will be indebtedness of IHS, and it is therefore anticipated that IHS will realize significant amounts of COD income for federal income tax purposes. Thus, any NOLs attributable to IHS remaining after implementation of the Rotech Plan will be reduced as a result of the COD realized by IHS. Furthermore, to the extent such COD exceeds the amount of such NOLs, IHS's tax basis for its assets will be reduced as well. However, based on the position described above that the Debtors intend to take, it is unlikely that any tax attributes of any of the other Debtors will be affected to any significant extent by COD as a consequence of the implementation of the Plan. To the extent that the Plan does result in the realization of COD income by the Debtors, any resulting reduction of the tax attributes of the Debtors occurs as the very last adjustment in the taxable year in which the COD occurs. Thus, any NOL carryforwards of the Debtors are available for use to offset ordinary income or gains from the sale of assets for that taxable year before they are reduced. The taxpayer may elect to reduce the basis for depreciable property prior to any reduction in NOL carryforwards, if that provides any advantage.

2. Limitations on Loss Carryforwards and Other Tax Benefits

Following the implementation of the Plan, any NOLs and certain other tax attributes of the Debtors after any adjustment for COD income, as described above, allocable to the period prior to the Effective Date of the Plan will be subject to the limitations imposed by Section 382 of the Tax Code. Thus, if the Stand-Alone Transactions are implemented, the Debtors' liability for taxes in the future will be affected by the imposition of these rules.

Under Section 382, if a corporation undergoes an "ownership change," the amount of its pre-change losses that may be utilized to offset future taxable income is, in general,

subject to an annual limitation. Such limitation also may apply to certain losses or deductions which are "built-in" (i.e., economically accrued but unrecognized) as of the date of the ownership change that are subsequently recognized within five years after the ownership change. An ownership change, generally, is a 50 percentage point increase in the percentage ownership of the loss corporation by shareholders that own five percent (5%) or more of the stock of the corporation. The Debtors anticipate that an ownership change of the Debtors will occur upon implementation of the Plan.

(a) *General Section 382 Limitation.* The amount of the annual limitation to which a loss corporation may be subject (i) depends, in part, on whether the corporation is in bankruptcy and the ownership change occurs pursuant to a Plan confirmed by the bankruptcy court, and (ii) within the context of an affiliated group of corporations that file a consolidated federal income tax return, generally applies on a consolidated basis. As discussed in paragraph (c) below, corporations in bankruptcy, such as the Debtors, may also be able to avoid any annual limitation.

In general, the amount of the annual limitation to which a corporation (or consolidated group) would be subject would be equal to the product of (i) the fair market value of the stock of the corporation (or, in the case of a consolidated group, the common parent) immediately before the ownership change (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate" in effect for the month in which the ownership change occurs (announced monthly by the IRS, 4.65% for ownership changes occurring in February 2003). Generally, the limitation under Section 382 will be based on the value of the Debtors immediately after the implementation of the Plan. However, certain "anti-duplication" rules apply to prevent the value of a non-consolidated, more than 50% owned subsidiary from being taken into account both in the determination of such subsidiary's own annual limitation and as a result of being an asset of the corporation (or group).

Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. However, if the corporation (or consolidated group) does not continue its historic business or use a significant portion of its assets in a new business for two years after the ownership change, the annual limitation resulting from the ownership change is zero.

(b) *Built-In Gains and Losses.* If a loss corporation (or consolidated group) has a net unrealized built-in gain at the time of an ownership change (determined taking into account most assets and all items of "built-in" income and deductions), any built-in gains recognized during the following five years (up to the amount of the original net built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance.

On the other hand, if the loss corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change, then any built-in losses recognized during the following five years (up to the amount of the original net built-in loss) generally will be treated as a pre-change loss and will be subject to the annual limitation in the same fashion as pre-change NOLs. In addition, although this net built-in loss rule generally applies to

consolidated groups on a consolidated basis, any corporation that joins the consolidated group within the five years preceding the ownership change may have to be excluded from the group computation and tested for a net built-in loss on a separate company basis. Accordingly, even though a consolidated group of corporations may not have a net unrealized built-in loss on an overall group basis, the group may have a net unrealized built-in loss if certain members of the group are required to be excluded. Additionally, if the excluded member has a net built-in loss when tested on a separate company basis, any subsequently recognized built-in losses of such corporation may be subject to a more restrictive annual limitation based on the separate value of such member.

A loss corporation's (or consolidated group's) net unrealized built-in gain or loss generally will be deemed to be zero unless it is greater than the lesser of (i) $10 million or (ii) 15% of the fair market value of its gross assets (with certain adjustments) immediately before the ownership change.

The Debtors expect to have significant net unrealized built-in losses. In such circumstances, deductions such as depreciation and amortization attributable to tax basis in excess of the value of assets owned by the Debtors as of the Effective Date would, for the five years following the Effective Date, also be subject to the annual limitation applicable to NOLs. The imposition of such a limitation could result in a corresponding increase in the Debtors' income tax liability for that 5-year period.

(c) *Special Bankruptcy Exception.* An exception to the general annual limitation (including the described built-in gain and loss rules) applies in cases in which the stockholders and/or qualified creditors of the debtor retain or receive (other than in exchange for new investments) at least 50% of the vote and value of the stock of the reorganized debtor pursuant to a confirmed bankruptcy plan. Under this exception, a debtor's pre-change losses are not subject to an annual limitation, but are required to be reduced by the amount of any interest deductions claimed during the three taxable years preceding the date of the reorganization, and during the part of the taxable year prior to and including the reorganization, in respect of the debt converted into stock in the reorganization. Moreover, if this exception applies, a subsequent ownership change of the debtor within a two-year period after the reorganization will preclude the debtor's utilization of any pre-change losses at the time of the subsequent ownership change against future taxable income.

If the Stand-Alone Transactions are implemented, it is anticipated that the receipt of New Common Stock by the holders of Senior Lender Claims and General Unsecured Claims solely in exchange for such Claims would allow the Debtors to qualify for this exception. Accordingly, the Debtors may be able to avoid any annual limitation on the deduction of either their NOLs or items of built-in loss. It should be noted, however, that even if the Debtors so qualify, the Debtors may, if they so desire, elect not to have the exception apply and instead remain subject to the annual limitation and built-in gain and loss rules described above. Such election would have to be made on IHS's federal income tax return for the taxable year in which the reorganization occurs. The Debtors do not currently contemplate electing not to have the special bankruptcy exception apply if it is otherwise available.

3. Transfer of Assets

If the Sale Transactions are implemented, the assets of the Debtors that remain after such implementation will be transferred directly or indirectly to holders of certain Allowed Claims (or, in the case of the holders of Disputed General Unsecured Claims, the Disputed General Unsecured Claims Reserve) in complete liquidation of the Debtors. Some or all of the Debtors' assets will be transferred directly to such holders. Certain other assets may be transferred to the Liquidating LLC. For federal income tax purposes, any such assets transferred to the Liquidating LLC will be deemed to have been transferred to the holders of Allowed Claims (or Disputed General Unsecured Claims Reserves with respect to the holders of Disputed General Unsecured Claims), with such holders then transferring such assets to the Liquidating LLC in exchange for interests in the Liquidating LLC. The Liquidating LLC will thereafter be treated as a partnership for federal income tax purposes, and the holders of Allowed Claims who receive membership interests in the Liquidating LLC and the Disputed General Unsecured Claims Reserve will be treated as the partners of the partnership.

The Debtors' transfer of their assets pursuant to the Plan, as described in the preceding paragraph, will constitute a taxable disposition of such assets. The Debtors do not expect that such disposition will result in recognition of significant gain and will not result in any federal income tax liability. This distribution will also terminate the IHS Group and cause the Debtors' taxable year to close.

4. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's "alternative minimum taxable income" ("AMTI") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carryforwards, a corporation (or consolidated group) generally is entitled to offset no more than 90% of its AMTI with NOLs (as recomputed for AMT purposes). For taxable years ending in 2002, however, this limitation on deduction of NOLs for AMT purposes does not apply. Thus, if the Sale Transactions take place after 2002 and generate gains, such gains may be subject to AMT.

In addition, if a corporation (or consolidated group) undergoes an "ownership change" within the meaning of Section 382 and is in a net unrealized built-in loss position on the date of the ownership change, the corporation's (or group's) aggregate tax basis for its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date. This provision applies regardless of whether the special bankruptcy exception to the annual limitation (and built-in gain and loss) rules of Section 382 applies.

Any AMT that the Debtors pay generally will be allowed as a nonrefundable credit against their consolidated federal income tax liability in future taxable years when they are no longer subject to AMT.

5. Issuance of the New Subordinated Notes

If the Stand-Alone Transactions are implemented, it is anticipated, that the New Subordinated Notes will be issued at original issue discount ("OID"). See Section B.4, below. Any such OID generally would be amortizable by Reorganized IHS utilizing the constant interest method and be deductible as interest, except to the extent that the New Subordinated Notes are treated as applicable high yield discount obligations ("AHYDO") within the meaning of Section 163(e)(5) of the Tax Code. Debt Instruments are treated as AHYDOs, if, among other requirements, their yield to maturity is at least five percentage points over the applicable federal rate in effect for the calendar month in which such notes are issued (approximately 3.27% compounded annually for the month of February 2003) and the notes have significant OID (in general, where there is unamortized OID as of the end of the fifth year after issuance that exceeds the amount of one year's interest, both actual and imputed.) Because the New Subordinated Notes will have a yield to maturity of at least 25%, and will not call for the payment of interest in cash on a current basis, they are expected to be treated as AHYDOs.

Because the New Subordinated Notes would be treated as AHYDOs, a portion of the accrued discount attributable to the "disqualified portion," if any, of the interest deduction otherwise allowable as OID would be disallowed, and the balance of such deduction would be deferred until actually paid in cash. The "disqualified portion" of any interest deduction otherwise allowable as OID on an AHYDO is that portion, if any, of the total OID multiplied by a fraction, the numerator of which is equal to the "disqualified yield" (i.e., the excess of the yield to maturity of the notes over the sum of the applicable federal rate for the calendar month in which the notes are issued plus six percentage points) and the denominator of which is equal to the total yield to maturity of the notes. The "disqualified portion" of the interest deduction described above will be treated, for income tax purposes, as a dividend distribution that is taxable to the extent of accumulated and current earnings and profits of IHS as of the tax year in which the relevant interest accrues.

B. Consequences to Holders of Certain Claims

Pursuant to, and in accordance with, the Plan, if the Stand-Alone Transactions are implemented holders of Allowed Claims in Class 4 (Senior Lender Claims) and Allowed Claims in Class 6 (General Unsecured Claims) will be entitled to receive New Common Stock and New Subordinated Notes in satisfaction of their Claims.

The federal income tax consequences of the Plan to holders of Allowed Claims against IHS depend, in part, on whether such Claims constitute "securities" for federal income tax purposes. The term "security" is not defined in the Tax Code or in the regulations issued thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt constitutes a "security" for federal income tax purposes depends on an overall evaluation of the nature of the debt. One of the most significant factors considered in determining whether a particular debt is a security is its original term. In general, debt obligations issued with a weighted average maturity at issuance of five years or less (e.g., trade

debt and revolving credit obligations) do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of ten years or more constitute securities. Another important factor in determining whether an instrument is a "security" is the extent to which it is subordinated to other liabilities. The more senior the obligation, the less likely it is to be considered to be a "security." For purposes of the following discussion it has been assumed that none of the Claims constitutes a "security." Each holder of a Senior Lender Claim is urged to consult its tax advisor regarding the status of its Claim, or any portion thereof, as a "security."

The following discussion does not necessarily apply to holders who have Claims in more than one Class relating to the same underlying obligation (such as where the underlying obligation is Classified as partially secured and partially unsecured). Such holders should consult their tax advisor regarding the effect of such dual status obligations on the federal income tax consequences of the Plan to them.

1. Consequences to All Holders Who Receive Cash, Cash and Liquidating LLC Interests or New Common Stock and New Subordinated Notes

In general, holders of Claims who receive cash, cash and Liquidating LLC interests, or New Common Stock and New Subordinated Notes will recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by the holder in satisfaction of its Claims (other than any Claim for accrued but unpaid interest) and (ii) the holder's adjusted tax basis for its Claim (other than any Claim for accrued but unpaid interest). For a discussion of the tax consequences of any Claims for accrued interest, see Section B.2. below.

For these purposes, the "amount realized" by a holder will equal the aggregate of the following amounts received by the holder (less any portion of such distribution required to be treated as imputed interest as a result of any such distribution being made after the Effective Date): (i) any cash; (ii) the fair market value of any interest in any other assets held through Liquidating LLC; (iii) the fair market value of any shares of New Common Stock and (iv) the "issue price" (as described in Section B.4. below) of any New Subordinated Notes.

Additional distributions to holders of Allowed Class 4 Senior Lender Claims, Allowed Class 6 General Unsecured Claims and Allowed Class ~~7~~ **8** 1999 Insured Tort Claims may be made after receipt of their initial distribution in respect of their Claims as a result of the disallowance of Disputed Claims. Accordingly, the imputed interest provisions of the Tax Code may apply to treat a portion of the distribution as imputed interest. In addition, because additional distributions may be made to holders of Allowed Class 4 Senior Lender Claims, Allowed Class 6 General Unsecured Claims and Allowed Class ~~7~~ **8** 1999 Insured Tort Claims after the initial distribution, any loss, and a portion of any gain, realized by a holder may be deferred until such subsequent distribution is made. Such holders are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting any gain that may be recognized by such holder in respect of its claim.

Where gain or loss is recognized by a holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the claim was acquired at

a market discount, and whether and to what extent the holder had previously claimed a bad debt deduction.

Whether a holder of a 1999 Insured Tort Claim who receives cash in satisfaction of such Claim will have income will depend upon the nature of the litigation or dispute underlying such Claim. Amounts attributable to, and constituting compensation for, personal injuries or sickness should be nontaxable to the recipient under Section 104 of the Tax Code. Holders of a 1999 Insured Tort Claim are urged to consult their tax advisors regarding the tax consequences to them of the receipt of cash in satisfaction of their Claims.

2. Distributions in Discharge of Accrued Interest

Pursuant to the Plan, all distributions in respect of an Allowed Claim will be allocated first to the principal amount of the Claim with any excess allocated to the remaining portion of the Claim. However, there is no assurance that such allocation would be respected by the IRS for federal income tax purposes. In general, to the extent that any amount received (whether stock, cash or other property) by a holder of a debt is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. Each holder of a Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

3. Market Discount

A holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the Tax Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of its Claim (subject to a de minimis rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

4. Consequences of Owning New Subordinated Notes

Subject to the AHYDO rules (discussed in Section A.4 above) that treat a portion of interest with respect to the New Subordinated Notes as dividends rather than interest, a holder of a New Subordinated Note will be required to report, as ordinary income, interest on the New Subordinated Notes in accordance with the Original Issue Discount ("OID") rules discussed below.

Holders of New Subordinated Notes generally will be subject to the special tax accounting rules for OID obligations provided by the Tax Code. Holders of New Subordinated Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for federal income tax purposes as it accrues, in advance of the receipt of cash attributable to the OID.

In general, each holder of a New Subordinated Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income for each of its taxable years the sum of the "daily portions" of OID with respect to the New Subordinated Note for all days during the taxable year that the holder owns the New Subordinated Note. The total amount of OID on a New Subordinated Note is the excess of its "stated redemption price at maturity" over its "issue price." The stated redemption price at maturity of a New Subordinated Note is generally equal to the sum of all payments to be made under the New Subordinated Note other than "qualified stated interest." "Qualified stated interest" is any interest that is payable (other than in the form of additional debt instruments of the issuer), based on a fixed rate, unconditionally at fixed intervals of one year or less. Because interest on the New Subordinated Notes is not unconditionally payable in cash before the maturity date, it does not constitute qualified stated interest and must be added to the stated redemption price at maturity. For debt instruments, such as the New Subordinated Notes, that are issued in exchange for other property (in this case, the Claims), the "issue price" is the lesser of (i) the stated principal amount of the debt instrument and (ii) the discounted present value, calculated using the "applicable federal rate" (one of several rates published monthly by the IRS for use in, among other things, applying the OID rules to debt instruments of varying terms to maturity) as the discount rate, of all payments due under the debt instrument. In the case of the New Subordinated Notes, it is expected that as a result of the application of this rule the issue price of the New Subordinated Notes will be their stated principal amount.

The total OID for the period from original issuance of the New Subordinated Notes until their maturity will accrue based on a constant yield to maturity and will be allocated to each "accrual period" therein. An "accrual period" in the case of the New Subordinated Notes is each semi-annual period following the date on which they are issued. The OID allocated to an accrual period will be further apportioned to each day within the accrual period on a pro-rata basis. A holder of a debt instrument issued with OID (including a holder who is a cash basis taxpayer) is required to include an amount of OID in income in each taxable year equal to the sum of the "daily portions" of OID for each day during the taxable year on which the debt instrument is held by such holder. To the extent that a holder includes amounts of OID in income as they accrue and later receives a payment of interest corresponding to such accrued OID, no additional income need be recognized with respect to such interest payment.

Upon disposition of a New Subordinated Note, a holder thereof will recognize gain or loss equal to the difference between the amount realized upon such disposition and his tax basis for the New Subordinated Note. A holder's tax basis for the New Subordinated Notes initially will be the issue price of such notes, but will increase from time to the extent of any OID with respect to such Note that accrues while the Note is held by such holder, and reduced by any interest payments received by such holder.

5. Consequences of Owning New Common Stock

A holder of New Common Stock will be required to report as ordinary income, any dividends that such holder receives with respect to such New Common Stock. Such holder will recognize gain or loss upon disposition of New Common Stock equal to the difference between the amount such holder realizes in connection with the disposition and such holder's tax

basis for such stock. A holder's basis for the New Common Stock received with respect to a claim will be the fair market value of the stock when received.

Any gain recognized by a holder upon a taxable disposition of New Common Stock received pursuant to the Plan (or any stock or property received for its in a later tax-free exchange) will be treated as ordinary income to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) claimed with respect to its Claim and any ordinary loss deductions incurred upon satisfaction of its Claim, less any income (other that interest income) recognized by the holder upon satisfaction of its Claim, and (ii) any amount which would have been included in the gross income of the holder if its Claim had been satisfied in full but which was not so included by reason of the holder's use of the cash method of accounting.

6. Consequences of Owning Membership Interests in Liquidating LLC

The Liquidating LLC is expected to be treated as a partnership for federal income tax purposes. Creditors, and the Disputed General Unsecured Claims Reserve, that hold interests in the Liquidating LLC will be allocated items of income, gain, loss and deduction of the Liquidating LLC in a manner that reflects their respective interests in the distributions to be made by the Liquidating LLC. These respective interests may shift from time to time as the result of the disallowance of Disputed General Unsecured Claims. Items of income, gain, loss and deduction of the Liquidating LLC will generally be allocated pro rata to interest holders in the Liquidating LLC. Each holder of interests in the Liquidating LLC will be required to take into account its allocable share of the Liquidating LLC's income, gain, loss or deduction in determining its taxable income for federal income tax purposes. The Liquidating Manager will be responsible for filing informational returns on behalf of the Liquidating LLC and distributing information statements to the holders of interests in the Liquidating LLC setting forth each such holder's allocable share of the Liquidating LLC's income, gain, loss or deduction. Each holder of a membership interest will be taxed on its allocable share of Liquidating LLC income for the taxable year regardless of the amount, if any, distributed by the Liquidating LLC to such holder in such taxable year. The Liquidating LLC will initially hold its assets with a tax basis equal to the fair market value of the assets on the Effective Date.

Holders of membership interests in the Liquidating LLC will have an initial tax basis for such interests equal to the fair market value of the interests on the Effective Date. Holders' tax bases for their interests will increase to reflect allocations of income and gain; will decrease to reflect the allocation of loss and deduction; and will decrease to reflect the distribution of cash. Distributions of money by the Liquidating LLC to a holder generally are not taxable to the holder unless the amount of such distributions exceeds the holder's adjusted basis in its interests in the Liquidating LLC. Holders will recognize gain to the extent that cash distributions exceed the tax basis of the interest with respect to which the cash was distributed. Such gain will be treated as if realized from the disposition of the interest. Holders will recognize loss, as if from the disposition of their interests, to the extent of any tax basis remaining in their interests following the final distribution pursuant to the Plan.

7. Treatment of Disputed Claims Reserve

Pursuant to the Plan, any property allocable to Disputed General Unsecured Claims shall be held in the Disputed General Unsecured Claims Reserve by the Liquidating Manager if the Sale Transactions are implemented, and by the Reorganized Debtors if the Stand-Alone Transactions are implemented, until such Disputed General Unsecured Claims are determined to be either Allowed or Disallowed. The Disputed General Unsecured Claims Reserve shall be held as a separate, segregated fund. If the Sales Transactions are implemented, the net earnings of the Disputed General Unsecured Claims Reserve will be distributed to the holders of the Liquidating LLC interests on the Final Distribution Date. Alternatively, if the Stand-Alone Transactions are implemented, the net earnings of the Disputed General Unsecured Claims Reserve will be distributed to the holders of Disputed General Unsecured Claims that become Allowed.

Under section 468B(g) of the Tax Code, amounts earned by an escrow agent, settlement fund or similar fund must be subject to current tax. Although certain Treasury Regulations have been issued under this section, no Treasury Regulations have as yet been promulgated to address the tax treatment of such accounts in a bankruptcy setting. Thus, depending on the facts, such accounts possibly could be treated as a separately taxable trust, as a grantor trust, or otherwise. On February 1, 1999, the IRS issued proposed Treasury Regulations that would establish, if finalized in their current form, the tax treatment of escrows of the type here involved that are established after the date such Treasury Regulations become final. In general, such Treasury Regulations would tax such an escrow in a manner similar to a corporation. As to previously established escrows, such Treasury Regulations would provide that the IRS would not challenge any reasonably, consistently applied method of taxation for income earned by the escrow or account, and any reasonable, consistently applied method for reporting such income.

Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the Liquidating Manager or by the Reorganized Debtors of a private letter ruling if requested, or the receipt of an adverse determination by the IRS upon audit if not contested by the Liquidating Manager or by the Reorganized Debtors), (i) the Liquidating Manager or the Reorganized Debtors shall treat the Disputed General Unsecured Claims Reserve as a discrete trust for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed General Unsecured Claim, in accordance with the trust provisions of the Tax Code (sections 641 et seq.), and (ii) to the extent permitted by applicable law, the Liquidating Manager or the Reorganized Debtors shall report consistently with the foregoing characterization for state and local income tax purposes. Pursuant to the Plan, all holders of Claims are required to report consistently with such treatment.

Accordingly, subject to issuance of definitive guidance, if the Sale Transactions are implemented the Liquidating Manager will treat the Disputed General Unsecured Claims Reserve as subject to a separate entity level tax and any amounts earned by it (including any taxable income of the Liquidating LLC allocable to the Disputed General Unsecured Claims Reserve) will be subject to such tax, except to the extent such earnings or income are distributed by the Disputed General Unsecured Claims Reserve during the same taxable year. In such event,

any amount earned by the Disputed General Unsecured Claims Reserve, and any taxable income of the Liquidating LLC allocated to the Disputed General Unsecured Claims Reserve, that is distributed to a holder during the same taxable year will be includible in such holder's gross income. If the Stand-Alone Transactions are implemented, the Reorganized Debtors will treat the Disputed General Unsecured Claims Reserve in the same manner as would the Liquidating Manager in the case of the Sale Transactions.

Distributions from the Disputed General Unsecured Claims Reserve and the Disputed Claims Accounts will be made to holders of Disputed General Unsecured Claims to the extent such Claims are subsequently Allowed. Such distributions should be taxable to such holders in accordance with the principles discussed above in Section XIV.B.1. Additionally, if the Stand-Alone Transactions are implemented, distributions from the Disputed General Unsecured Claims Reserve will also be made to holders of previously Allowed General Unsecured Claims and Senior Lender Claims (whether such Claims were Allowed on or after the Effective Date) to the extent any Disputed General Unsecured Claims are subsequently disallowed. As a result of such disallowance, holders of Allowed General Unsecured Claims and Senior Lender Claims will be treated as receiving additional distributions of New Common Stock and New Subordinated Notes. Such distributions will be taxable to the holders under the principles discussed above in Section XIV.B.1.

8. Information Reporting and Withholding

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding (including employment tax withholding). Under federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to "backup withholding." The current rate of backup withholding is 30.0% but is subject to change. Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails to properly report interest or dividends, or (d), under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

XVI.
Conclusion

The Debtors believe the Plan is in the best interests of all creditors and urge the holders of Claims in Classes 2, 3-E through 3-K, 4, 5, 6, 7, **8** and ~~8~~ **9** to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received not later than ~~March~~ **April**, 2003.

Dated: New York, New York
February ~~5,~~ **24,** 2003

Respectfully submitted,

INTEGRATED HEALTH SERVICES, INC., as agent and attorney-in-fact for each of the Debtors

By: ~~/s/ Guy Sansone~~_____

Name: Guy Sansone
Title: Senior Vice President

COUNSEL:

_____

James P. Patton, Esq.
Robert S. Brady, Esq.
YOUNG, CONAWAY, STARGATT & TAYLOR LLP,
Co-Attorneys for the Debtors and Debtors in Possession
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, DE 19899-0391
(302) 571-6600

Michael J. Crames, Esq.
Arthur Steinberg, Esq.
Marc D. Rosenberg, Esq.
KAYE SCHOLER LLP
Co-Attorneys for the Debtors and Debtors in Possession
425 Park Avenue
New York, New York 10022-3598
(212) 836-8000

Charles P. Greenman, Esq.
Mitchel H. Perkiel, Esq.
Lee W. Stremba, Esq.
JENKENS & GILCHRIST--PARKER CHAPIN LLP
Co-Attorneys for the Debtors and Debtors in Possession
The Chrysler Building
405 Lexington Avenue
New York, NY 10174
(212) 704-6000

EXHIBIT ~~APlan~~ A

PLAN

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
INTEGRATED HEALTH SERVICES, INC., *et al.*,	)	Case No. 00-389 (MFW)
	)	
	)	(Jointly Administered)
Debtors.	)	
	)	

AMENDED JOINT PLAN OF REORGANIZATION OF INTEGRATED HEALTH SERVICES, INC. AND ITS SUBSIDIARIES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

KAYE SCHOLER LLP
425 Park Avenue
New York, New York 10022
Co-Attorneys for the Debtors
and Debtors in Possession

JENKENS & GILCHRIST -
PARKER CHAPIN LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174
Co-Attorneys for the Debtors
and Debtors in Possession

YOUNG, CONAWAY,
STARGATT & TAYLOR LLP
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, DE 19899-0391
Co-Attorneys for the Debtors
and Debtors in Possession

TABLE OF CONTENTS

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
INTEGRATED HEALTH SERVICES, INC., *et al.*,	)	Case No. 00-389 (MFW)
	)	
	)	(Jointly Administered)
Debtors.	)	
	)	

AMENDED JOINT PLAN OF REORGANIZATION OF INTEGRATED HEALTH SERVICES, INC. AND ITS SUBSIDIARIES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Integrated Health Services, Inc. and the other Debtors (as defined below), as debtors and debtors in possession herein, propose the following joint Chapter 11 plan of reorganization for the Debtors, pursuant to section 1121(a) of title 11 of the United States Code:

SECTION 1. DEFINITIONS AND INTERPRETATION

A. *Definitions.*

The following terms used herein shall have the respective meanings defined below (such meanings to be equally applicable to both the singular and plural):

1.1 ***5¾% Convertible Senior Subordinated Debentures*** means the $143,750,000 original principal amount of IHS' 5¾% Convertible Senior Subordinated Debentures due 2004 issued pursuant to the Class 10 Indenture.

1.2 ***9¼% Notes*** means the $500,000,000 original principal amount of IHS' 9¼% Senior Subordinated Notes due 2008 issued pursuant to the 9¼% Indenture.

1.3 ***9¼% Indenture*** means the Indenture, dated as of September 11, 1997, as amended, between IHS, as issuer, and U.S. Bank National Association, as successor trustee for First Union National Bank of Virginia, with respect to the 9¼% Notes.

1.4 ***9½% Notes*** means the $450,000,000 original principal amount of IHS' 9½% Senior Subordinated Notes due 2007 issued pursuant to the 9½% Indenture.

1.5 ***9½% Indenture*** means the Indenture, dated as of May 30, 1997, as amended, between IHS, as issuer, and U.S. Bank National Association, as successor trustee for First Union National Bank of Virginia, with respect to the 9½% Notes.

1.6 ***9⅝% Notes*** means the $115,000,000 original principal amount of IHS' 9⅝% Senior Subordinated Notes due 2002, Series A, issued pursuant to the 9⅝% Indenture.

1.7 ***9⅝% Indenture*** means the Second Amended and Restated Supplemental Indenture, dated as of May 15, 1997, as amended, between IHS, as issuer, and ~~Signet Trust Company, as~~ **The Bank of New York, as successor** trustee, with respect to the 9⅝% Notes.

1.8 ***10¼% Notes*** means the $150,000,000 original principal amount of IHS' 10¼% Senior Subordinated Notes due ~~2008~~ **2006** issued pursuant to the 10¼% Indenture.

1.9 ***10¼% Indenture*** means the Indenture, dated as of May 15, 1996, as amended, between IHS, as issuer, and ~~Signet Trust Company, as~~ **The Bank of New York, as successor** trustee, with respect to the 10¼% Notes.

1.10 ***10¾% Notes*** means the $100,000,000 original principal amount of IHS' 10¾% Senior Subordinated Notes due 2004 issued pursuant to the 10¾% Indenture.

1.11 ***10¾% Indenture*** means the Amended and Restated Supplemental Indenture, dated as of May 15, 1997, as amended, between IHS, as issuer, and ~~Signet Trust Company, as Indenture Trustee~~ **The Bank of New York, as successor trustee**, with respect to the 10¾% Notes.

1.12 ***1999 Insured Tort Claim*** means a Tort Claim covered by the Debtors' insurance policies for PLGL Claims arising in 1999.

1.13 ***1999 Insured Tort Claims Escrow*** means the escrow account to be established on the Effective Date to provide for the payment of Allowed 1999 Insured Tort Claims in accordance with the Plan.

1.14 ***1999 Unpaid Deductible Amount*** means the approximately $7.6 million outstanding amount for which the Debtors have a matching-deductible insurance policy with Reliance Insurance Company for PLGL Claims arising in 1999, but only to the extent that such amount is unpaid.

1.15 ***Administrative Expense Claim*** means any right to payment constituting a cost or expense of administration of any of the IHS Reorganization Cases allowed under sections 503(b), 507(a)(1), and 1114(e) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the Debtors' estates, any actual and necessary costs and expenses of operating the Debtors' businesses, any indebtedness or obligations incurred or assumed by the Debtors, as debtors in possession, during the IHS Reorganization Cases, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, Tort Claims arising after the Commencement Date, to the extent not an Insured Claim, any Allowed Claims that are entitled to be treated as Administrative Expense Claims pursuant to a Final Order of the Bankruptcy Court under section 546(c)(2)(A) of the Bankruptcy Code, any allowances of compensation and reimbursement of expenses to the extent allowed by Final Order under sections 330 or 503 of the Bankruptcy Code, and any fees or charges assessed against the estates of the Debtors under section 1930 of chapter 123 of title 28 of the United States Code.

1.16 ***Allowed*** means, with reference to any Claim, (a) any Claim against any Debtor which has been listed by such Debtor in the Schedules, as such Schedules may be amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary proof of claim has been filed, (b) any timely filed Claim as to which no objection to allowance has been interposed in accordance with Section 7.1 hereof or such other applicable period of limitation fixed by the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or as to which any objection has been determined by a Final Order to the extent such objection is determined in favor of the respective holder, or (c) any Claim expressly allowed by a Final Order or hereunder.

1.17 ***Amended Bylaws*** means the Bylaws of Reorganized IHS, as amended and restated, and which shall be substantially in the form set forth in the Plan Supplement.

1.18 ***Amended Certificate of Incorporation*** means the Certificate of Incorporation of Reorganized IHS, as amended and restated, and which shall be substantially in the form set forth in the Plan Supplement.

1.19 ***Available 1999 Insurance Proceeds*** means the amount of proceeds recovered at any given time under the Debtors' insurance policies, including excess insurance policies, in respect of Allowed 1999 Insured Tort Claims, after payment of defense costs payable under the policies.

1.20 ***Avoidance Claims*** means the Debtors' Causes of Action, including those actions, if any, commenced by the Creditors' Committee, arising under sections 502, 506, 510, 541, 542, 543, 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code, or under related state or federal statutes and common law, including fraudulent transfer laws, whether or not litigation has been commenced to prosecute such Causes of Action as of the Effective Date.

1.21 ***Ballot*** means a ballot distributed with the Disclosure Statement and approved in form by the Bankruptcy Court for voting on the Plan, and includes any such ballot for any Class entitled to vote on the Plan.

1.22 ***Bankruptcy Code*** means title 11 of the United States Code, as amended from time to time, as applicable to the IHS Reorganization Cases.

1.23 ***Bankruptcy Court*** means the unit of the United States District Court for the District of Delaware having jurisdiction over the IHS Reorganization Cases under section 151 of title 28 of the United States Code.

1.24 ***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, as amended from time to time, applicable to the IHS Reorganization Cases, and any Local Rules of the Bankruptcy Court.

1.25 ***Bar Date*** means the August 29, 2000 deadline for filing of all proofs of claims against the Debtors established by the Bankruptcy Court, except (i) Claims of governmental units for which proofs of claim were filed in accordance with section 502(b)(9) of the Bankruptcy Code, or (ii) such other date as has been granted by order of the Bankruptcy Court with respect to one or more other holders of Claims.

1.26 ***Business Day*** means any day other than a Saturday, a Sunday, or any other day on which banking institutions in New York, New York are required or authorized to close by law or executive order.

1.27 ***Cash*** means legal tender of the United States of America.

1.28 ***Catch-Up Distribution*** means a distribution of Cash, a Class 4 Membership Interest, Class 6 Membership Interest, **Class 7 Membership Interest,** New Common Stock or New Subordinated Notes, as the case may be, to a holder of an Allowed

Senior Lender Claim, **Allowed** General **Unsecured Claim, Allowed Premiere** Unsecured Claim or Allowed 1999 Insured Tort Claim which was a Disputed Claim as of the date of the last initial or interim distribution made to holders of Allowed Claims in such Class, and on account of which the holder is entitled to a distribution as provided under the Plan.

1.29 ***Cause of Action*** means any and all actions, causes of actions, suits, accounts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to indemnification, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise.

1.30 ***Claim*** has the meaning set forth in section 101(5) of the Bankruptcy Code.

1.31 ***Class*** means any group of Claims or Equity Interests classified by the Plan pursuant to section 1122(a)(1) of the Bankruptcy Code.

1.32 ***Class 2 A-Notes*** means the Series A Trust Notes issued pursuant to the Participation Agreement.

1.33 ***Class 2 B-Notes*** means the Series B Trust Notes issued pursuant to the Participation Agreement.

1.34 ***Class 2 Certificates*** means the Series C Trust Certificates issued pursuant to the Participation Agreement.

1.35 ***Class 4 Cash Fund*** means the approximately $42.5 million in Cash being held in escrow for the benefit of the holders of Senior Lender Claims, plus all income earned thereon through the Effective Date.

1.36 ***Class 4 Pro Rata Share*** means, with respect to distributions contemplated under the Plan, the sum of (A) the ratio (expressed as a percentage) of the amount of an Allowed Senior Lender Claim in Class 4 to the aggregate amount of the sum of (i) Allowed General Unsecured Claims in Class 6 (less the aggregate amount of General Unsecured Claims in respect of which Class 6 Cash-Out Elections have been made~~)~~**, if made effective pursuant to section 4.6(c) of the Plan)**, (ii) all Allowed Senior Lender Claims in Class 4 (less the amount of the Class 4 Cash Fund), and (iii) the aggregate amount of all Subordinated Debt Claims, and (B) the result obtained by multiplying the amount of Subordinated Debt Percentage by an Allowed Senior Lender Claim's Pro Rata Share of Allowed Senior Lender Claims.

1.37 ***Class 6 Pro Rata Share*** means, with respect to distributions contemplated under the Plan, the ratio (expressed as a percentage) of the amount of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made~~)~~**, if made effective pursuant to section 4.6(c) of the Plan)** to the aggregate amount of the sum of (i) Allowed General Unsecured Claims in Class 6 (less the aggregate amount of General Unsecured Claims in respect of which Class 6 Cash-Out Elections

have been made~~)~~, **if made effective pursuant to section 4.6(c) of the Plan)**, (ii) all Allowed Senior Lender Claims in Class 4 (less the amount of the Class 4 Cash Fund) and (iii) the aggregate amount of all Subordinated Debt Claims.

1.38 ***Class 4 Membership Interest*** means an uncertificated interest in the Liquidating LLC, to be established in **the** event that the Sale Transactions are implemented, representing the right of the holder of an Allowed Senior Lender Claim to receive the Class 4 Pro Rata Share distributions contemplated by Sections ~~6.2(k)~~ **6.2(m), 6.2(n)** and ~~6.2(l)~~ **6.2(p)**.

1.39 ***Class 6 Cash-Out Election*** means the election, described in section ~~4.6(a)(2)~~ **4.6(c) of the Plan**, which may be made by holders of General Unsecured Claims in Class 6.

1.40 ***Class 6 Membership Interest*** means an uncertificated interest in the Liquidating LLC, to be established in **the** event that the Sale Transactions are implemented, representing the right of the holder of an Allowed General Unsecured Claim in Class 6 (other than a holder of a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made) to receive the Class 6 Pro Rata distributions contemplated by Section ~~6.2(k) and 6.2(l).~~ **6.2(m), 6.2(n) and 6.2(p).**

~~1.41 Class 8 Indenture Trustee~~ **1.41 *Class 7 Membership Interest* means an uncertificated interest in the Liquidating LLC, to be established in the event that the Sale Transactions are implemented, representing the right of the holder of an Allowed Premiere Unsecured Claim to receive the Class 7 Pro Rata Share distributions contemplated by Section 6.2(h).**

1.42 *Class 7 Pro Rata Share* means, with respect to distributions contemplated under the Plan, the ratio (expressed as a percentage) of the amount of an Allowed Premiere Unsecured Claim to the aggregate amount of Allowed Premiere Unsecured Claims.

1.43 *Class 9 Indenture Trustees* means U.S. Bank National Association (and its successors and assigns) ~~in its capacity as indenture trustee~~ **and The Bank of New York (and its successors and assigns), in their respective capacities as indenture trustees** for the holders of Settled Senior Subordinated Debt Claims.

~~1.42~~ **1.44** ***Class 8 9 Indentures*** means, collectively, the (i) 9½% Indenture, (ii) 9¼% Indenture, ~~and~~(iii) 10¼% Indenture**, (iv)**
~~1.43 Class 9 Indentures means, collectively, the (i)~~ 9⅝% Indenture and ~~(ii)~~**(v)** 10¾% Indenture.

~~1.44~~ **1.45** ***Class 10 Indenture*** means the Indenture, dated as of September 15, 1994, as amended, between IHS, as issuer, and HSBC **Bank USA**, as successor trustee, with respect to the 5¾% Convertible Senior Subordinated Debentures.

~~1.45~~ **1.46** ***Collateral*** means any property or interest in property of the estate of any 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 not subject to avoidance under the Bankruptcy Code.

~~1.46~~ **1.47** ***Commencement Date*** means February 2, 2000.

~~1.47~~ **1.48** ***Compensation Action*** means that certain civil action **currently** pending in the Bankruptcy Court (Adv. Pro. No. 02-01830)**, or such other court as hereafter may be the court where the action is heard,** that the Creditors' Committee, by Bankruptcy Court Order dated January 24, 2002 was authorized to commence on behalf of the Debtors' estates, against certain current and former members of the Board of Directors of IHS. **The Compensation Action shall include any Claims or Causes of Action that are or may be asserted in the Compensation Action, subject to, and in accordance with, the January 24, 2002 Order.**

1.49 ~~1.48~~ ***Confirmation Date*** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on its docket.

~~1.49~~ **1.50** ***Confirmation Hearing*** means the hearing to be held by the Bankruptcy Court regarding confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

~~1.50~~ **1.51** ***Confirmation Order*** means the order of the Bankruptcy Court confirming the Plan of Reorganization pursuant to section 1129 of the Bankruptcy Code.

~~1.51~~ **1.52** ***Convertible Senior Subordinated Debenture Claim*** means any Claim arising under, in connection with, or related to, the Class 10 Indenture or the 5¾% Convertible Senior Subordinated Debentures.

~~1.52~~ **1.53** ***Credit Agreement*** means that certain Revolving Credit and Term Loan Agreement, dated as of September 15, 1997, as amended, by and among IHS, as borrower, Citibank N.A., as administrative agent, The Toronto-Dominion Bank, as documentation agent, Citicorp Securities, Inc., as arranger, and the lenders party thereto, and any and all of the documents and instruments relating thereto.

~~1.53~~ **1.54** ***Creditors' Committee*** means the Official Committee of Unsecured Creditors appointed in the IHS Reorganization Cases by the Office of the United States Trustee on February 15, 2000, as constituted from time to time.

~~1.54~~ **1.55** ***Debtors*** means Integrated Health Services, Inc., and its direct and indirect subsidiaries, which are debtors and debtors in possession. Unless otherwise indicated, the term "Debtors" does not include the Rotech Debtors.

~~1.55~~ **1.56** ***Debtors' Claims*** means all Causes of Action and Avoidance Claims that a Debtor or a Debtor's estate may have that arose prior to the Effective Date and that, as of the Effective Date, have not been waived, settled, released or denied by Final Order of the court having jurisdiction over a proceeding in which such Cause of Action or Avoidance Claim was asserted.

~~1.56~~ **1.57** ***Deficiency Claims*** means the amount by which the total Claim of a holder of a Secured Claim exceeds the amount of such Secured Claim (as determined in accordance with the definition of such term herein).

~~1.57~~ **1.58** ***DIP Credit Facility*** means the Secured Super-Priority Debtor-In-Possession Revolving Credit Agreement, dated as of March 21, 2002, as amended, among IHS, as borrower, The CIT Group/Business Credit, Inc., as Administrative Agent and Lender, CapitalSource Finance LLC, as Collateral Agent and Lender, and the lenders party thereto, together with any of the documents and instruments relating thereto, as approved by the orders of the Bankruptcy Court authorizing and governing such facility.

~~1.58~~ **1.59** ***DIP Credit Facility Claims*** means all Claims arising under the DIP Credit Facility.

~~1.59~~ **1.60** ***DIP Credit Facility Letter of Credit*** means any letter of credit issued under the DIP Credit Facility.

~~1.60~~ **1.61** ***Disbursing Agent*** means any entity (including any applicable Debtor if it acts in such capacity) in its capacity as a disbursing agent under Section 6.1 hereof.

~~1.61~~ **1.62** ***Disclosure Statement*** means the *Disclosure Statement for* ***Amended*** *Joint Plan of Reorganization of Integrated Health Services, Inc. and its Subsidiaries Under Chapter 11 of the Bankruptcy Code*, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

~~1.62~~ **1.63** ***Disputed*** or ***Disputed Claim*** means any Claim which has not been Allowed pursuant to the Plan or a Final Order, and: (i) a Claim that has been or hereafter is listed on the Schedules as disputed, contingent, or unliquidated; or (ii)

(a) if no proof of claim has been filed by the applicable deadline, a Claim that has been or hereafter is listed on the Schedules as other than disputed, contingent or unliquidated, but as to which any of the Debtors or any other party in interest has interposed an objection or request for estimation which has not been withdrawn or determined by a Final Order; *or*

(b) if a proof of claim or request for payment of an Administrative Expense Claim has been filed by the applicable deadline: (1) a Claim for which no corresponding Claim has been or hereafter is listed on the Schedules; (2) a Claim for which a corresponding Claim has been or hereafter is listed on the Schedules as other than disputed, contingent or unliquidated, but the nature or amount of the Claim as asserted in the proof of claim varies from the nature and amount of such Claim as listed on the Schedules; (3) a Claim for which a corresponding Claim

has been or hereafter is listed on the Schedules as disputed, contingent or unliquidated; (4) a Claim for which a timely objection or request for estimation is interposed by any of the Debtors which has not been withdrawn or determined by a Final Order; or (5) any Tort Claim which has not previously been Allowed.

~~1.63~~ **1.64** ***Disputed General Unsecured Claims Reserve*** means the reserve to be established by the Liquidating LLC if the Sale Transactions are implemented, or by the Reorganized Debtors if the Stand-Alone Transactions are implemented, to provide for the payment of Disputed General Unsecured Claims in Class 6**, Disputed Premiere Unsecured Claims in Class 7 and deemed Disputed Senior Lender Claims pursuant to Section 4.2(c) of the Plan** that are ultimately Allowed by the Bankruptcy Court or otherwise payable after the Effective Date and any Disputed Claims referred to in Section 4.2(c) which become Allowed Senior Lender Claims.

~~1.64~~ **1.65** ***Disputed Other Priority Claims Account*** means the account to be established on the books of the Liquidating LLC on the Effective Date if the Sale Transactions are implemented, to provide for the payment of Disputed Other Priority Claims that are ultimately Allowed by the Bankruptcy Court or otherwise payable after the Effective Date.

~~1.65~~ **1.66** ***Disputed Other Secured Claims Account*** means the account to be established on the books of the Liquidating LLC on the Effective Date if the Sale Transactions are implemented, to provide for the payment of Disputed Other Secured Claims that are ultimately Allowed by the Bankruptcy Court or otherwise payable after the Effective Date.

~~1.66~~ **1.67** ***Disputed Priority Tax Claims Account*** means the account to be established on the books of the Liquidating LLC on the Effective Date if the Sale Transactions are implemented, to provide for the payment of Disputed Priority Tax Claims that are ultimately Allowed by the Bankruptcy Court or otherwise payable after the Effective Date.

~~1.67~~ **1.68** ***Distribution Record Date*** means the Confirmation Date.

~~1.68~~ **1.69** ***Distribution Reserve Account*** means the account to be established by the Liquidating LLC as of the Effective Date, if the Sale Transactions are implemented, to hold Cash reserved for the purpose of making distributions in respect of Membership Interests (after funding of the Reserves) as provided in the Plan.

~~1.69~~ **1.70** ***Effective Date*** means the first Business Day on or after the Confirmation Date specified by the Debtors on which (a) no stay of the Confirmation Order is in effect and (b) the conditions precedent to the effectiveness of the Plan of Reorganization specified in Section 9.2 hereof have been satisfied or waived.

~~1.70~~ **1.71** ***Elkins Released Parties*** means Dr. Robert N. Elkins and the other parties identified in the Elkins Settlement Agreement as constituting Elkins Released Parties (as defined in the Elkins Settlement Agreement).

~~1.71~~ **1.72** ***Elkins Settlement Agreement*** means the Agreement dated as of July 26, 2000, as amended and/or modified thereafter, between IHS and Dr. Robert N. Elkins, as approved by Order of the Bankruptcy Court dated January ~~12~~ **5**, 2001.

~~1.72~~ **1.73** ***Equity Interest*** means any equity interest in any of the Debtors of any kind or nature, including, without limitation, any interest represented by any issued and outstanding shares of common or preferred stock or other instrument evidencing a present ownership interest in any of the Debtors, whether or not transferable, and any option, warrant, or right, contractual or otherwise, to acquire any such interest.

~~1.73~~ **1.74** ***Excluded Administrative Expense Claims*** means the Administrative Expense Claims which constitute Excluded Liabilities.

~~1.74~~ **1.75** ***Excluded Administrative Expense Claims Reserve*** means the reserve to be established on the Effective Date by the Liquidating LLC if the Sale Transactions are implemented, for payment of Disputed Excluded Administrative Expense Claims that may become Allowed Excluded Administrative Expense Claims after the Effective Date.

~~1.75~~ **1.76** ***Excluded Assets*** means the assets identified in the Schedule of Excluded Assets attached to the Disclosure Statement as Exhibit F.

~~1.76~~ **1.77** ***Excluded Liabilities*** means the liabilities identified in the Schedule of Excluded Liabilities attached to the Disclosure Statement as Exhibit G.

~~1.77~~ **1.78** ***Exit Financing Facility*** means a senior secured credit facility to be established for the Reorganized Debtors in the event that the Stand-Alone Transactions are implemented. The material terms of the Exit Financing Facility are described in the Disclosure Statement.

~~1.78~~ **1.79** ***Expense Reserve Account*** means the account to be established by the Liquidating LLC as of the Effective Date if the Sale Transactions are implemented, to hold Cash reserved for the payment of costs and expenses of the Liquidating LLC.

~~1.79~~ **1.80** ***Expense Reserve Account Residual*** means all assets remaining in the Expense Reserve Account, as of the Final Liquidating LLC Distribution Date, after provision has been made for payment of all accrued expenses of the Liquidating LLC and the establishment of the Wind-Up Reserve.

~~1.80~~ **1.81** ***Final Class ~~7~~ 8 Distribution Date*** means the date that is twenty (20) Business Days after the date that all Disputed Claims in Class ~~7~~ **8** have been resolved by Final Order and all Available 1999 Insurance Proceeds have been paid into the 1999 Insured Tort Claims Escrow Account.

~~1.81~~ **1.82** ***Final Liquidating LLC Distribution Date*** means the date, to be determined pursuant to Section ~~6.2(l)~~ **6.2(o)**, on which the Liquidating Manager shall, among

other things, make the final distributions on account of Class 4 Membership Interests and Class 6 Membership Interests.

~~1.82~~ **1.83** ***Final Order*** means an order or judgment of the Bankruptcy Court entered by the Clerk of the Bankruptcy Court on the docket in the IHS Reorganization Cases, which has not been reversed, vacated, or stayed and as to which (i) the time to appeal, petition for *certiorari*, or move for a new trial, reargument, or rehearing has expired and as to which no appeal, petition for *certiorari*, or motion for new trial, reargument or rehearing shall then be pending or (ii) if an appeal, writ of *certiorari* new trial, reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the highest court to which such order was appealed, or *certiorari* shall have been denied, or a new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for *certiorari* or move for a new trial, reargument, or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order or judgment shall not cause such order to not be a Final Order.

~~1.83~~ **1.84** ***Final Stand-Alone Distribution Date*** means twenty (20) Business Days after the first date on which all **Senior Lender Claims, all** General Unsecured Claims (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made~~)~~**, if made effective pursuant to Section 4.6(c)(2) of the Plan) and all Premiere Unsecured Claims** which were Disputed Claims have been resolved by a Final Order, or as soon thereafter as is reasonably practicable.

~~1.84~~ **1.85** ***General Unsecured Claim*** means any Claim against any of the Debtors that is not a DIP Credit Facility Claim, Administrative Expense Claim, Priority Tax Claim, Other Priority Claim, Secured Synthetic Lease Claim, Other Secured Claim, Senior Lender Claim, United States Claim, 1999 Insured Tort Claim~~, Convenience Claim,~~ Settled Senior Subordinated Debt Claim~~, Other Senior Subordinated Debt Claim,~~ Convertible Subordinated Debenture Claim or Punitive Damage Claim.

~~1.85~~ **1.86** ***Headquarters Property*** means the property described in Schedule A to the Deed of Trust, Fixture Filing, Assignment of Rents and Security Agreement, dated July 31, 1997, which secures certain of the Class 2 B-Notes and certain of the Class 2 Certificates.

~~1.86~~ **1.87** ***IHS*** means Integrated Health Services, Inc., a Delaware corporation and debtor or debtor in possession (as the context requires) herein, and the ultimate parent company of the other Debtors, each of which is a direct or indirect subsidiary of IHS.

~~1.87~~ **1.88** ***IHS Equity Interest*** means any Equity Interest in IHS.

~~1.88~~ **1.89** ***IHS Noteholder Escrow Account*** means the escrow account established pursuant to the Escrow Agreement, dated as of March 26, 2002, among IHS, Rotech Medical Corporation and the IHS Noteholder Escrow Agent, for the benefit of the holders of Settled Subordinated Debt Claims, in accordance with the IHS Noteholder Settlement.

~~1.89~~ **1.90** ***IHS Noteholder Escrow Agent*** means U.S. Bank National Association.

~~1.90~~ **1.91** ***IHS Noteholder Payment*** means $27,700,000.

~~1.91~~ **1.92** ***IHS Noteholder Settlement*** means the settlement between the holders of Senior Lender Claims and the Majority Noteholders, for the benefit of the holders of Settled Senior Subordinated Debt Claims, which is described in the Disclosure Statement, to be effectuated through the Plan.

~~1.92~~ **1.93** ***IHS Reorganization Cases*** means the jointly administered cases under Chapter 11 of the Bankruptcy Code commenced by the Debtors on February 2, 2000, in the United States District Court for the District of Delaware, and jointly administered under the caption *In re Integrated Health Services, Inc., et al.*, 00-389 (MFW), other than the cases of the Rotech Debtors administered under Chapter 11 of the Bankruptcy Code.

~~1.93~~ **1.94** ***Impaired*** means any Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

~~1.94~~ **1.95** ***Initial Class 7 8 Distribution*** means the initial distribution of Cash to the holders of Allowed 1999 Insured Tort Claims pursuant to Section 4.7 of the Plan.

~~1.95~~ **1.96** ***Initial Class 7 8 Distribution Date*** means the later of (i) the Effective Date and (ii) twenty (20) Business Days after the first date on which there exist funds in the 1999 Insured Tort Claims Escrow in an aggregate amount sufficient to pay each holder of a then-existing Allowed 1999 Insured Tort Claim a distribution of 50% of the amount of each such Allowed Claim.

~~1.96~~ **1.97** ***Initial Member Distribution Date*** means the later of (i) the Effective Date and (ii) twenty (20) Business Days after the first date on which all ~~Claims in Class 4 and Class 6~~ **Senior Lender Claims, all General Unsecured Claims and all Premiere Unsecured Claims** have been either Allowed, reserved for or estimated by the Bankruptcy Court and all of the Reserves provided for under the Plan to be established and maintained by the Liquidating LLC pursuant to Section 6.2 of the Plan (other than the Wind-Up Reserve) have been funded as required under the Plan, or as soon thereafter as is reasonably practicable.

~~1.97~~ **1.98** ***Initial Stand-Alone Distribution Date*** means the later of (i) the Effective Date and (ii) twenty (20) Business Days after the first date on which all ~~General~~ **Senior Lender Claims, all General Unsecured Claims and all Premiere** Unsecured Claims have been either Allowed, reserved for or estimated by the Bankruptcy Court, or as soon thereafter as is reasonably practicable.

~~1.98~~ **1.99** ***Insured Claim*** means any Claim other than a 1999 Insured Tort Claim against any of the Debtors arising from an incident or occurrence, but only to the extent such Claim is covered by any of the Debtors' insurance policies.

~~1.99~~ **1.100** ***ISDA Master Agreement*** means the ISDA Master Agreement, dated as of March 3, 1997, between Citibank, N.A. and IHS, and confirmations issued thereunder between Citibank, N.A. and IHS.

~~1.100~~ **1.101** ***Liquidating LLC*** means a New York limited liability company, to be established in the event that the Sale Transactions are implemented, for the purpose of carrying out the implementation of the Plan as provided herein.

~~1.101~~ **1.102** ***Liquidating LLC Agreement*** means the operating agreement, to become effective in the event that the Sale Transactions are implemented, of the Liquidating LLC, which shall be approved in the Confirmation Order and entered into by the Debtors, for the benefit of the holders of Class 4 Membership Interests ~~and~~, Class 6 **Membership Interests and Class 7** Membership Interests, and the Liquidating Manager on the Effective Date pursuant to the terms of the Plan.

~~1.102~~ **1.103** ***Liquidating Manager*** means an individual to be designated in the Confirmation Order, with the joint approval of the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, to serve, in the event that the Sale Transactions are implemented, as the manager of the Liquidating LLC, and any successor thereto.

~~1.103~~ **1.104** ***Liquidating Manager Agreement*** means the agreement between the Liquidating LLC and the Liquidating Manager, dated as of the date of the Confirmation Order.

~~1.104~~ **1.105** ***LTC Subsidiary*** means a new wholly-owned direct subsidiary of IHS, to be named IHS Long Term Care, Inc., a Delaware corporation, to be formed in connection with the Sale Transactions, for the primary purpose of assigning to it all of the capital stock of certain of IHS' subsidiaries, pursuant to the terms of the Sale Agreement.

~~1.105~~ **1.106** ***Majority Noteholders*** means Capital Research and Management Company and Credit Suisse First Boston (or their respective affiliates) in their respective capacities as holders of Settled Senior Subordinated Debt Claims, and their successors or assigns.

~~1.106~~ **1.107** ***Majority Noteholder Counsel*** means Wachtell, Lipton, Rosen & Katz, as counsel to the Majority Noteholders in their respective capacities as holders of Settled Senior Subordinated Debt Claims.

~~1.107~~ **1.108** ***Membership Interests*** means, collectively, the Class 4 Membership Interests ~~and~~, the Class 6 Membership Interests **and the Class 7 Membership Interests.**

1.109

~~1.108~~ ***New Common Stock*** means the 2,500,000 shares of common stock of Reorganized IHS, par value $0.0001 per share, authorized under the Amended Certificate of Incorporation and to be issued hereunder on the Effective Date and any additional shares authorized for the purposes

specified herein. The New Common Stock shall only be issued and become effective in the event that the Stand-Alone Transactions are implemented.

~~1.109~~ **1.110** ***New Mexico Properties*** means, collectively, the Debtors' skilled nursing facilities located in Farmington, New Mexico, Hobbs, New Mexico and Gallup, New Mexico, each of which is described more fully in the Participation Agreement, and each of which secures certain of the Class 2 B-Notes and certain of the Class 2 Certificates.

~~1.110~~ **1.111** ***New Secured Note*** means a note secured by the Collateral of a holder of an Allowed Other Secured Claim, providing for periodic Cash payments having a present value equal to the amount of the Allowed Other Secured Claim, to be distributed to such holder under the Plan.

~~1.111~~ **1.112** ***New Subordinated Notes*** means the senior subordinated debt securities of Reorganized IHS, to be issued under the New Subordinated Notes Indenture if the Stand-Alone Transactions are implemented, the material terms of which are described in the Disclosure Statement.

~~1.112~~ **1.113** ***New Subordinated Notes Indenture*** means the indenture between Reorganized IHS and the New Subordinated Notes Trustee, to be executed if the Stand-Alone Transactions are implemented.

~~1.113~~ **1.114** ***New Subordinated Notes Trustee*** means the bank or trust company that will serve as trustee under the New Subordinated Notes Indenture, and its successors and assigns.

~~1.114~~ **1.115** ***Non-Debtor Affiliate*** means a direct or indirect subsidiary of IHS that is not a Debtor.

~~1.115~~ **1.116** ***Omega Settlement Agreement*** means the settlement and compromise between the Debtors and Omega Healthcare Investors, Inc., as approved by Order of the Bankruptcy Court dated December 18, 2002.

~~1.116~~ **1.117** ***Other Priority Claim*** means any Claim against any of the Debtors entitled to priority in payment as specified in sections 507(a)(3), (4), (5), (6), (7) or (9) of the Bankruptcy Code.

~~1.117~~ **1.118** ***Other Secured Claim*** means any Secured Claim against any of the Debtors other than a Secured Synthetic Lease Claim or Senior Lender Claim.

~~1.118 Other Senior Subordinated Debt Claims means Claims arising under, in connection with, or related to the 9⅝% Notes, the 10¾% Notes or any of the Class 9 Indentures.~~

1.119 ***Participation Agreement*** means that certain Participation Agreement, dated July 31, 1997, as amended, among IHS, Integrated Health Services at Highland Park, Inc. and IHS Development -- Highlands Park, Inc., as borrowers, State Street Bank and Trust

Company of Connecticut, N.A., Eric J. Donaghey, Citicorp U.S.A., Inc., as the certificate holder, Citicorp U.S.A., Inc., as agent, and the lenders party thereto, and any and all of the documents and instruments relating thereto.

1.120 ***Plan Documents*** means the documents to be executed, delivered, assumed, and/or performed in conjunction with the consummation of the Plan of Reorganization on or about the Effective Date. If the Sale Transactions are implemented, the Plan Documents will include, without limitation, the (i) Sale Agreement; (ii) Liquidating LLC Agreement; (iii) Liquidating Manager Agreement; and (iv) United States Settlement Agreement. If the Stand-Alone Transactions are implemented, the Plan Documents will include, without limitation, the (a) Amended Certificate of Incorporation; (b) Amended Bylaws; (c) Exit Financing Facility; (d) New Subordinated Notes Indenture; (e) Registration Rights Agreement; and (f) United States Settlement Agreement. Each of the Plan Documents shall be in form and substance reasonably satisfactory to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group.

1.121 ***Plan of Reorganization*** or ***Plan*** means this joint Chapter 11 plan of reorganization of the Debtors, including the exhibits hereto, as the same may be amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the terms hereof.

1.122 ***Plan Securities*** means, if the Sale Transactions are implemented, the Class 4 Membership Interests ~~and~~, the Class 6 Membership Interests **and the Class 7 Membership Interests**; and if the Stand-Alone Transactions are implemented, the New Common Stock and the New Subordinated Notes, in either case, distributed or to be distributed to creditors of the Debtors pursuant to the Plan.

1.123 ***Plan Supplement*** means a separate appendix to the Plan incorporated herein by reference, containing certain documents (substantially in final form) relevant to the implementation of the Plan. The Plan Supplement will be filed with the Clerk of the Bankruptcy Court no later than five (5) days prior to the deadline for soliciting votes to accept or reject the Plan.

1.124 ***PLGL Claims*** means any and all claims relating to professional and general liability with respect to the operation of the Debtors' businesses.

1.125 ***Post-Confirmation Committee*** means a committee, consisting of up to three (3) individuals or entities, and any duly designated successors to such individuals or entities. The initial members of the Post-Confirmation Committee shall be designated by the Creditors' Committee and shall be appointed pursuant to the Confirmation Order.

1.126 *Premiere Debtors* means Premiere Associates, Inc. and its subsidiaries that constitute Debtors.

1.127 *Premiere Unsecured Claim* means any Claim against a Premiere Debtor that is not a DIP Credit Facility Claim, Administrative Expense Claim, Priority Tax

Claim, Other Priority Claim, Secured Synthetic Lease Claim, Other Secured Claim, United States Claim, 1999 Insured Tort Claim, Settled Senior Subordinated Debt Claim, Convertible Senior Subordinated Debenture Claim or Punitive Damage Claim.

1.128 ***Priority Tax Claim*** means any Claim of a governmental unit of the kind entitled to priority in payment under sections 502(i) and 507(a)(8) of the Bankruptcy Code.

~~1.127~~ **1.129** ***Professional*** means a consultant, accountant, attorney or other professional service provider retained by the Debtors, the Liquidating Manager or any official committee pursuant to sections 327 and 1103 of the Bankruptcy Code or otherwise.

~~1.128~~ **1.130** ***Professional Claim*** means a Claim of a Professional for compensation or reimbursement of costs and expenses relating to services incurred after the Commencement Date and prior to and including the Effective Date pursuant to sections 330, 331 and 503 of the Bankruptcy Code. Until a timely filed Professional Claim is Allowed or Disallowed, it shall be considered a Disputed Administrative Expense Claim for purposes of Section 2.1.

~~1.129~~ **1.131** ***Pro Rata Share*** means the ratio (expressed as a percentage) of the amount of an Allowed Claim in a Class to the aggregate amount of all Allowed Claims in the same Class.

~~1.130~~ **1.132** ***Punitive Damage Claim*** means any Claim against any of the Debtors, whether secured or unsecured, for any fine, penalty, forfeiture, attorney's fees, or for multiple, exemplary, or punitive damages, to the extent that such fine, penalty, forfeiture, attorney's fees, or damages is not compensation for actual pecuniary loss suffered by the holder of such Claim.

~~1.131~~ **1.133** ***Purchaser*** means ~~ABE~~ **Abe** Briarwood Corp., as the Purchaser under the Sale Agreement.

~~1.132~~ **1.134** ***Purchaser-Assumed Administrative Expense Claims*** means all Administrative Expense Claims other than those constituting the Excluded Liabilities.

~~1.133~~ **1.135** ***Registration Rights Agreement*** means~~, if the Stand-Alone Transactions are implemented,~~ the Registration Rights Agreement to be entered into by Reorganized IHS as of the Effective Date **if the Stand-Alone Transactions are implemented**, which shall be substantially in the form of the registration rights agreement to be included in the Plan Supplement.

~~1.134~~ **1.136** ***Remaining Funds*** means, with respect to the Excluded Administrative Claims Reserve, the Disputed General Unsecured Claims Reserve, Disputed Other Priority Claims Account, Disputed Other Secured Claims Account, Disputed Priority Tax Claims Account, or any of the Disputed Claims accounts, Cash remaining in such reserve or

account after all distributions that are to be made from such reserve or account have been made. Remaining Funds also shall include the Expense Reserve Account Residual.

~~1.135~~ **1.137** ***Reorganized Debtors*** means Reorganized IHS and each of the other Debtors upon the Effective Date.

~~1.136~~ **1.138** ***Reorganized IHS*** means IHS upon the Effective Date.

~~1.137~~ **1.139** ***Reserves*** means (i) the Excluded Administrative Claims Reserve, (ii) the Disputed Other Priority Claims Account, (iii) the Disputed Other Secured Claims Account, (iv) the Disputed Priority Tax Claims Account, (v) the Disputed General Unsecured Claims Reserve, (vi) the Unclaimed Distributions Reserve, (vii) the Distribution Reserve Account, (viii) the Expense Reserve Account, and (ix) the Wind-Up Reserve.

~~1.138~~ **1.140** ***Rotech*** means Rotech Medical Corporation~~(now known as Rotech Healthcare Inc.)~~, formerly a wholly-owned subsidiary of IHS.

~~1.139~~ **1.141** ***Rotech Debtors*** means Rotech Medical Corporation and its direct and indirect subsidiaries, which were formerly debtors and debtors in possession whose Chapter 11 cases were jointly administered with the IHS Reorganization Cases, and which emerged from their Chapter 11 cases on March 26, 2002, pursuant to the Rotech Plan.

~~1.140~~ **1.142** ***Rotech Plan*** means the Second Amended Joint Plan of Reorganization of Rotech Medical Corporation and Its Subsidiaries, dated February 7, 2002.

~~1.141~~ **1.143** ***Sale Agreement*** means the Stock Purchase Agreement, dated as of January 28, 2003, by and between IHS, as Seller, and ~~ABE~~ **Abe** Briarwood Corp., as Purchaser.

~~1.142~~ **1.144** ***Sale Approval Order*** means the order of the Bankruptcy Court approving the Sale Agreement and authorizing the Debtors to implement the transactions contemplated thereunder.

~~1.143~~ **1.145** ***Sale Transactions*** means the transactions contemplated to occur substantially contemporaneous with the Effective Date in connection with the sale of the Shares and/or IHS Shares in accordance with the terms and conditions set forth in the Sale Agreement, and the transfer of the Excluded Assets, assumption of Excluded Liabilities and distribution of Cash and Plan Securities to creditors of the Debtors as provided in the Plan.

~~1.144~~ **1.146** ***Sale Transaction Documents*** means the material agreements entered into or to be entered into on the Effective Date in connection with the implementation of the Sale Transactions, including, without limitation: (i) the Sale Agreement; (ii) the Liquidating LLC Agreement; (iii) the Liquidating Manager Agreement; and (iv) the United States Settlement Agreement.

~~1.145~~ **1.147** ***Schedules*** means the schedules of assets and liabilities and the statement of financial affairs filed by the Debtors under section 521 of the Bankruptcy Code, Bankruptcy Rule 1007, and the Official Bankruptcy Forms of the Bankruptcy Rules as such schedules and statements have been or may be supplemented or amended through the Confirmation Date.

~~1.146~~ **1.148** ***Secured Claim*** means a Claim to the extent (i) secured by Collateral the amount of which Claim is equal to or less than the value of such Collateral (a) as set forth in the Plan of Reorganization, (b) as agreed in writing by the holder of such Claim and the Debtors, or (c) as determined by a Final Order in accordance with section 506(a) of the Bankruptcy Code, or (ii) secured by the amount of any rights of setoff of the holder thereof under section 553 of the Bankruptcy Code.

~~1.147~~ **1.149** ***Secured Synthetic Lease Claim*** means a Claim arising under the Participation Agreement, but only to the extent such Claim is a Secured Claim as provided under Section 4.2 of the Plan.

~~1.148~~ **1.150** ***Senior Lender Agreements*** means the Credit Agreement, the Participation Agreement and the ISDA Master Agreement.

~~1.149~~ **1.151** ***Senior Lender Claim*** means any Claim against any of the Debtors arising under, in connection with, or related to the Senior Lender Agreements, other than Secured Synthetic Lease Claims.

~~1.150~~ **1.152** ***Settled Senior Subordinated Debt Claims*** means Claims arising under, in connection with or related to any of the Class ~~8~~ **9** Indentures or the 10¼% Notes, the 9½% Notes ~~or~~, the 9¼% Notes**, the 9⅝ Notes, or the 10¾ Notes.**

~~1.151~~ **1.153** ***Shares*** means (i) an aggregate of 1,000 shares of common stock of the LTC Subsidiary, which will represent all of the issued and outstanding shares of capital stock of the LTC Subsidiary as of the Effective Date, and (ii) an aggregate of 1,000 shares of common stock of the Therapy Subsidiary, which will represent all of the issued and outstanding shares of capital stock of the Therapy Subsidiary as of the Effective Date.

~~1.152~~ **1.154** ***Stand-Alone Transactions*** means the transactions contemplated to occur in connection with the stand-alone reorganization of the Debtors' businesses in the event the Sale Transactions do not occur, including without limitation, the issuance of the New Common Stock and New Subordinated Notes, all of which are to be implemented as provided in Section 5.10.

~~1.153~~ **1.155** ***Stand-Alone Transaction Documents*** means the material agreements and other documents to be entered into and/or effectuated on the Effective Date in connection with the implementation of the Stand-Alone Transactions, including**, without limitation**: the (i) Amended Certificate of Incorporation; (ii) Amended Bylaws; (iii) Exit

Financing ~~Agreement~~ **Facility**; (iv) New Subordinated Notes Indenture; (v) Registration Rights Agreement; and (vi) United States Settlement Agreement.

~~1.154~~ **1.156** ***Subordinated Debt Claims*** means, collectively, the Settled Senior Subordinated Debt Claims and the ~~Other~~ **Convertible** Senior Subordinated Debt Claims.

~~1.155~~ **1.157** ***Subordinated Debt Percentage*** means the ratio (expressed as a percentage) of the amount of the Subordinated Debt Claims to the aggregate amount of the sum of (i) Allowed General Unsecured Claims in Class 6 (less the aggregate amount of General Unsecured Claims in respect of which Class 6 Cash-Out Elections have been made), (ii) Allowed Senior Lender Claims in Class 4 (less the amount of the Class 4 Cash Fund), and (iii) the aggregate amount of all Subordinated Debt Claims.

~~1.156~~ **1.158** ***Subsidiary Equity Interest*** means any Equity Interest in any Debtor other than IHS.

~~1.157~~ **1.159** ***Synthetic Lease Claim*** means any Claim against any of the Debtors arising under the Participation Agreement.

~~1.158~~ **1.160** ***Therapy Subsidiary*** means a new wholly-owned direct subsidiary of IHS, to be named IHS Therapy Care, Inc., a Delaware corporation, to be formed in connection with the Sale Transactions, for the primary purpose of assigning to it all of the capital stock of certain of IHS' subsidiaries, pursuant to the terms of the Sale Agreement.

~~1.159~~ **1.161** ***Tort Claims*** means any Claims related to personal injury, property damage, products liability, wrongful death, employment litigation, or other similar Claims against any of the Debtors including, without limitation, any PLGL Claim.

~~1.160~~ **1.162** ***Unclaimed Distributions*** means distributions to holders of Allowed Claims that are returned as undeliverable or not cashed.

~~1.161~~ **1.163** ***Unclaimed Distributions Reserve*** means the reserve created with the Unclaimed Distributions, which may be claimed after the Effective Date.

~~1.162~~ **1.164** ***United States Claims*** means all (i) civil or administrative monetary claims (e.g., claims seeking monetary remedies or payments) or civil or administrative monetary Causes of Action (including attorneys' fees, costs, and expenses of every kind) the United States of America, or its agencies, departments, officers, agents, employees and assigns, or third parties under 31 U.S.C. § 3730(b) or (d), has or may have against the Debtors under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; and/or common law doctrines of payment by mistake, unjust enrichment, breach of contract or fraud for the Covered Conduct (as defined in the United States Settlement Agreement); (ii) administrative overpayments, including claims or causes of action for services rendered or products supplied to beneficiaries, under the Medicare Program ("Medicare"), Title XVIII of the Social Security Act, 42 U.S.C.

§§ 1395-1395, under contracts with the Department of Veterans Affairs ("VA") and under the TRICARE Program (also known as the Civilian Health and Medical Program of the Uniformed Services ("CHAMPUS")), 10 U.S.C. 1071-1106; (iii) civil monetary penalties imposed pursuant to 42 U.S.C. § 1395i-3(h)(2)(B)(ii) and 42 U.S.C. § 1396r(h)(2)(A)(ii); and (iv) actions for permissive exclusion from Medicare, the Medicaid program and other federal health programs (as defined in 42 U.S.C. 1320a-7b(f)) under 42 U.S.C. § 1320a-7(b) and 42 U.S.C. § 1320a-7a for the Covered Conduct. All other Claims of the United States of America are expressly excluded from this definition.

~~1.163~~ **1.165** ***United States Settlement Agreement*** means the settlement agreement entered into between the Debtors and the United States, a copy of which will be included in the Plan Supplement.

~~1.164~~ **1.166** ***Unofficial Senior Lenders' Working Group*** means the unofficial working group of the holders of the Senior Lender Claims, as constituted from time to time.

~~1.165~~ **1.167** ***Voting Agent*** means Poorman-Douglas Corporation.

~~1.166~~ **1.168** ***Wind-Up Reserve*** means a Cash reserve to be established by the Liquidating Manager at the time of making a final distribution to creditors of the Debtors under the Plan for purposes of paying the expenses of such final distribution and winding up the affairs of the Liquidating LLC after such final distribution, including the projected costs of dissolving the Liquidating LLC, preparing final tax returns, filing reports or other documents in the IHS Reorganization Cases or under applicable nonbankruptcy law, and storing or disposing of records and any other property of the Liquidating LLC.

B. ***Interpretation; Application of Definitions and Rules of Construction.***

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

SECTION 2. ADMINISTRATIVE EXPENSE CLAIMS, DIP CREDIT FACILITY CLAIMS AND PRIORITY TAX CLAIMS

2.1 *Administrative Expense Claims.*

(a) *Treatment.* Each holder of an Allowed Administrative Expense Claim shall receive an amount in Cash equal to such Allowed Administrative Expense Claim on or as soon as is reasonably practicable after the later of (i) the Effective Date and (ii) the first Business Day that is thirty (30) calendar days after the date such Administrative Expense Claim becomes

an Allowed Administrative Expense Claim; provided, however, that Allowed Administrative Expense Claims in respect of Tort Claims arising after the Commencement Date (to the extent not an Insured Claim), liabilities incurred in the ordinary course of business by the Debtors, as debtors in possession, and liabilities arising under loans or advances to or other obligations incurred by the Debtors, as debtors in possession, whether or not incurred in the ordinary course of business, shall be liquidated and paid in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

(b) *Sale Transactions*. If the Sale Transactions are implemented, all Allowed Purchaser-Assumed Administrative Expense Claims shall be paid by the ~~Purchaser~~ **Purchased Subsidiaries** in accordance with subsection (a) above, and neither IHS ~~(or any other Debtor)~~ nor the Liquidating LLC shall have any liability for Purchaser-Assumed Administrative Expense Claims. All Allowed Excluded Administrative Expense Claims shall be paid by the Liquidating LLC from the Excluded Administrative Expense Claims Reserve (and, if and to the extent necessary, from the Distribution Reserve Account) in accordance with section 6.2 of the Plan.

(c) *Stand-Alone Transactions*. If the Stand-Alone Transactions are implemented, all Administrative Expense Claims shall be paid by the Reorganized Debtors in accordance with subsection (a) above.

2.2 ***Compensation and Reimbursement Claims.***

(a) All entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code (a) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is forty-five (45) days after the Effective Date; and (b) shall be paid in full in such amounts as are allowed by the Bankruptcy Court (i) upon the later of (A) the Effective Date and (B) the date upon which the order relating to the allowance of any such Administrative Expense Claim is entered or (ii) upon such other terms as may be mutually agreed upon between the holder of such an Administrative Expense Claim and either the Liquidating LLC under the Sale Transactions or the Reorganized Debtors under the Stand-Alone Transactions, as applicable. The Debtors are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Confirmation Date and until the Effective Date in the ordinary course and without the need for Bankruptcy Court approval. After the Effective Date, the Liquidating LLC or the Reorganized Debtors, as applicable, are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date (including, without limitation, compensation for services rendered and reimbursement of the expenses incurred by professionals retained by the Liquidating LLC or the Reorganized Debtors, as applicable, the Post-Confirmation Committee and the Liquidating Manager), in the ordinary course and without the need for Bankruptcy Court approval.

(b) *Payment of Professional Claims Under the Sale Transactions*. If the Sale Transactions are implemented, on the Effective Date, the Liquidating Manager shall deposit in the Excluded Administrative Claims Reserve sufficient Cash to pay all unpaid fees and expenses

of Professionals incurred through the Effective Date. The Professionals shall serve estimates of fees and expenses due for periods that have not been billed as of the Effective Date so as to be received by the counsel for the Debtors within twenty (20) days after the Confirmation Date, and the Liquidating Manager shall include such estimated fees and expenses in calculating the amount of the Excluded Administrative Claims Reserve. The Allowed amounts of such Professional Claims shall be paid by the Liquidating LLC out of the Excluded Administrative Claims Reserve and, if and to the extent necessary, the Distribution Reserve Account.

2.3 ***DIP Credit Facility Claims.***

(a) *Payment of Outstanding Obligations.* On the Effective Date, all DIP Credit Facility Claims under or evidenced by amounts outstanding under the DIP Credit Facility (other than DIP Credit Facility Letters of Credit) shall be paid in full in Cash by the Liquidating LLC or the Reorganized Debtors, as applicable.

(b) *DIP Credit Facility Letters of Credit.* On the Effective Date, all outstanding DIP Credit Facility Letters of Credit shall be treated as follows:

(1) *Treatment Under the Sale Transactions.* If the Sale Transactions are implemented, the Purchaser shall either replace or secure each DIP Credit Facility Letter of Credit in accordance with the provisions of the DIP Credit Facility.

(2) *Treatment Under the Stand-Alone Transactions.* If the Stand-Alone Transactions are implemented, all outstanding DIP Credit Facility Letters of Credit shall either be replaced or secured by letters of credit issued under the Exit Financing Facility in accordance with the provisions of the DIP Credit Facility.

2.4 ***Priority Tax Claims.***

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, Priority Tax Claims shall be treated as provided below.

(a) *Treatment Under the Sale Transactions.* If the Sale Transactions are implemented, each holder of an Allowed Priority Tax Claim shall receive from the Liquidating LLC Cash in an amount equal to such Allowed Priority Tax Claim, to be paid on or as soon as is reasonably practicable after the later of (i) the Effective Date and (ii) the first Business Day that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim.

(b) *Treatment Under the Stand-Alone Transactions.* If the Stand-Alone Transactions are implemented, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Reorganized Debtors, either (i) Cash in an amount equal to such Allowed Priority Tax Claim, to be paid as soon as is reasonably practicable after the later of the Effective Date and the first Business Day that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed

annual rate equal to six percent (6%), over a period not exceeding six (6) years after the date of assessment of such Allowed Priority Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due.

SECTION 3. CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

The following table designates the Classes of Claims against and Equity Interests in the Debtors and specifies which of those Classes are (i) impaired or unimpaired by the Plan, (ii) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, and (iii) deemed to accept or reject the Plan. Each holder of a Claim in Classes 2, 3-E through 3-K, 4, 5, 6, 7 **, 8** and ~~8~~ **9** shall be entitled to vote separately to accept or reject the Plan. Classes 1, 3-A through 3-D and 12 are unimpaired and are deemed to accept the Plan. Because Classes ~~9~~, 10, 11 and 13 are deemed to have rejected the Plan, the Debtors intend to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code with respect to Classes ~~9~~, 10, 11 and 13. In the event that any impaired Class of Claims shall fail to accept the Plan, the Debtors reserve the right to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) with respect to any such non-accepting Class.

(1) ***Classes.***

Class	**Designation**	**Impairment**	**~~Entitledto~~ Entitled to Vote**
1	Other Priority Claims	Unimpaired	No (deemed to accept)
2	Secured Synthetic Lease Claims	Impaired	Yes
3-A through 3-D	Other Secured Claims	Unimpaired	No (deemed to accept)
3-E through 3- K	Other Secured Claims	Impaired	Yes
4	Senior Lender Claims	Impaired	Yes
5	United States Claims	Impaired	Yes
6	General Unsecured Claims	Impaired	Yes
7	**Premiere Unsecured Claims**	**Impaired**	**Yes**
8	1999 Insured Tort Claims	Impaired	Yes
~~8~~ **9**	Settled Senior Subordinated Debt Claims	Impaired	Yes

Class	Designation	Impairment	~~Entitledto~~ Entitled to Vote
~~9 Other~~ 10	**Convertible** Senior Subordinated ~~Debt~~ **Debenture** Claims	Impaired	No ~~8(deemed to reject) 10 Convertible Subordinated Debenture Claims Impaired No~~(deemed to reject)
11	Punitive Damage Claims	Impaired	No (deemed to reject)
12	Subsidiary Equity Interests	Unimpaired	No (deemed to accept)
13	IHS Equity Interests	Impaired	No (deemed to reject)

(2) ***Subclasses for Class 3.*** For convenience of identification, the Plan classifies the Claims in Class 3 as a single Class. This Class is, in fact, a group of subclasses, and depending on the underlying Collateral securing such Allowed Claims, each subclass is treated as a distinct Class for voting and distribution purposes. The following table identifies the material subclasses for Class 3.

Class	Creditor	Collateral	Impairment	Entitled to Vote
3-A	Beal Bank SSB	Clarkston facility	Unimpaired	No
3-B	SBA	IHS-Mt. Pleasant, Mt. Pleasant Assisted Living Facility	Unimpaired	No
3-C	Todd Alexander	Central Accounting Office of Florida	Unimpaired	No
3-D	~~Bank of America South Carolina laundry and billing facility~~ **Canada Life Assurance Company**	**IHS-Texoma at Sherman**	Unimpaired	No
3-E	~~Canada Life Assurance Company IHS-Texoma at Sherman~~ **Bank of America**	**South Carolina laundry and billing facility**	Impaired	Yes
3-F	Bank of America	Inman Healthcare and Golden Age-Inman facilities	Impaired	Yes
3-G	Finova	Houston Hospital	Impaired	Yes
3-H	Omega Healthcare Investors, Inc	various facilities	Impaired	Yes

Class	Creditor	Collateral	Impairment	Entitled to Vote
3-I	Omega Healthcare Investors, Inc.	various facilities	Impaired	Yes
3-J	Omega Healthcare Investors, Inc.	Crystal Springs Nursing and Rehabilitation Center (closed)	Impaired	Yes
3-K	Beal Bank SSB	Treyburn Rehabilitation and Nursing Center	Impaired	Yes

SECTION 4. TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.1 *Other Priority Claims (Class 1).*

Except to the extent that a holder of an Allowed Other Priority Claim against any of the Debtors has agreed to a different treatment, each such holder shall receive, in full satisfaction of such Allowed Other Priority Claim, Cash in an amount equal to such Allowed Other Priority Claim, to be paid by the Liquidating LLC or the Reorganized Debtors, as applicable, on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date such Claim becomes an Allowed Other Priority Claim.

4.2 *Secured Synthetic Lease Claims (Class 2).*

(a) *Allowance and Subclassification of Synthetic Lease Claims.* On the Effective Date, the Synthetic Lease Claims shall be subclassified and treated as follows: (i) $26,823,980.54 shall be deemed Allowed Claims arising under the Class 2 A-Notes; (ii) $10,575,855.71 plus all accrued interest with respect to the Class 2-B Notes arising from the Commencement Date through the Effective Date, at the non-default contract rate, shall be deemed Allowed Claims arising under Class 2 B-Notes; and (iii) $2,901,701.33, plus all accrued interest with respect to the Class 2 Certificates arising from the Commencement Date through the Effective Date, at the non-default contract rate, shall be deemed Allowed Claims arising under Class 2 Certificates.

(b) *Designation of Secured and Unsecured Synthetic Lease Claims.*

(1) *Class 2 A-Notes -- Unsecured.* On the Effective Date, the Allowed Synthetic Lease Claims arising under Class 2 A-Notes shall be deemed unsecured and shall be treated as Senior Lender Claims in Class 4.

(2) *Class 2 B-Notes -- Secured.* The Claims arising under Class 2 B-Notes shall be deemed and treated as Allowed Secured Synthetic Lease Claims in the aggregate amount of (i) $1,467,080.02 due as of the Commencement Date, plus all accrued interest arising from the Commencement Date through the Effective Date, at the non-default contract rate, with respect to the Class 2B-Notes secured by the New Mexico Properties; and (ii) $9,108,775.69, plus all accrued interest arising from the Commencement Date through the

Effective Date, at the non-default contract rate, with respect to the Class 2B-Notes secured by the Headquarters Property.

(3) *Class 2 Certificates -- Secured.* The Claims arising under the Class 2 Certificates shall be deemed and treated as Allowed Secured Synthetic Lease Claims in the aggregate amount of (i) $400,234.67, plus all accrued interest arising from the Commencement Date, through the Effective Date, at the non-default contract rate, with respect to the Class 2 Certificates secured by the New Mexico Properties; and (ii) $2,501,466.66, plus all accrued interest arising from the Commencement Date through the Effective Date, at the non-default contract rate, with respect to the Class 2 Certificates secured by the Headquarters Property.

(c) *Claims Disputed Pending Sale of Collateral.* All Claims arising under the Class 2 B-Notes and the Class 2 Certificates secured by the Headquarters Property shall **(notwithstanding Sections 4.2(b)(2)(ii) and 4.2(b)(3)(ii) above)** be deemed to be Disputed until the Headquarters Property is sold as provided in section (d) or (e) below, as applicable. If the proceeds from such sale ~~is~~ actually paid to the holders of the Class 2-B Notes and Class 2 Certificates secured by the Headquarters Property pursuant to Sections 4.2(d)(2) or 4.2(e)(2), as applicable, is less than the amount of $9,108,775.69 with respect to such Class 2-B Notes and less than the amount of $2,501,466.66 with respect to such Class 2 Certificates, then the holders of the Class 2-B Notes and Class 2 Certificates secured by the Headquarters Property shall have Allowed Senior Lender Claims in Class 4, respectively equal to the difference between the amounts set forth in this subsection (c) and the ~~actual~~ amounts actually paid to them.

(d) *Treatment of Secured Synthetic Lease Claims Under Sale Transactions.* If the Sale Transactions are implemented, the holders of Secured Synthetic Lease Claims shall receive the treatment set forth in subsections (1) and (2) of this Section 4.2(d) in full satisfaction of all Allowed Secured Synthetic Lease Claims.

(1) On the Effective Date, or as soon thereafter as is practicable, the Liquidating LLC shall pay to the Disbursing Agent a Cash distribution in ~~the~~ **an** amount equal to the sum of the amounts set forth in Sections 4.2(b)(2)(i) and 4.2(b)(3)(i), and, upon receipt thereof, all liens on the New Mexico Properties arising out of the Participation Agreement shall be deemed to have been released.

(2) On the Effective Date, the Debtors' interests in the Headquarters Property shall be transferred to the Liquidating LLC, and the Disbursing Agent shall receive a mortgage note **from and executed by the Liquidating LLC** in a principal amount equal to the sum of the amounts set forth in Sections 4.2(b)(2)(ii) and 4.2(b)(3)(ii) (the "Restructured Headquarters Note"), for the benefit of the holders of Class 2 B-Notes and the Class 2-Certificates that were secured by the Headquarters Property. The Restructured Headquarters Note will bear interest at 7% per year, will mature on the fifth anniversary of the Effective Date, and will be secured by the existing first mortgage lien on the Headquarters Property. The Liquidating LLC shall sell the Headquarters Property, and upon such sale, shall pay to the Disbursing Agent from the proceeds of such sale a Cash distribution (which shall then be distributed ratably to the holders of the Class 2-B Notes and the Class 2 Certificates) in an

amount equal to the lesser of (i) the total then outstanding obligations under the Restructured Headquarters Note; and (ii) the net proceeds of the sale of the Headquarters Property. Upon such payment to the Disbursing Agent, all liens on the Headquarters Property shall be deemed to have been released, and to the extent such payment is less than the amounts set forth in Section 4.2(c) hereof, the holders of the Class 2-B Notes and Class 2 Certificates shall have and shall be deemed to have Allowed Senior Lender Claims in Class 4 in the respective amounts **and** as provided in Section 4.2(c) hereof.

(e) *Treatment of Secured Synthetic Lease Claims Under the Stand-Alone Transactions*. If the Stand-Alone Transactions are implemented the holders of Allowed Secured Synthetic Lease Claims shall receive the treatment set forth in subsections (1) and (2) of this Section 4.2(d) in full satisfaction of all Allowed Secured Synthetic Lease Claims.

(1) On the Effective Date or as soon thereafter as practicable, the Reorganized Debtors shall pay to the Disbursing Agent a Cash distribution in an amount equal to the sum of the amounts set forth in Sections 4.2(b)(2)(i) and 4.2(b)(3)(i), and, upon receipt thereof, all liens on the New Mexico Properties arising out of the Participation Agreement shall be deemed to have been released.

(2) On the Effective Date, the Disbursing Agent shall receive ~~from the Reorganized Debtors~~ a mortgage note **from and executed by the Reorganized Debtors** in a principal amount equal to the sum of the amounts set forth in sections 4.2(b)(2)(ii) and 4.2(b)(3)(ii) (the "Restructured Headquarters Note"), for the benefit of the holders of Class 2 B-Notes and Class 2-Certificates which were secured by the Headquarters Property. The Restructured Headquarters Note will bear interest at 7% per year, will mature on the fifth anniversary of the Effective Date, and will be secured by the existing first mortgage lien on the Headquarters Property. The Reorganized Debtors shall sell the Headquarters Property, and upon such sale, shall pay to the Disbursing Agent from the proceeds of such sale a Cash distribution (which shall then be distributed ratably to the holders of the Class 2-B Notes and Class 2 Certificates) in an amount equal to the lesser of (i) the total then outstanding obligations under the Restructured Headquarters Note; and (ii) the net proceeds of the sale of the Headquarters Property. Upon such payment to the Disbursing Agent, all liens on the Headquarters Property shall be deemed to have been released, and to the extent such payment is less than the amounts set forth in Section 4.2(c) hereof, the holders of the Class 2-B Notes and Class 2 Certificates shall have and shall be deemed to have Allowed Senior Lender Claims in Class 4 in the respective amounts **and** as provided in Section 4.2(c) hereof.

(f) *Distributions to Individual Holders; Disbursing Agent*. The aggregate distributions in respect of Secured Synthetic Lease Claims shall be made to Citicorp USA, Inc., as Disbursing Agent, which shall make distributions as provided herein to the individual holders of the Secured Synthetic Lease Claims as of the Distribution Record Date. The delivery of such aggregate distributions to Citicorp USA, Inc. shall be in full satisfaction, release and discharge of all Secured Synthetic Lease Claims against the Debtors. Citicorp USA, Inc. shall deduct from such distributions all costs and expenses (including all professional fees and disbursements) incurred by it and unpaid prior to making any distribution to the holders of Allowed Secured Synthetic Lease Claims.

4.3 ***Other Secured Claims (Class 3).***

(a) *General Treatment*. With respect to all Other Secured Claims not designated in one of Subclasses 3-A through 3-K (the treatment of which is set forth below):

(1) *Sale Transactions*. If the Sale Transactions are implemented, on or as soon as reasonably practicable after the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date an Other Secured Claim becomes an Allowed Other Secured Claim, each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Other Secured Claim, and the liens securing such Allowed Other Secured Claim shall be deemed released.

(2) *Stand-Alone Transactions*. If the Stand-Alone Transactions are implemented, then on or as soon as reasonably practicable after the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date an Other Secured Claim becomes an Allowed Other Secured Claim, each holder of an Allowed Other Secured Claim shall receive, at the option of the Reorganized Debtors, either (a) Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Other Secured Claim, (b) the net proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim; (c) the Collateral securing such Allowed Other Secured Claim; (d) a note with periodic Cash payments having a present value equal to the amount of the Allowed Other Secured Claim; or (e) such other distribution necessary to satisfy the requirements of the Bankruptcy Code. In the event the Reorganized Debtors treat an Allowed Other Secured Claim under clause (a) of this Section, the liens securing such Allowed Other Secured Claim shall be deemed released.

(b) *Description and Treatment of Material Other Secured Claims*

(1) *Subclass 3-A (Secured Claim of Beal Bank SSB, IHS at Clarkston Facility)*

Subclass 3-A consists of the Secured Claim of Beal Bank SSB ("Beal"), as the successor in interest ~~of certain obligations arising out of, inter alia, a Mortgage Note~~ **to all the obligee/mortgagee's right, title and interest in and to the certain Mortgage Note, the certain Mortgage, and the certain Security Agreement, all as amended and/or supplemented, each** dated as of December 17, 1985, ~~in the principal amount of $3,580,400,~~ between Ver Lee Associates, a Michigan co-partnership, as obligor, and Comerica Bank as obligee~~, which is secured by the IHS Michigan at Clarkston facility~~. **The original principal amount of the Mortgage Note was $3,580,400.00; but, pursuant to the Modification of Mortgage and Mortgage Note instrument dated as of May 9, 1988, the principal amount of the Mortgage Note was reduced to $3,396,800.00**.

On the Effective Date, the Mortgage Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Mortgage Note will be

deemed rescinded, waived or cured and of no force or effect, the terms of the Mortgage Note, as modified on or prior to the Effective Date and any liens created pursuant to the Mortgage Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.

(2) *Subclass 3-B (U.S. Small Business Administration -- Horizon Assisted Living Facility).*

Subclass 3-B consists of the Secured Claim of the U.S. Small Business Administration (the "SBA"), as assignee under a Note in the principal amount of $500,000, dated September 6, 1985, between KCVT Nursing Centers, Inc, d/b/a Villa Nursing Center ("KCVT"), as obligor, and Ark-Tex Regional Development Company, Inc. ("Ark-Tex"), as obligee. The Note is secured by a Deed of Trust on the Horizon Assisted Living Facility in Mt. Pleasant, Texas. On the Effective Date, the Note and the Deed of Trust will be reinstated in accordance with their terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection therewith will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Note and the Deed of Trust will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.

(3) *Subclass 3-C (Secured Claim of Todd Alexander -- Central Accounting Office of Florida).*

Subclass 3-C consists of the Secured Claim of Todd Alexander, as mortgagee under a secured note (the "Alexander Note"), which is secured by the Debtors' Central Accounting Office facility in Florida. On the Effective Date, the Alexander Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Alexander Note will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Alexander Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.

(4) *Subclass 3-D ~~(Secured Claim of Bank of America -- CAO of South Carolina).~~*

~~Subclass 3-D consists of the Secured Claim of Bank of America, N.A. ("B of A"), as assignee under a note (the "Magnolia Note") dated May 27, 1993, between NationsBank, as obligee, and Magnolia Group, Inc. ("Magnolia"), as obligor, in the original principal amount of $700,000 (the "Magnolia Note"). The Magnolia Note is secured by a mortgage dated May 27, 1993 between NationsBank, as mortgagee, and Magnolia, as mortgagor. On the Effective Date, the Magnolia Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Magnolia Note will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Magnolia Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.~~

~~*(5) Subclass 3-E (Secured Claim of Canada Life Assurance Company -- IHS Texoma at Sherman)*~~

Subclass 3-~~E~~ **D** consists of the Secured Claim of Canada Life Assurance Company ("Canada Life"), as assignee under a Deed of Trust Note (the "Texoma Note"), dated as of December 16, 1987, in the original principal amount of $2,700,000, between Arbor Living Centers of Texas, Inc., as obligor, and Mortgage and Trust, Inc., as obligee. The Deed of Trust Note is secured by a mortgage on the IHS Texoma at Sherman facility. On the Effective Date, ~~Canada Life shall receive a new mortgage note in a principal amount equal to all outstanding obligations under the Texoma Note (the "Restructured Texoma Note"), and the Debtors' obligations under the Texoma Note shall be deemed to be discharged and superceded by the Debtors' obligations under the Restructured Texoma Note. The Restructured Texoma Note will bear interest at 7% per year amortized over 25 years, and will mature on the fifth anniversary of the Effective Date. The Restructured Texoma Note will be secured by the collateral presently securing the Texoma Note.~~ **the Texoma Note will be reinstated in accordance with its terms, as modified on or prior to the Effective Date. Upon such reinstatement, any acceleration of any obligation and/or instrument or default in connection with the Texoma Note will be deemed rescinded, waived or cured and of no force or effect, and any liens created pursuant to the Texoma Note will not be affected by Sections 10.2 or 10.3 of the Plan or section 1141 of the Bankruptcy Code.**

~~(6) Subclass 3-F (Secured Claim of B of A~~**(5)** ***Subclasses 3-E and 3-F (Secured Claims of Bank of America –CAO of South Carolina, Inman*** *Healthcare, Golden Age-Inman)*

Subclass 3-E consists of the Secured Claims of Bank of America, N.A. ("B of A"), as assignee under a note (the "Magnolia Note") dated May 27, 1993, between NationsBank, as obligee, and Magnolia Group, Inc. ("Magnolia"), as obligor, in the original principal amount of $700,000. The Magnolia Note is secured by a mortgage dated May 27, 1993 between NationsBank, as mortgagee, and Magnolia, as mortgagor.

Subclass 3-F consists of the Secured Claim of B of A, as assignee under a note (the "Inman Note") dated January 30, 1998, between NationsBank, as obligee, and Magnolia, as obligor is in the original principal amount of $1,840,000. The Inman Note is secured by two mortgages; a mortgage dated January 30, 1998, between NationsBank, as mortgagee and Inman Nursing Facilities, Inc., as mortgagor, and a mortgage dated January 30, 1998, between Nations Bank, as mortgagee, and a Non-Debtor Affiliate, C.W. Johnson Intermediate Care Facility, Inc., as mortgagor.

On the Effective Date, ~~B of A shall receive a mortgage note in a principal amount equal to all outstanding obligations under the Inman Note (the "Restructured Inman Note"), and the Debtors' obligations under~~ **or as soon as reasonably practicable thereafter, BofA will receive a cash payment (the "B of A Payment") in the aggregate amount of $1,800,000, in full settlement and satisfaction of all Claims of B of A arising out of or related to the Magnolia Note and/ or the Inman Note, including without limitation, any Claims for principal, interest or fees. Pending the occurrence of the Effective Date and the receipt by**

B of A of the B of A Payment, the Stipulation and Order Pursuant to 11 U.S.C. Section 363(e) of the Bankruptcy Code, dated as of September 9, 2001 (the "B of A Stipulation") shall continue in full force and effect. Upon payment of the B of A Payment, all liens on the Collateral securing the Magnolia Note and the Inman Note shall be deemed to ~~be discharged and superceded by the Debtors'~~ **have been released, and B of A and the Debtors shall be deemed to have released each other from any and all Claims arising out of or related to the Magnolia Note and/ or the Inman Note, including, but not limited to, all** obligations under the ~~Restructured Inman Note. The Restructured Inman Note will bear interest at 7% per year amortized over 25 years, and will mature on the fifth anniversary of the Effective Date. The Restructured Inman Note will be secured by the Collateral presently securing the Inman Note.~~ **B of A Stipulation.**

~~(7)~~**(6)** *Subclass 3-G (Secured Claim of Finova Capital Corporation (f/k/a Greyhound Financial Corporation -- Houston Hospital Facility)*

Subclass 3-G consists of the secured Claim of Finova Capital Corporation (f/k/a Greyhound Financial Corporation) ("Finova"), as assignee under the promissory note, dated December 30, 1994, in the principal sum of $10,000,000, between Integrated Health Services at Houston, Inc., as obligor and Greyhound Financial Corporation, as obligee, which is secured by the Debtors' interests in the IHS Hospital at Houston facility ("IHS at Houston"). Unless otherwise agreed by the parties, Finova shall receive (i) an Allowed Other Secured Claim equal to the value of the Debtors' interests in IHS at Houston as determined by the Bankruptcy Court pursuant to section 506(a) of the Bankruptcy Code; and (ii) an Allowed General Unsecured Claim in an amount equal to the unsecured portion of the Claim of Finova, if any. In full satisfaction of its Allowed Other Secured Claim, Finova shall receive a new mortgage note (the "Restructured Finova Note") in a principal amount equal to its Allowed Other Secured Claim. The Restructured Finova Note will bear interest at 7% per year amortized over 25 years, and will mature on the fifth anniversary of the Effective Date. The Restructured Finova Note will be secured by the collateral presently securing the Finova Note.

~~(8)~~**(7)** *Subclasses 3-H, I, J (Secured Claim of Omega Healthcare Investors, Inc.)*

Subclasses 3-H, I and J consist of the Secured Claims of Omega Healthcare Investors, Inc. ("Omega"), and shall be treated in accordance with the terms of the Omega Settlement Agreement. The Omega Settlement Agreement provides, among other things, that (i) the Debtors will transfer to Omega or its designee substantially all of the Debtors' real property and certain personal property serving as Collateral for the Other Secured Claims in Subclasses 3-H, 3-I and 3-J, pursuant to deeds in lieu of foreclosure and operations transfer agreements; (ii) Omega is deemed to have Allowed General Unsecured Claims against certain of the Debtors in the aggregate amount of $4,500,000; and (iii) Omega is deemed to have released all other Claims it may have against the Debtors.

~~(9)~~**(8)** *Subclass 3-K-(Secured Claim of Beal Bank SSB-IHS at Treyburn Facility).*

Subclass 3-K consists of the Secured Claim of Beal, as the successor ~~in interest of certain obligations arising out of, inter alia, a deed of trust note (~~**to all the obligee/mortgagee's right, title and interest in and to the certain Deed of Trust Note, the certain deed of Trust, and the certain Security Agreement, all as amended and/or supplemented, and with each dated as of January 28, 1993 (collectively,** the "Treyburn Note")~~, dated January 28, 1993, in the principal sum of $4,082,200, between Durham Meridian Limited Partnership, as obligor and Highland Mortgage Company, as obligee, relating to the Treyburn Rehabilitation and Nursing Center ("Treyburn"). On or before the Effective Date, Beal will receive a quitclaim deed to the assets of the Debtors which are collateral~~**. The original principal amount of the Deed of Trust Note was $4,082,200.00. Pursuant to the Release, Assumption and Modification Agreement dated as of November 19, 1997, Integrated Health Services at Treyburn, Inc. agreed to be bound by the terms of the Treyburn Note. On the Effective Date, or as soon as reasonably practicable thereafter, at the option of the Debtors, Beal will receive either: (i) the net proceeds of the sale or disposition of the Collateral securing the Treyburn Note; or (ii) the Collateral** securing the Treyburn Note, in full satisfaction and release of all Claims of Beal arising out of the Treyburn Note.

4.4 ***Senior Lender Claims (Class 4).***

(a) *Allowance of Senior Lender Claims.* On the Confirmation Date, the Senior Lender Claims will be deemed to be Allowed in the aggregate amount of (i) $1,260,379,079.40 in Allowed Claims arising under the Credit Agreement plus (ii) the aggregate amount of the Allowed unsecured Synthetic Lease Claims.

(b) *Enforcement of Subordination Rights.* The Plan shall give effect to the subordination rights of the Senior Lender Claims.

(c) *Aggregate Distribution to Class 4.*

(1) *Distribution of Class 4 Cash Fund.* On the Effective Date, irrespective of whether the Sale Transactions or the Stand-Alone Transactions are implemented, the Liquidating LLC or the Reorganized Debtors, as applicable, shall deliver the Class 4 Cash Fund to the Disbursing Agent, which shall distribute to each holder of an Allowed Senior Lender Claim its Pro Rata Share thereof (after deducting all fees and expenses (including professional fees and disbursements) of the Disbursing Agent and the fees and expenses of the Class 10 Indenture Trustee as provided in Section 4.10(c) hereof). To the extent that the Disbursing Agent elects to make a distribution prior to the allowance of all Senior Lender Claims (i.e., prior to the disposition of the collateral securing the Class 2 B-Notes and Class 2-Certificates), the Disbursing Agent shall reserve a portion of the Class 4 Cash Fund equal to the Pro Rata Share payable to the holders of Disputed Senior Lender Claims as if such Claims were allowed in their maximum amounts, and shall make a final distribution as soon as is reasonably practicable after such ~~sales have~~ **disposition has** occurred.

(2) *Pro Rata Distribution Under the Sale Transactions.* If the Sale Transactions are implemented, then on the Initial Member Distribution Date, each holder of a Senior Lender Claim shall receive (a) its Class 4 Pro Rata Share of all Cash (other than Cash distributed to the holders of Allowed General Unsecured Claims which have made the Class 6 Cash-Out Election) distributed pursuant to Section ~~6.2(k)~~ **6.2(m), 6.2(n)** and ~~6.2(l)~~ **6.2(p)** of the Plan, and (b) a Class 4 Membership Interest representing the right to receive distributions contemplated by Sections ~~6.2(k)~~ **6.2(m), 6.2(n)** and ~~6.2(l)~~ **6.2(p)** of the Plan.

(3) *Subordinated Debt Claim Exclusion.* Notwithstanding ~~the immediately preceding sentence~~ **subparagraph (2) above**, solely with respect to the first $15 million of net proceeds, if any, to be distributed from a settlement or judgment obtained in **the** Compensation Action, the Class 4 Pro Rata Share and the Class 6 Pro Rata Share thereof shall be calculated as if there were no Subordinated Debt Claims.

(4) *Pro Rata Distribution Under the Stand-Alone Transactions.* If the Stand-Alone Transactions are implemented, then, in addition to the distribution provided in 4.4(c)(1) above, each holder of an Allowed Senior Lender Claim shall receive a Class 4 Pro Rata Share of:

(A) 2.5 million shares of New Common Stock, representing 100% of the total shares of New Common Stock to be issued and outstanding immediately as of the Effective Date**, less any shares of New Common Stock to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan**;

(B) the New Subordinated Notes**, less any New Subordinated Notes to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan**; and

(C) any net proceeds of any settlement or judgment obtained in the Compensation Action; provided, however, that solely with respect to the first $15 million of such net proceeds, if any, the Class 4 Pro Rata Share and the Class 6 Pro Rata Share thereof shall be calculated as if there were no Subordinated Debt Claims.

(d) *Disbursing Agent.* All aggregate distributions of Cash, Class 4 Membership Interests New Common Stock and/or New Subordinated Notes in respect of Senior Lender Claims shall be made to Citibank, N.A., as Disbursing Agent or its designee. Citibank, N.A. shall make distributions or cause its designee to make distributions to the individual holders of the Allowed Senior Lender Claims as of the Distribution Record Date. The delivery by the Debtors of such aggregate distribution to Citibank, N.A. (or its designee) shall be in full satisfaction, release and discharge of all Senior Lender Claims against the Debtors.

(e) *Distributions to Individual Holders.* Subject to the provisions of this Section and all other applicable provisions of the Plan, each holder of an Allowed Senior Lender

Claim shall receive its Pro Rata Share of the Cash (less all amounts deducted by the Disbursing Agent as described in subsection (f) below), Class 4 Membership Interests, New Common Stock and/or New Subordinated Notes, as applicable.

(f) *Payment of Fees and Expenses of the Disbursing Agent.* If the Sale Transactions are implemented, all fees and expenses incurred by the Disbursing Agent, including all Professional fees and expenses, shall be paid from the Cash distribution set forth in subsection 4.4(c)(1) above and the Disbursing Agent shall deduct from such distribution all costs and expenses incurred by it in connection with the IHS Reorganization Cases and unpaid prior to making any distribution to the holders of Allowed Senior Lender Claims. If the Stand-Alone Transactions are implemented, all unpaid fees and expenses of the Disbursing Agent shall be paid in Cash on the Effective Date by the Reorganized Debtors.

4.5 ***United States Claims (Class 5).***

On the Effective Date, the Claims in Class 5 shall be settled pursuant to the United States Settlement Agreement.

4.6 ***General Unsecured Claims (Class 6).***

(a) ~~Treatment Under the Sale Transactions.~~

~~(1)~~ *Pro Rata Distribution Under the Sale Transactions.* If the Sale Transactions are implemented, then on the Initial Member Distribution Date, each holder of an Allowed General Unsecured Claim in Class 6 which has not made the Class 6 Cash-Out Election shall receive (a) its Class 6 Pro Rata Share of all Cash (other than Cash distributed to the holders of Allowed General Unsecured Claims which have made the Class 6 Cash-Out Election) distributed pursuant to Sections ~~6.2(k)~~ **6.2(m), 6.2(n)** and ~~6.2(l)~~ **6.2(p)**of the Plan and (b) a Class 6 Membership Interest representing the right to receive distributions contemplated by Sections ~~6.2(k) and 6.2(l) of the Plan.~~ **6.2(m), 6.2(n) and 6.2(p) of the Plan.**

~~(2)~~**(b) *Pro Rata Distribution Under the Stand-Alone Transactions.* If the Stand-Alone Transactions are implemented, then each holder of an Allowed General Unsecured Claim in Class 6 (other than an Insured Claim and other than those which made the Class 6 Cash-Out Election, if made effective pursuant to Section 4.6(c) of the Plan) shall receive its Class 6 Pro Rata Share of:**

(1) 2.5 million shares of New Common Stock, representing 100% of the total shares of New Common Stock to be issued and outstanding immediately as of the Effective Date, less any shares of New Common Stock to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan;

(2) the New Subordinated Notes, less any New Subordinated Notes to be issued to the holders of Premiere Unsecured Claims pursuant to Section 4.7 of the Plan; and

(3) any net proceeds of any settlement or judgment obtained in the Compensation Action; provided, however, that solely with respect to the first $15 million of such net proceeds, if any, the Class 4 Pro Rata Share and the Class 6 Pro Rata Share thereof shall be calculated as ~~if~~ there were no Subordinated Debt Claims.

(c) *Class 6 Cash-Out Election.* Each holder of a General Unsecured Claim in Class 6 may elect on its Ballot to receive, in lieu of the distributions set forth in Section 4.6(a) or 4.6(b) above, as applicable, a distribution of Cash in an amount equal to the lesser of (i) 3% of its Allowed General Unsecured Claim and (ii) $3,000.00.

(1) *Mandatory Distributions In Respect of* *Class 6 Cash-Out Election. ~~If the Sales~~* ***Under the Sale Transactions.* If the Sale** Transactions are implemented, each holder of a General Unsecured Claim in Class 6 ~~may elect on its Ballot to~~ **which made the Class 6 Cash-Out Election shall** receive, in lieu of the distributions set forth in Section 4.6(a)~~(1)~~ above, a distribution of Cash in an amount equal to the lesser of (i) 3% of its Allowed General Unsecured Claim and (ii) $3,000.00, which shall be paid by the Liquidating LLC on or as soon as reasonably practicable after the later of (i) the Initial Member Distribution Date and (ii) the date such Claim becomes an Allowed General Unsecured Claim.

~~(b) Pro Rata Distribution~~**(2) *Optional Distributions In Respect of Class 6 Cash-Out Election*** *Under the Stand-Alone Transactions.* If the Stand-Alone Transactions are implemented, then ~~each holder of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a~~ **the Debtors, in their sole discretion shall determine whether they will give effect to the** Class 6 Cash-Out Election ~~has been made and other than an Insured Claim) shall receive a Class 6 Pro Rata Share of:~~. **The Debtors shall disclose their determination no later than the Confirmation Hearing. If the Debtors determine that they will give effect to the Class 6 Cash-Out Election, then each holder of a General Unsecured Claim in Class 6 which made the Class 6 Cash-Out Election shall receive, in lieu of the distributions set forth in Section 4.6(b) above, a distribution of Cash in an amount equal to the lesser of (i) 3% of its Allowed General Unsecured Claim and (ii) $3,000.00, to be paid by the Reorganized Debtors on or as soon as reasonably practicable after the later of (i) the Initial Stand-Alone Distribution Date and (ii) the date such Claim becomes an Allowed General Unsecured Claim.**

~~(1) 2.5 million shares of New Common Stock, representing 100% of the total shares of New Common Stock to be issued and outstanding immediately as of the Effective Date;~~

~~(2) the New Subordinated Notes; and~~

~~(3) any net proceeds of any settlement or judgment obtained in the Compensation Action; provided, however, that solely with respect to the first $15 million of such net proceeds, if any, the Class 4 Pro Rata Share and the Class 6 Pro Rata Share thereof shall be calculated as if there are were no Subordinated Debt Claims.~~

~~(c)~~**(d)** *Insured Claims*. Insured Claims shall be liquidated in the ordinary course of business following the Effective Date. Each holder of an Allowed General Unsecured Claim that is an Insured Claim (other than a 1999 Insured Tort Claim) shall be paid from the proceeds of any applicable insurance and shall have an Allowed General Unsecured Claim only to the extent the applicable insurance policy does not pay any portion of the Allowed Insured Claim.

~~Holders of Claims in this Class that are covered by insurance in whole or in part will be paid in the ordinary course of the business to the extent of such insurance, and to the extent that these Claims are not covered by insurance they will be treated in the same manner as the holders of uninsured Claims in this Class.~~ **4.7 *Premiere Unsecured Claims (Class 7).***

~~4.7~~ **If the provisions of Section 5.1 of the Plan do not become effective with respect to the Premiere Debtors as a result of any order of the Bankruptcy Court, then the following provisions shall apply:**

(a) *Treatment Under the Sale Transactions.* If the Sale Transactions are implemented, then, prior to the Effective Date, the value of the assets of the Premiere Debtors shall be determined by the Debtors by reference to the net proceeds receivable by the Debtors as a result of the Sale Transactions. The Debtors shall also determine the residual value of the assets of the Premiere Debtors, which shall be the remaining value of the assets of the Premiere Debtors after deducting the aggregate amount of Administrative Expense Claims, DIP Credit Facility Claims, Priority Tax Claims, and Other Priority Claims allocable to the Premiere Debtors, and the amount of all Secured Claims against the Premiere Debtors. On the Initial Member Distribution Date, each holder of an Allowed Premiere Unsecured Claim shall receive a Class 7 Membership Interest representing the right to receive its Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors determined in accordance with the foregoing. Such amounts shall not be available for distribution to holders of Senior Lender Claims or General Unsecured Claims.

(b) *Treatment Under the Stand-Alone Transactions.* If the Stand-Alone Transactions are implemented, then the residual value of the assets of the Premiere Debtors shall be determined as provided in Section 4.7(a) above, except that such value need not be determined by reference to the net proceeds that would have been receivable by the Debtors if the Sale Transactions were implemented. Each holder of an Allowed Premiere Unsecured Claim shall receive shares of New Common Stock and New Subordinated Notes with an aggregate value determined by the Debtors to be equal to its Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors determined in accordance with the foregoing. Such amounts shall not be available for distribution to holders of Senior Lender Claims or General Unsecured Claims.

If the provisions of Section 5.1 of the Plan become effective with respect to the Premiere Debtors, then the holders of Premiere Unsecured Claims shall be deemed to be holders of General Unsecured Claims and shall receive no separate treatment under the Plan.

4.8 *1999 Insured Tort Claims (Class ~~7~~ 8).*

(a) *Treatment.* Irrespective of whether the Sale Transactions or the Stand-Alone Transactions are implemented, each holder of an Allowed 1999 Insured Tort Claim shall be entitled to receive its Pro Rata Share of the aggregate sum of (i) the Available 1999 Insurance Proceeds; and (ii) 3% of the difference between the Available 1999 Insurance Proceeds and the total amount of Allowed 1999 Insured Tort Claims.

(b) *1999 Insured Tort Claims Escrow.* On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating LLC or the Reorganized Debtors, as applicable, shall deposit an amount of Cash equal to 3% of the 1999 Unpaid Deductible Amount plus any Available 1999 Insurance Proceeds due and owing by the Debtors' insurance carriers in respect of Allowed 1999 Insured Tort Claims into the 1999 Insured Tort Claims Escrow. Thereafter, the Liquidating LLC or the Reorganized Debtors, as applicable, shall deposit all additional Available 1999 Insurance Proceeds which become due and owing by the Debtors' insurance carriers in respect of Allowed 1999 Insured Tort Claims into the 1999 Insured Tort Claims Escrow.

(c) *Initial Distributions.* On the Initial Class ~~7~~ **8** Distribution Date, the Liquidating LLC or the Reorganized Debtors, as applicable, shall make an Initial Class ~~7~~ **8** Distribution to each holder of an Allowed 1999 Insured Tort Claim in Cash in an amount equal to 50% of its Allowed Claim.

(d) *Interim Distributions.* After the Initial Class ~~7~~ **8** Distribution Date but prior to the Final Class ~~7~~ **8** Distribution Date, the Liquidating LLC or the Reorganized Debtors, as applicable:

(1) shall distribute to each holder of a Disputed 1999 Insured Tort Claim which becomes an Allowed 1999 Insured Tort Claim after the Initial Class ~~7~~ **8** Distribution Date and did not receive an Initial Class ~~7~~ **8** Distribution pursuant to Section 4.7(c), within thirty (30) days of such allowance, an amount in Cash equal to 50% of its Allowed 1999 Insured Tort Claim; and

(2) may make additional distributions to holders of Allowed 1999 Insured Tort Claims prior to the Final Class ~~7~~ **8** Distribution Date.

(3) *Final Distributions.* If necessary, on the Final Class ~~7~~ **8** Distribution Date, the Liquidating LLC or the Reorganized Debtors, as applicable, shall distribute to each holder of an Allowed 1999 Insured Tort Claim a Catch-Up Distribution (or portion thereof), such that the total distribution of Cash received by such holder in respect of its Allowed 1999 Insured Tort Claim equals its Pro Rata Share of the aggregate sum of (i) the Available 1999 Insurance Proceeds; and (ii) 3% of the difference between the Available 1999 Insurance Proceeds and the total amount of Allowed 1999 Insured Tort Claims. Upon payment of the total distribution to be received by holders of Allowed 1999 Insured Tort Claims, all Cash remaining in the 1999 Insured Tort Claims Escrow, if any, shall be returned to the Liquidating LLC or to the Reorganized Debtors, as applicable, for other uses in accordance with the Plan.

(e) *Reliance Insurance Liquidation Proceedings.* Holders of Allowed 1999 Insured Tort Claims will share in any available coverage under Debtors' 1999 matching-deductible professional and general insurance policy (the "Reliance Policy") with Reliance Insurance Company ("Reliance") only pursuant to the treatment provided in the Plan. Holders of 1999 Insured Tort Claims are deemed to assign to the Debtors any rights such holders may have to file a claim under the Reliance Policy in the liquidation proceedings presently pending with respect to Reliance in the Commonwealth Court of Pennsylvania (the "Reliance Liquidation Proceedings"), and the Debtors shall file a single claim in the Reliance Liquidation Proceeding on behalf of all holders of Allowed 1999 Insured Tort Claims. To avoid duplication of claims under the Reliance Policy, any claim for proceeds of the Reliance Policy filed in the Reliance Liquidation Proceedings by a holder of an Allowed 1999 Insured Tort Claim shall be deemed void. Any claim for proceeds of the Reliance Policy filed in the Reliance Liquidation Proceedings by the holder of a 1999 Insured Tort Claim shall not be deemed to cause the waiver of such claimant's 1999 Insured Tort Claim Against the Debtors.

~~4.8~~ **4.9** ***Settled Senior Subordinated Debt Claims (Class ~~8~~ 9).***

(a) *Allowance of Settled Senior Subordinated Debt Claims.* On the Confirmation Date, the Settled Senior Subordinated Debt Claims shall be deemed Allowed in the aggregate amount of ~~$1,144,401,817.00~~ **$1,150,814,148.09**, consisting of (i) ~~$155,344,042.00~~ **$161,616,667.67** arising under the 10-1/4% Notes, (ii) $466,625,000.00 arising under the 9-1/2% Notes, ~~and~~(iii) $522,432,775.00 arising under the 9-1/4% Notes**; (iv) $26,251.00 arising under the 9⅝% Notes and (v) $113,454.42 arising under the 10¾% Notes**.

(b) *Enforcement of Subordination Provisions.* As a result of enforcement of the subordination provisions of the Class ~~8~~ **9** Indentures, the holders of Allowed Settled Senior Subordinated Debt Claims shall receive no property from the Debtors' estates.

(c) *Distributions Pursuant to IHS Noteholder Settlement.* On the Effective Date, each holder of an Allowed Settled Senior Subordinated Debt Claim ~~which has voted to accept the Plan or does not vote on the Plan~~ shall receive its Pro Rata Share of the IHS Noteholder Payment (including all actual interest and earnings thereon, and less the fees and expenses of the Majority Noteholder Counsel and the Class ~~8~~ **9** Indenture Trustee as provided in subsections (d) and (e) below).

(d) *Fees and Expenses of the Majority Noteholder Counsel.* On the Effective Date, the IHS Noteholder Escrow Agent will pay the Majority Noteholder Counsel's fees and expenses from the IHS Noteholder Escrow, in an amount not to exceed $200,000, and such payment shall not require further approval by the Bankruptcy Court.

(e) *Fees and Expenses of the Class ~~8~~ 9 Indenture Trustees.* On the Effective Date, the IHS Noteholder Escrow Agent will reimburse the Class ~~8~~ **9** Indenture Trustees for their reasonable fees and expenses**, including, without limitation, reasonable attorneys' fees and expenses and indemnification,** from the IHS Noteholder Escrow Account to the extent permitted by the respective Class ~~8~~ **9** Indentures, and such payment shall not require further

approval by the Bankruptcy Court. Upon termination of the ~~indentures, the indenture trustees~~ **Class 9 Indentures, the Class 9 Indenture Trustees** shall be released from any further obligation or duty under their respective ~~indentures~~ **Class 9 Indentures**, except as necessary to effectuate distributions under the Plan.

(f) *Certifications.* ~~IHS,~~ **Subject to the occurrence of the Effective Date, IHS, Rotech,** Citibank, N.A., the Majority Noteholders and the Class ~~8~~ **9** Indenture Trustees shall execute and deliver to the IHS Noteholder Escrow Agent the written certifications and all other documents and information reasonably requested by the IHS Noteholder Escrow Agent to facilitate the distributions contemplated from the IHS Noteholder Escrow Account.

~~4.9 Other Senior Subordinated Debt Claims (Class 9).~~

~~(a) Allowance of Other Senior Subordinated Debt Claims. On the Confirmation Date, the Other Senior Subordinated Debt Claims shall be deemed Allowed in the aggregate amount of $140,105.00, consisting of (i) $26,651.00 arising under the 9⅝% Notes and (ii) $113,454.00 arising under the 10¾% Notes.~~

~~(b) Enforcement of Subordination Provisions; No Distribution to Class 9. As a result of enforcement of the subordination provisions of the Class 9 Indentures, no distribution shall be made to the holders of Allowed Other Senior Subordinated Debt Claims.~~

~~4.10 Convertible~~ **4.10 *Convertible Senior Subordinated Debenture Claims (Class 10).***

(a) *Allowance of Convertible **Senior** Subordinated Debenture Claims.* On the Confirmation Date, the Convertible Subordinated Debenture Claims shall be deemed Allowed in the aggregate amount of ~~$137,513,100.00~~ **$146,836,484.99**.

(b) *Enforcement of Subordination Provisions; No Distribution to Class 10.* As a result of enforcement of the subordination provisions of the Class 10 Indenture, no distribution shall be made to the holders of Allowed Convertible **Senior** Subordinated Debenture Claims.

(c) *Payment of the Fees and Expenses of the Class 10 Indenture Trustee.* ~~The~~ **Subject to the occurrence of the Effective Date, the** Class 10 Indenture Trustee shall be paid its outstanding fees **and expenses** accrued through the Effective Date (which shall in no event exceed $150,000) from the Class 4 Cash Fund prior to its distribution to the Disbursing Agent for Class 4, and any liens that the Class 10 Indenture Trustee had or asserted shall be deemed released upon such payment.

4.11 ***Punitive Damage Claims (Class 11).***

Each holder of a Punitive Damage Claim shall receive no distribution under the Plan of Reorganization, but shall be paid in the ordinary course of business of the Reorganized

Debtors solely from the proceeds of and to the extent such claims are covered by applicable insurance policies and such payment is permitted under governing state law.

4.12 ***Subsidiary Equity Interests (Class 12).***

All existing Subsidiary Equity Interests will be retained by the holders thereof, provided, however, that if the Sale Transactions are implemented and the condition set forth in Section 7.9 of the Sale Agreement is satisfied, then IHS shall transfer certain Subsidiary Equity Interests identified in the Plan Supplement to either the LTC Subsidiary or the Therapy Subsidiary. Nothing in this Section 4.12 shall prohibit the Debtors, the Liquidating LLC or the Reorganized Debtors, as applicable, from merging or dissolving any of the Debtors' wholly-owned subsidiaries in accordance with any other provision of the Plan.

4.13 ***IHS Equity Interests (Class 13).***

(a) All IHS Equity Interests shall be deemed canceled as of the Effective Date, and the holder(s) of all IHS Equity Interests shall not receive or retain any property or interest in property on account of such IHS Equity Interests.

(b) On the Effective Date, all IHS Equity Interests shall be extinguished, and the certificates and other documents representing such IHS Equity Interests shall be deemed canceled and of no force and effect.

SECTION 5. MEANS FOR IMPLEMENTATION

5.1 ***Substantive Consolidation of Debtors for Plan Purposes Only.***

Subject to the occurrence of the Effective Date, the Debtors shall be deemed consolidated for the following purposes under the Plan: (a) no distributions shall be made under the Plan on account of intercompany claims among the Debtors; (b) all guarantees by any of the Debtors of the obligations of any other Debtor arising prior to the Effective Date shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the deemed consolidated Debtors; and (c) each and every Claim filed or to be filed in the IHS Reorganization Cases shall be deemed filed against the consolidated Debtors and shall be deemed one Claim against and obligation of the deemed consolidated Debtors.

Such consolidation, however, shall not (other than for purposes related to funding distributions under the Plan and as set forth above in this Section) affect: (a) the legal and organizational structure of the Reorganized Debtors; (b) pre-and post-Commencement Date liens, guarantees and security interests that are required to be maintained (i) in connection with executory contracts or unexpired leases that were entered into during the IHS Reorganization Cases or that have been or will be assumed pursuant to section 365 of the Bankruptcy Code,

(ii) pursuant to the Plan, or (iii) if the Stand-Alone Transactions are implemented, in connection with any financing entered into by the Reorganized Debtors on the Effective Date; and (c) distributions out of any insurance policies or proceeds of such policies. As of the Effective Date, each of the Reorganized Debtors shall be deemed to be properly capitalized, legally separate and distinct entities.

5.2 ***Termination of Subordination Rights.***

The classification and treatment of Claims and Equity Interests under the Plan take into consideration all contractual, legal and equitable subordination and subrogation rights, whether arising under general principles of equitable subordination, section 510(c) of the Bankruptcy Code or otherwise, that any holder of a Claim or Equity Interest may have against any other holder with respect to any distribution to be made pursuant to the Plan. Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, ~~entry of the Confirmation Order,~~ all contractual, legal or equitable subordination or subrogation rights that a creditor or interest holder may have with respect to any distribution to be made pursuant to the Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination or subrogation rights shall be permanently enjoined. Accordingly, except as otherwise provided in the Plan, holders of Allowed Claims shall not be subject to payment to a beneficiary of such terminated subordination or subrogation rights or to levy, garnishment, attachment or other legal process by any such beneficiary on account of such terminated subordination or subrogation rights.

5.3 ***United States Settlement Agreement.***

Subject to the occurrence of the Effective Date, the Debtors are authorized to enter into and perform under the United States Settlement Agreement~~, which the Debtors have negotiated in principle with the United States Department of Justice~~.

5.4 ***Release of Non-Debtor Affiliates.***

As of the Effective Date, any non-Debtor corporate, partnership, and joint venture subsidiaries of the Debtors who are obligors under any of the Senior Lender Agreements, shall be deemed released by IHS and the holders of the Senior Lender Claims from all such obligations, and IHS and the holders of the Senior Lender Claims shall take all reasonable action to confirm such release.

5.5 ***Release of Representatives.***

As of the Effective Date, the respective officers, directors, agents, employees, representatives, financial advisors, professionals, accountants, and attorneys of the Debtors, solely to the extent of their direct and indirect participation in the business and financial affairs of the Debtors, shall be deemed released by the Debtors and the Debtors' estates from any and all Claims against them held by the Debtors or the Debtors' estates solely to the extent such Claims relate to their conduct in their respective capacities as representatives of the Debtors, except ~~for~~

~~such Claims that are covered in any respect by any applicable insurance policies of the Debtors,~~ ~~or~~ as otherwise expressly provided in the Plan or the Confirmation Order.

5.6 ***Limitation on Releases, Indemnification and Exculpation of Directors***

Notwithstanding anything to the contrary in the Plan or the Confirmation Order, no provision of the Plan or the Confirmation Order, including, without limitation, Sections 5.5, 8.4 and 10.7 of the Plan, will **in any way** modify, release, limit or be deemed **in any way** to modify, release or limit, the liability of any officer or director from any claims **or Causes of Action** that are or may be asserted in the Compensation Action**, subject to, and in accordance with, the Order, dated January 24, 2002, authorizing the Creditors' Committee to commence the Compensation Action**.

5.7 ***Cancellation of Existing Securities and Agreements.***

Except for purposes of evidencing a right to distributions under the Plan or as otherwise provided hereunder, on the Effective Date all agreements and other documents evidencing Claims or rights of any holder of a Claim against any of the Debtors, including all indentures and notes evidencing such Claims, shall be canceled and deemed null and void and of no force and effect as against the Debtors**; provided, however, that (a) the Class 9 Indentures shall continue in effect for the purposes of (i) allowing the Class 9 Indenture Trustees to make any distributions on account of the respective Settled Senior Subordinated Debt Claims pursuant to the Plan and to perform such other necessary administrative functions with respect thereto, and (ii) permitting the Class 9 Indenture Trustees to maintain and assert any rights or liens for reasonable fees, costs and expenses under the Class 9 Indentures; and (b) the Class 10 Indenture shall continue in effect for the purpose of allowing the Class 10 Indenture Trustee to retain its charging lien until payment of its fees pursuant to section 4.10(c) of the Plan. Upon termination of the indentures, the indenture trustees shall be released from any further obligation or duty under their respective indentures, except as necessary to effectuate distributions under the Plan**.

5.8 ***Merger and Liquidation of Subsidiaries.***

Except as otherwise set forth herein, prior to or as of the Effective Date, the Debtors may cause any or all of the Debtors to engage in any corporate restructuring transactions deemed reasonably necessary or appropriate to effectuate the implementation of the Plan, including, without limitation, merging, dissolving or transferring assets between or among Debtors.

5.9 ***The Sale Transactions.***

(a) *Authorization to Implement the Sale Transactions*. The Debtors are authorized to implement the transactions set forth in this Section 5.9 unless either (i) the conditions to Closing (as defined in the Sale Agreement) under the Sale Agreement have not been satisfied by July 31, 2003 and the Sale Agreement is terminated or (ii) the Debtors earlier determine that Purchaser will not proceed with a Closing under the Sale Agreement or the Sale

Agreement is otherwise terminated. Upon the occurrence of (i) or (ii) above, the Stand-Alone Transactions set forth in Section 5.10 shall be implemented in lieu of the transactions set forth in this Section 5.9.

(b) *The Sale Agreement; Formation of LTC Subsidiary and Therapy Subsidiary.* Subject to (a) above, the occurrence of the Closing and the occurrence of the Effective Date, IHS is authorized to perform its obligations under the Sale Agreement. The Sale Agreement provides for the formation of the LTC Subsidiary and the Therapy Subsidiary. The Sale Agreement further provides that simultaneously with the Closing, IHS will (i) contribute and assign to the LTC Subsidiary all of its assets and liabilities not described in clause (ii) below, including without limitation the capital stock of all of the Subsidiaries (as defined in the Sale Agreement) that conduct IHS's long-term care business and any and all past, current and future PLGL Claims arising after the Commencement Date, but excluding the Excluded Assets and the Excluded Liabilities (each as defined in the Sale Agreement), and (ii) contribute and assign to the Therapy Subsidiary all of its assets and liabilities that relate to IHS's contract rehabilitation therapy business, including without limitation the capital stock of all of the Subsidiaries that conduct IHS's contract rehabilitation therapy business, but excluding the Excluded Assets and the Excluded Liabilities.

(c) *Formation of the Liquidating LLC.* The Liquidating LLC shall be established in accordance with the terms of the Liquidating LLC Agreement prior to the Effective Date. Upon execution and delivery of the Liquidating LLC Agreement, the Liquidating Manager shall be authorized to take any other steps necessary to complete the organization of the Liquidating LLC and to manage the Liquidating LLC, provided that prior to the Effective Date, the Debtors or the Liquidating Manager, as applicable, are authorized to act as organizers of the Liquidating LLC and take such steps in furtherance thereof as may be reasonably necessary or appropriate to ensure that the Liquidating LLC shall be formed and in existence as of the Effective Date. The Liquidating LLC Agreement shall be substantially in the form contained in the Plan Supplement and shall contain provisions customary for agreements of Delaware limited liability companies utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Liquidating LLC as a partnership for federal income tax purposes.

(d) *Purpose and Operation of the Liquidating LLC.* The principal purpose of the Liquidating LLC shall be to liquidate, collect and maximize the Cash value of the assets of the Debtors remaining after the Sale Agreement is consummated and make distributions in respect of Allowed Claims in accordance with the terms of the Plan. During the term of its existence, the Liquidating LLC shall comply with all of its obligations, including but not limited to obligations arising under the Plan or by operation of law.

(e) *Assets of the Liquidating LLC.* On the Effective Date, the Debtors shall transfer and assign to the Liquidating LLC (i) all assets of the Debtors or their estates which are neither distributed nor abandoned by the Debtors on the Effective Date, including, without limitation, all Cash and Cash proceeds of the Sale Agreement, all Excluded Assets ~~(except for~~**(including** the Claims and Causes of Action ~~arising under or related to~~ **that are or may be asserted in** the Compensation Action) and all Excluded Subsidiaries; and (ii) the Excluded

Liabilities**, subject to their treatment under the Plan**. On the Effective Date, the Liquidating Manager shall establish the Distribution Reserve Account, in which the Liquidating Manager shall deposit (i) all Cash and cash equivalents received from the Debtors on the Effective Date; and (ii) any net realized Cash proceeds received by the Liquidating Manager thereafter from, among other things, the liquidation of non-Cash assets and prosecution of the Debtors' Claims. On the Effective Date, the Liquidating Manager shall establish the Excluded Administrative Expense Claims Reserve, the Disputed Other Priority Claims Account, the Disputed Other Secured Claims Account, the Disputed Priority Tax Claims Account, the Disputed General Unsecured Claims Reserve, the Unclaimed Distribution Reserve and the Expense Reserve Account, and shall transfer funds from the Distribution Reserve Account to such respective Reserves and Accounts as provided in Section 6.2. The Liquidating LLC will hold and administer the following assets: (i) the Excluded Administrative Expense Claims Reserve; (ii) the Disputed Other Priority Claims Account, (iii) the Disputed Other Secured Claims Account, (iv) the Disputed Priority Tax Claims Account, (v) the Unclaimed Distributions Reserve; (vi) the Expense Reserve Account; (vii) the Disputed General Unsecured Claims Reserve; (viii) the 1999 Insured Tort Claims Escrow; (ix) the Distribution Reserve Account; (x) all Debtors' Claims; (xi) the Wind-Up Reserve; and (xii) any other assets of the Debtors that are neither abandoned nor distributed on the Effective Date. ~~If necessary, the Liquidating LLC will also hold and administer the Unclaimed Distributions Reserve.~~

(f) *Selection, Removal and Replacement of the Liquidating Manager.* The Liquidating Manager shall be selected jointly by the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group and appointed pursuant to the Confirmation Order. The identity of the Liquidating Manager shall be disclosed in the Confirmation Order. After the Effective Date, the Liquidating Manager may be removed and/or replaced by a successor in accordance with the terms of the Liquidating LLC Agreement.

(g) *Powers and Duties of the Liquidating Manager.* The Liquidating Manager shall be deemed the representative of the estate under section 1123(b)(3)(B) of the Bankruptcy Code, and shall have all rights associated therewith. Pursuant to the terms of the Liquidating LLC Agreement, the Liquidating Manager shall have all duties, powers, and standing and authority necessary to implement the Plan and to administer and liquidate the assets of the Liquidating LLC for the benefit of holders of Allowed Claims. These powers shall include, without limitation, the following:

(1) Administering the Reserves;

(2) Investing any Cash of the Liquidating LLC;

(3) Selling or otherwise transferring for value any non-Cash assets that are included in the Liquidating LLC;

(4) Filing with the Bankruptcy Court reports and other documents required by the Plan or otherwise required to close the IHS Reorganization Cases;

(5) Preparing and filing tax and informational returns for the Debtors, the Liquidating LLC, the Disputed General Unsecured Claims Reserve and the 1999 Insured Tort Claims Escrow;

(6) Retaining such Professionals as the Liquidating Manager may in his or her discretion deem necessary for the operation and management of the Liquidating LLC, including entering into contingent fee arrangements with respect to the prosecution of Debtors' Claims;

(7) Litigating or settling any Claims or causes of action asserted against the Debtors or the Liquidating LLC and using all commercially reasonable efforts to cooperate with other parties in such litigation;

(8) Prosecuting objections to Claims;

(9) Evaluating, filing, litigating, prosecuting, settling or abandoning Debtors' Claims and/or causes of action of the Liquidating LLC;

(10) Setting off amounts owed to the Debtors or the Liquidating LLC against any amounts otherwise due to be distributed to the holder of an Allowed Claim and holder of Membership Interests;

(11) Abandoning any property of the Debtors or the Liquidating LLC that cannot be sold or otherwise disposed of for value and whose distribution to holders of Allowed Claims would not be feasible or cost-effective in the reasonable judgment of the Liquidating Manager;

(12) Administering the Disputed General Unsecured Claims Reserve and the 1999 Insured Tort Claims Escrow, each of which shall be maintained as a separate, segregated fund. The Liquidating Manager's service as manager of the Liquidating LLC and administrator of the Disputed General Unsecured Claims Reserve and the 1999 Insured Tort Claims Escrow shall be considered as being provided in separate capacities. The Liquidating LLC shall indemnify the Liquidating Manager for its actions as administrator of the Disputed General Unsecured Claims Reserve and the 1999 Insured Tort Claims Escrow to the fullest extent permitted by law;

(13) Making interim and final distributions of Liquidating LLC assets;

(14) Winding up the affairs of the Debtors, the Non-Debtor Affiliates, and the Liquidating LLC and dissolving them under applicable law as appropriate;

(15) Providing for storage and disposal of records;

(16) Incurring such charges, costs, and fees as are necessary to wind down or sell any operating assets of the Liquidating LLC; and

(17) Taking any other actions that the Liquidating Manager, in his or her reasonable discretion, determines to be in the best interest of the Debtors' estates.

(h) *Exculpation and Indemnification of Liquidating Manager.* The Liquidating Manager Agreement shall provide for and govern the exculpation and indemnification of the Liquidating Manager.

(i) *Tax Valuation of Assets.* As soon as possible after the Effective Date, but in no event later than thirty (30) days thereafter, the Liquidating Manager shall determine, in good faith, the value of the assets (other than Cash) transferred to the Liquidating LLC under the Plan. The value determined by the Liquidating Manager shall be conclusive absent manifest error. All parties (including, without limitation, the Debtors, the Liquidating Manager and the holders of Allowed Claims) shall use this valuation for all federal income tax purposes. This valuation shall be made available by the Liquidating Manager upon written request of the parties or their assigns.

(j) *Distributions by the Liquidating Manager.* The Liquidating Manager is authorized to make all distributions required under the Plan in accordance with Section 6.2 of the Plan.

(k) *Wind-Up and Dissolution of Debtors and Non-Debtor Affiliates.* The Liquidating Manager shall be responsible for winding up the affairs any Debtor and any Non-Debtor Affiliate transferred to the Liquidating LLC on or after the Effective Date which is not sold, transferred or otherwise disposed of by the Liquidating Manager, including but not limited to preparing and filing final tax returns, filing dissolution documents pursuant to applicable law, paying any franchise taxes and other fees that are due in connection with such dissolution, and taking any other actions that are necessary to wind up the affairs of the Debtors and such Non-Debtor Affiliates.

(l) *Compensation of Liquidating Manager.* The compensation of the Liquidating Manager shall be as specified in the Liquidating Manager Agreement and shall be paid by the Liquidating LLC. The Liquidating Manager shall also be entitled to reimbursement of his or her reasonable expenses, which expenses shall include the reasonable fees and expenses of attorneys and/or accountants and other Professionals retained by the Liquidating Manager, as more fully described in the Liquidating LLC Agreement. Such compensation and expenses shall be paid solely from the Expense Reserve Account.

(m) *Membership Interests in the Liquidating LLC.* On the Effective Date, **or as soon thereafter as reasonably practicable,** each holder of an Allowed Senior Lender Claim in Class 4 ~~and~~, each holder of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made)**, each holder of an Allowed Premiere Unsecured Claim in Class 7,** and the Disputed General Unsecured Claims Reserve ~~in respect of Disputed General Unsecured Claims in Class 6 (other than a~~**, for the benefit of the holders of the deemed Disputed Claims referred to in Sections 4.2(c) and 4.2(d)(2), and Disputed Claims in Classes 6 (other than a Disputed** General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made) **and 7**, by

operation of the Plan, shall: (i) be admitted to the Liquidating LLC as a member of the Liquidating LLC, (ii) become bound by the Liquidating LLC Agreement, and (iii) receive a Membership Interest in the Liquidating LLC conferring membership in the Liquidating LLC and representing the rights conferred upon such holder by the Plan. No other entity, including the Debtors, shall have any interest, legal, beneficial, or otherwise, in the Liquidating LLC or its assets. The Liquidating Manager shall maintain a registry of the membership interests in the Liquidating LLC.

(n) *Non-Transferability of Membership Interests in the Liquidating LLC.* Except as otherwise provided in the Liquidating LLC Agreement, Membership Interests will be non-transferable.

(o) *Termination of the Liquidating LLC; Discharge of the Liquidating Manager.* In accordance with Section 6.2 of the Plan, as soon as practicable after the Final Liquidating LLC Distribution Date, the Liquidating Manager shall wind up the affairs of the Liquidating LLC, file final tax returns, arrange for storage of its records and dissolve it pursuant to applicable law. As soon as practicable thereafter, the Liquidating Manager shall file with the Bankruptcy Court a final report of distributions and perform such other duties as are specified in the Plan, whereupon the Liquidating Manager shall have no further duties under the Plan.

5.10 ***The Stand-Alone Transactions.***

(a) *Authorization to Implement the Stand-Alone Transactions.* If the Sale Transactions are not implemented, the Debtors are authorized to implement the transactions set forth in this Section 5.10 on and subject to the occurrence of the Effective Date.

(b) *Exit Financing Facility.* The Debtors are authorized to enter into the Exit Financing Facility for purposes of funding obligations under the Plan and providing for the working capital and capital expenditure needs of the Reorganized Debtors.

~~(c) Security Interests. The Debtors currently own a number of healthcare facilities and other real and personal property which are encumbered by mortgages or other security interests. If the Stand-Alone Transactions are implemented, then, with the exception of certain facilities being transferred pursuant to Section 4.3 hereof, the Debtors will continue to operate their mortgaged facilities after the Effective Date, and the underlying mortgages will be modified or reinstated.~~

~~(d)~~ *Authorization of Plan Securities.* The Reorganized Debtors are authorized to issue the Plan Securities without the need for further corporate action.

~~(e)~~**(d)** *New Subordinated Note Indenture.* The **Reorganized** Debtors are authorized to enter into the New Subordinated Note Indenture and issue New Subordinated Notes to the holders of Allowed Senior Lender Claims ~~and~~, Allowed General Unsecured Claims in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made~~)~~**, if made effective pursuant to Section 4.6(c) of the Plan), and Allowed**

Premiere Unsecured Claims in Class 7 as provided in the Plan in an aggregate principal amount of up to $40,000,000.00.

~~(f)~~**(e)** *Registration Rights Agreement.* On the Effective Date, Reorganized IHS shall execute and deliver a Registration Rights Agreement substantially in the form set forth in the Plan Supplement obligating Reorganized IHS under certain circumstances to register the New Common Stock under the Securities Act of 1933, as amended, all as more fully set forth in the Registration Rights Agreement.

~~(g)~~**(f)** *Board of Directors.* The initial board of directors of Reorganized IHS shall consist of up to nine (9) members whose names, qualifications and compensation shall be disclosed at or prior to the Confirmation Hearing. A majority of the members of the board of directors of Reorganized IHS will be selected by the holders of the Senior Lender Claims. After the Effective Date, the holders of the New Common Stock will elect members of the board of directors of Reorganized IHS in accordance with the Amended Certificate of Incorporation and Amended Bylaws and applicable nonbankruptcy law.

~~(h)~~**(g)** *Corporate Action.* Reorganized IHS shall file the Amended Certificate of Incorporation with the Secretary of State of the State of Delaware on the Effective Date, and each of the Debtors that is a corporation shall file its respective amended certificate of incorporation with the Secretary of State of the applicable jurisdiction on the Effective Date. The Amended Certificate of Incorporation and the amended certificates of incorporation for each of the Reorganized Debtors that are corporations shall prohibit the issuance of nonvoting equity securities, subject to further amendment of such certificates of incorporation as permitted by applicable law. The Amended Bylaws shall be deemed adopted by the board of directors of Reorganized IHS as of the Effective Date. All partnership and limited liability company agreements to which any of the Debtors are parties shall be treated in accordance with Section 8 hereof. The Amended Certificate of Incorporation shall, inter alia, authorize the cancellation of all IHS Equity Interests and authorize the issuance of up to 50,000,000 shares of New Common Stock, of which 2,500,000 shares shall be issued to holders of Allowed Claims in Classes 4, **6** and ~~6~~ 7 pursuant to the Plan.

The adoption of the Amended Certificate of Incorporation and the Amended Bylaws shall be authorized and approved in all respects to be effective as of the Effective Date, in each case without further action under applicable law, regulation, order or rule, including, without limitation, any action by the shareholders of Reorganized IHS. On the Effective Date, the cancellation of all IHS Equity Interests, the authorization and issuance of the New Common Stock and all other matters provided in the Plan involving the corporate structure of the Reorganized Debtors or corporate action by any of the Reorganized Debtors shall be deemed to have occurred, be authorized, and shall be in effect from and after the Effective Date without requiring further action under applicable law, regulation, order or rule, including, without limitation, any action by the stockholders or directors of any of the Debtors or any of the Reorganized Debtors.

5.11 ***Termination of Security Interests Granted Under DIP Credit Facility.***

Upon the payment or satisfaction in full of all DIP Credit Facility Claims (a) all liens and security interests granted to secure such obligations shall be deemed terminated and shall be of no further force and (b) the lenders under the DIP Credit Facility shall**, at the Debtors' expense,** take all reasonable action necessary to confirm the removal of any claims and liens on the properties of the Debtors securing the DIP Credit Facility.

SECTION 6. DISTRIBUTION PROCEDURES

6.1 *General Provisions.*

(a) *Distribution Record Date.* As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Equity Interests as maintained by the Debtors or their representatives shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Equity Interests. The Debtors and the Liquidating LLC or the Reorganized Debtors, as applicable, shall have no obligation to recognize any transfer of any Claims or Equity Interests occurring on or after the Distribution Record Date. The Debtors, the Liquidating LLC or the Reorganized Debtors, as applicable, shall be entitled to recognize and deal for all purposes hereunder only with those record holders stated on the transfer ledgers as of the close of business on the Distribution Record Date, to the extent applicable.

(b) *Date of Distributions.* Any distributions or payments to be made pursuant to the Plan shall be deemed to be timely made if made within thirty (30) days after the dates specified in the Plan. In the event that any payment or act under the Plan is required to be made, or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

(c) *Disbursing Agent.* If the Sale Transactions are implemented, all distributions under the Plan (other than distributions described in the next sentences) shall be made by the Liquidating LLC, as Disbursing Agent, or such other entity designated by the Liquidating LLC as a Disbursing Agent on or after the Effective Date. If the Stand-Alone Transactions are implemented, all distributions under the Plan (other than distributions described in the next sentences) shall be made by Reorganized IHS, as Disbursing Agent, or such other entity designated by Reorganized IHS as a Disbursing Agent on or after the Effective Date. Citibank, N.A., as administrative agent under the Credit Agreement and/or such other entity as it may reasonably designate, shall be the Disbursing Agent for the holders of Claims in Class 4. Citicorp USA, Inc., as administrative agent under the Participation Agreement, and/or such other entity as it may reasonably designate, shall be the Disbursing Agent for the holders of Claims in Class 2. U.S. Bank, N.A., shall be the Disbursing Agent for holders of Claims in Class ~~8~~ **9**. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Liquidating LLC or Reorganized IHS, as applicable.

(d) *Rights and Powers of Disbursing Agent.*

(1) *Powers of the Disbursing Agent.* The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (ii) make all distributions contemplated hereby, (iii) employ Professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

(2) *Expenses Incurred on or After the Effective Date.* Except as otherwise stated herein or ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by any Disbursing Agent on or after the Effective Date (including, without limitation, reasonable attorney's fees and expenses) shall be paid out of the distribution to the Class for which the Disbursing Agent's services were rendered and/or expenses were incurred.

(e) *Surrender of Instruments.* From and after the Effective Date, except as provided otherwise herein, each certificated instrument or note which represents a Claim or Equity Interest against any of the Debtors shall be deemed to be null and void and of no force and effect. Except as Reorganized IHS may otherwise agree, as a condition to receiving any distribution under the Plan, each holder of a certificated instrument or note (other than a holder of an Allowed Senior Lender Claim) must surrender such instrument or note held by it to the Disbursing Agent or its designee. Any holder of such instrument or note that fails to (a) surrender such instrument or note, or (b) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent and furnish a bond in form, substance, and amount reasonably satisfactory to the Disbursing Agent before the first anniversary of the Effective Date shall be deemed to have forfeited all rights and Claims and may not participate in any distribution under the Plan of Reorganization. Any distribution so forfeited shall become property of the Liquidating LLC or Reorganized IHS, as applicable.

(f) *Delivery of Distributions.* Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim, except the holders of Claims in Classes 2, 4 and ~~8~~ 9, shall be made at the address of such holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their agents or in a letter of transmittal, unless the Debtors, the Liquidating LLC or the Reorganized Debtors, as applicable, have been notified in writing of a change of address, including, without limitation, by the filing of a proof of claim by such holder that contains an address for such holder different from the address reflected on such Schedules for such holder. Any distributions to Citibank, N.A., as administrative agent under the Credit Agreement, shall be deemed a distribution to the holders of Senior Lender Claims. Any distributions to Citicorp USA, Inc., as agent under the Participation Agreement, shall be deemed a distribution to the holders of Secured Synthetic Lease Claims. In the event that any distribution to any holder is returned as undeliverable, the Disbursing Agent shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such distribution shall be made to such holder without interest or accruals of any kind; provided, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one year from the Effective Date. After such date, all unclaimed property or interest in property shall revert to the

Liquidating LLC or Reorganized IHS, as applicable, and the Claim of any holder to such property or interest in property shall be discharged and forever barred.

(g) *Manner of Payment Under Plan of Reorganization.*

(1) All distributions of Cash, New Common Stock, Membership Interests and New Subordinated Notes, if any, to the creditors of each of the Debtors under the Plan of Reorganization shall be made by, or on behalf of, the applicable Debtor.

(2) At the option of the Debtors, any Cash payment to be made hereunder may be made by a check or wire transfer.

(h) *Fractional Shares.*

If the Stand-Alone Transactions are implemented, no fractional shares of New Common Stock shall be distributed. For purposes of distribution, fractional shares of New Common Stock shall be rounded up to the next whole number.

(i) *Setoffs.*

The **Reorganized** Debtors ~~and~~ **or** the Liquidating LLC**, as applicable** may, but shall not be required to, set off against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), any claims of any nature whatsoever that the Debtors may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the **Reorganized** Debtors or the Liquidating LLC of any such claim the Debtors may have against the holder of such Claim.

(j) *Compliance With Tax Requirements.*

To the extent applicable, the Liquidating LLC or the Reorganized Debtors, as applicable, shall comply with all tax withholding and reporting requirements imposed on them or on the Disputed General Unsecured Claims Reserve or on the 1999 Insured Tort Claims Escrow by any governmental unit (including with respect to the Disputed Claims Reserve), and all distributions pursuant to the Plan of Reorganization shall be subject to such withholding and reporting requirements.

(k) *Allocation of Plan Distributions Between Principal and Interest.*

To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall be allocated to the principal amount (as determined for federal income tax purposes) of the Claim first, and then to accrued but unpaid interest.

6.2 ***Distribution Procedures in the Event the Sale Transactions are Implemented.***

The following procedures for making distributions under the Plan shall only be applicable in the event that the Sale Transactions are implemented.

(a) *Expense Reserve Account for Operation of the Liquidating LLC*

(1) On the Effective Date, or as soon as reasonably practicable thereafter, the Liquidating Manager shall deposit in the Expense Reserve Account sufficient funds from the Distribution Reserve Account to pay all accrued and projected expenses and costs (including, without limitation, the Wind-Up Reserve) of the Liquidating LLC to be incurred through the Final Liquidating LLC Distribution Date.

(2) Subject to the terms of the Liquidating LLC Agreement, the Liquidating Manager may, from time to time, transfer Cash from the Expense Reserve Account to the Distribution Reserve Account for interim distributions to creditors to the extent that the amount of Cash held in the Expense Reserve Account exceeds the amount that the Liquidating Manager determines, from time to time, should be retained for purposes of paying the fees and expenses of the Liquidating LLC.

(b) *Excluded Administrative Expense Claims*

(1) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall:

(A) pay in full all Excluded Administrative Expense Claims which have become Allowed as of the Effective Date; and

(B) deposit in the Excluded Administrative Expense Claims Reserve sufficient funds from the Distribution Reserve Account to pay all Disputed Excluded Administrative Expense Claims in full.

(2) Each Disputed Excluded Administrative Expense Claim shall be paid from the Excluded Administrative Expense Claims Reserve on the first Business Day after the date that is thirty (30) calendar days after the date such Disputed Excluded Administrative Expense Claim becomes an Allowed Excluded Administrative Expense Claim, or as soon thereafter as is reasonably practicable.

(3) If the Excluded Administrative Expense Claims Reserve has insufficient funds to satisfy the aggregate amount of Allowed Excluded Administrative Expense Claims, the Liquidating Manager shall satisfy the excess Allowed Excluded Administrative Expense Claims from the Distribution Reserve Account. If excess funds remain in the Excluded Administrative Expense Claims Reserve after all such Allowed Excluded Administrative

Expense Claims have been paid, disallowed or withdrawn, such excess funds shall be transferred to the Distribution Reserve Account.

(c) *Priority Tax Claims.*

(1) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall

(A) pay in full all Priority Tax Claims which have become Allowed as of the Effective Date; and

(B) transfer to the Disputed Priority Tax Claims Account sufficient funds from the Distribution Reserve Account to pay all Disputed Priority Tax Claims in full.

(2) Each Disputed Priority Tax Claim shall be paid from the Disputed Priority Tax Claims Account on the first Business Day after the date that is thirty (30) calendar days after the date such Disputed Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is reasonably practicable.

(3) When all Disputed Priority Tax Claims have been either Allowed and paid, disallowed, or withdrawn, the Liquidating Manager shall transfer to the Distribution Reserve Account any Remaining Funds from the Disputed Priority Tax Claims Account.

(d) *Other Priority Claims.*

(1) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall

(A) pay in full all Other Priority Claims which have become Allowed as of the Effective Date; and

(B) transfer to the Disputed Other Priority Claims Account sufficient funds from the Distribution Reserve Account to pay all Disputed Other Priority Claims in full.

(2) Each Disputed Other Priority Claim shall be paid from the Disputed Other Priority Claims Account on the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Disputed Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is reasonably practicable.

(3) When all Disputed Other Priority Claims have been either Allowed and paid, disallowed, or withdrawn, the Liquidating Manager shall transfer to the Distribution Reserve Account any Remaining Funds from the Disputed Other Priority Claims Account.

(e) *Secured Synthetic Lease Claims.*

(1) On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall **deliver the Restructured Headquarters Note and** pay ~~to Citicorp USA, Inc., as Disbursing Agent,~~ all amounts payable pursuant to Section ~~4.2(c)(1) hereof.~~ **4.2(d)(1) hereof, to Citicorp USA, Inc., as Disbursing Agent.**

(2) The Liquidating LLC shall sell the Headquarters Property as provided in Section ~~4.2(c)(2)~~ **4.2(d)(2)** hereof, and make all payments as provided therein. The Liquidating Manager shall deposit any proceeds from such sale which are in excess of the amounts required to be paid pursuant to Section ~~4.2(c)(2)~~ **4.2(d)(2)** into the Distribution Reserve Account.

(f) *Other Secured Claims*

(1) On the Effective Date, or as soon thereafter as is reasonably practicable, with respect to each Other Secured Claim (other than those for which the Debtors' obligations are being assumed by the Purchaser), the Liquidating Manager shall

(A) pay in full from the Distribution Reserve Account all Allowed Other Secured Claims or provide for such other treatment as may have otherwise been agreed upon by such holder and the Debtors or the Liquidating Manager, as the case may be; and

(B) transfer to the Disputed Other Secured Claims Account sufficient funds from the Distribution Reserve Account to pay all Other Secured Claims that are Disputed Claims in full if and to the extent they are Allowed.

(2) If and to the extent an Other Secured Claim that is a Disputed Claim becomes an Allowed Other Secured Claim, the Liquidating Manager shall pay such Claim in Cash in an amount equal to the Allowed Amount of such Claim from the Disputed Other Secured Claims Account on the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Other Secured Claim that is a Disputed Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is reasonably practicable.

(3) When all Other Secured Claims that are Disputed Claims have been either Allowed and paid or satisfied, disallowed, or withdrawn, the Liquidating Manager shall transfer to the Distribution Reserve Account any Remaining Funds from the Disputed Other Secured Claims Account.

(g) *Senior Lender Claims.*

On the Effective Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall deliver to Citibank, N.A., as Disbursing Agent, or its designee, the Class 4 Cash Fund. In addition, each holder of an Allowed Senior Lender Claim shall be entitled

to a Class 4 Membership Interest and all distributions as provided in Section 4.4(c)(2) above pursuant to which it shall be entitled to receive its Class 4 Pro Rata Share of all distributions made pursuant to Sections ~~6.2(k)~~ **6.2(m), 6.2(n)** and ~~6.2(l)~~ **6.2(p)** below, taking into account an appropriate amount for any potential Allowed Senior Lender Claim arising in favor of holders of Class 2 ~~-B-~~Notes and Class 2 Certificates as described in ~~Section 4.2(c)(ii)~~ **Sections 4.2(c) and 4.2(d)(ii)**.

(h) *General Unsecured Claims.*

~~(1) Allowed General Unsecured Claims.~~ On the Effective Date, or as soon thereafter as is reasonably practicable, each holder of an Allowed General Unsecured Claim which has not made the Class 6 Cash-Out Election shall be entitled to a Class 6 Membership Interest as provided in Section 4.6(a)(1) above, pursuant to which it shall be entitled to receive its Class 6 Pro Rata Share of all distributions made pursuant to Sections ~~6.2(k)~~ **6.2(m), 6.2(n)** and ~~6.2(l)~~ **6.2(p)** below, taking into account an appropriate amount for any potential Allowed Senior Lender Claim arising in favor of holders of Class 2-B Notes and Class 2 Certificates as described in ~~Section 4.2(c)(ii).~~ **Sections 4.2(c) and 4.2(d)(ii).**

~~(2)~~**(i)** ***Premiere Unsecured Claims.***

In the circumstances set forth in Section 4.7(a) hereof, on the Effective Date, or as soon thereafter as is reasonably practicable, each holder of an Allowed Premiere Unsecured Claim shall be entitled to a Class 7 Membership Interest representing the right to receive its Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors.

(j) *Disputed General Unsecured Claims Reserve.* The Liquidating Manager shall set aside, segregate and hold on account of (A) ~~holders of~~ **any** Disputed General Unsecured Claims in Class 6~~(other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made)~~, any Class 6 Membership Interests and any Cash **that may be** distributable if such Disputed Claims become Allowed General Unsecured Claims in Class 6 ~~and;~~ (B) any Disputed Claims referred to in ~~Section~~ **Sections** 4.2(c) and **4.2(d)(2), any** Class 4 Membership Interests and any Cash **that may be** distributable if such Claims become Allowed Senior Lender Claims in Class 4**; and (C) any Disputed Premiere Unsecured Claims in Class 7, any Class 7 Membership Interests and any Cash that may be distributable if such Disputed Claims become Allowed General Unsecured Claims in Class 7**. The amount of such funds and ~~Class 6~~ Membership Interests to be deposited in the Disputed General Unsecured Claims Reserve **referred to in Clauses (A) and (C) above** shall be determined by the Bankruptcy Court upon a motion of the Debtors or upon a motion of the Liquidating Manager, in accordance with Section 7.4 hereof.

~~(i)~~**(k)** *1999 Insured Tort Claims.*

(1) On the Effective Date, the Liquidating Manager shall deposit the sum of 3% of the 1999 Unpaid Deductible Amount into the 1999 Insured Tort Claims Escrow. From the Effective Date until the Final Class ~~7~~ **8** Distribution Date, the Debtors' insurance

carriers shall pay to the Liquidating Manager all insurance proceeds which become due and owing in respect of 1999 Insured Tort Claims, and the Liquidating Manager shall deposit all such amounts into the 1999 Insured Tort Claims Escrow.

(2) On the Initial Class ~~7~~ **8** Distribution Date, or as soon thereafter as is reasonably practicable, the Liquidating Manager shall make an Initial Class ~~7~~ **8** Distribution to each holder of an Allowed 1999 Insured Tort Claim on the Initial Class ~~7~~ **8** Distribution Date, in an amount equal to 50% of the Allowed amount of such 1999 Insured Tort Claim.

(3) After the Initial Class ~~7~~ **8** Distribution Date but prior to the Final Class ~~7~~ **8** Distribution Date, the Liquidating Manager:

(A) shall distribute a Catch-Up Distribution of Cash from the 1999 Insured Tort Claims Escrow to each holder of a Disputed 1999 Insured Tort Claim which becomes an Allowed 1999 Insured Tort Claim after the Initial Class ~~7~~ **8** Distribution Date, within thirty (30) days of such allowance, such that the holder of such Claim receives the same amount of Cash that such holder would have received had its Claim been an Allowed 1999 Insured Tort Claim in such amount as of the Initial Class ~~7~~ **8** Distribution Date; and

(B) may make additional distributions from from the 1999 Insured Tort Claims Escrow to each holder of an Allowed 1999 Insured Tort Claim, as additional funds become available, and as the Liquidating Manager deems reasonably necessary and appropriate.

(4) On the Final Class ~~7~~ **8** Distribution Date, the Liquidating Manager shall distribute Cash to each holder of Allowed 1999 Insured Tort Claims from the 1999 Insured Tort Claims Escrow, such that the total distribution of Cash received by each holder of an Allowed 1999 Insured Tort Claim under the Plan equals its Pro Rata Share of the sum of 3% of the 1999 Unpaid Deductible Amount plus the Available 1999 Insurance Proceeds, not to exceed 100% of such Allowed 1999 Insured Tort Claim. Any funds remaining in the 1999 Insured Tort Claims Escrow shall be transferred to the Distribution Reserve Account.

~~(j)~~**(l)** *The Unclaimed Distributions Reserve.* Unclaimed Distributions to holders of Claims shall be held by the Liquidating Manager in the Unclaimed Distributions Reserve. If the creditor to whom an Unclaimed Distribution was payable makes a claim for such distribution within the earlier of six (6) months after such Unclaimed Distribution was made and the Final Liquidating LLC Distribution Date, the Liquidating Manager shall deliver such Unclaimed Distribution to such creditor upon proof of such creditor's entitlement thereto, without any interest with respect thereto. Unclaimed Distributions that remain unclaimed at the expiration of such period shall be ~~redistributed to other creditors in the same Class in accordance with the Plan, and the creditors originally entitled to receive such Unclaimed Distributions shall have no further right thereto.~~ **transferred and deposited into the Distribution Reserve Account.**

~~(k)~~**(m)** *Initial and Interim Member Distributions.*

Pursuant to the provisions set forth in this Section, the Liquidating Manager shall provide for the payment of a Pro Rata Share of available funds to each holder of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made) ~~and~~, each holder of an Allowed Senior Lender Claim **and each holder of an Allowed Premiere Unsecured Claim**.

(1) *Initial Distributions.* On the Initial Member Distribution Date, the Liquidating Manager shall pay from the Distribution Reserve Account (including, but not limited to, the amount of Cash that would otherwise be distributed to the holders of Subordinated Debt Claims):

(A) first, to each holder of an Allowed General Unsecured Claim **in Class 6** which made the Class 6 Cash-Out Election, Cash equal to the lesser of (i) 3% of such Allowed General Unsecured Claim and (ii) $3,000.00; and then

(B) **second,** (i) to the Disbursing Agent for Class 4, Cash equal to the aggregate of all funds in the Distribution Reserve Account allocable to the holders of Class 4 Membership Interests, taking into account an appropriate **reserve** amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c)~~;~~ **and** 4.2(d)(2) ~~and 4.2(e)(2)~~**; (ii)** to each holder of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made), Cash equal to such holder's Class 6 Pro Rata Share of all funds in the Distribution Reserve Account**; and (iii) to each holder of an Allowed Premiere Unsecured Claim in Class 7, Cash equal to such holder's Class 7 Pro Rata Share of all funds in the Distribution Reserve Account (but not in excess of such holder's Class 7 Pro Rata Share of the net residual value of the assets of the Premiere Debtors)**.

(2) *Interim Distributions.* After the Initial Member Distribution Date but prior to the Final Liquidating LLC Distribution Date, the Liquidating Manager:

(A) shall distribute from the Disputed General Unsecured Claims Reserve~~;~~ a Catch-Up Distribution to each holder of a Disputed ~~General Unsecured~~ Claim in Class 4 ~~and~~, Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made)**, or Class 7,** which becomes an Allowed ~~General Unsecured~~ Claim in Class ~~6~~ **4, Class 6 or Class 7** after the Initial Member Distribution Date, within thirty (30) days after such allowance, such that the holder of such Allowed Senior Lender Claim ~~or~~, Allowed General **Unsecured Claim in Class 6 or Allowed Premiere** Unsecured Claim receives the same consideration that such holder would have received had its Claim been an Allowed Senior Lender Claim in Class 4 ~~or~~**, an** Allowed General Unsecured Claim in Class 6 **or an Allowed Premiere Unsecured Claim in Class 7**, respectively, in such Allowed amount on the Effective Date, taking

into account an appropriate **reserve** amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c)~~;~~ **and** 4.2(d)(2)**;** and ~~4.2(e)(2); and~~

(B) may make additional Class 4 Pro Rata Share Distributions ~~and~~**,** Class 6 Pro Rata Share Distributions **and Class 7 Pro Rata Share Distributions** from the Distribution Reserve Account to the Disbursing Agent for Class 4 and to the individual holders of Class 6 Membership Interests **and Class 7 Membership Interests to the individual holders of Class 7 Membership Interests (but not in excess of each such holder's Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors)**, as the case may be, as additional funds become available, and as the Liquidating Manager reasonably deems necessary and appropriate, taking into account an appropriate **reserve** amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c)~~;~~ **and** 4.2(d)(2) ~~and 4.2(e)(2).~~**.**

~~(l)~~**(n)** *Final Liquidating LLC Distribution Date*. The Final Liquidating LLC Distribution Date shall occur as soon as reasonably practicable after: (i) in the reasonable judgment of the Liquidating Manager, all assets of the Liquidating LLC have been liquidated; (ii) there remain no Disputed Claims; and (iii) the Liquidating Manager is in a position to cause the Final Liquidating LLC Distribution Date to occur in accordance with applicable law, provided, however, that unless the terms of the Liquidating LLC Agreement provide otherwise, the Final Liquidating LLC Distribution Date shall occur no later than five (5) years after the Effective Date. The Liquidating Manager shall provide at least thirty (30) days prior notice of the Final Liquidating LLC Distribution Date to the holders of all Claims, except to the extent such Claims have been disallowed, withdrawn or paid or satisfied in full as of the time such notice is provided.

(1) *Final Liquidating LLC Distributions*. On ~~or prior to~~ the Final Liquidating LLC Distribution Date, the Liquidating Manager shall

(A) establish the Wind-Up Reserve with funds from the Expense Reserve Account;

(B) transfer the Expense Reserve Account Residual to the Distribution Reserve Account;

(C) transfer to the extent not already transferred all Remaining Funds to the Distribution Reserve Account;

(D) pay from the Distribution Reserve Account

(i) to the Disbursing Agent for Class 4, Cash equal to the aggregate Class 4 Pro Rata Share of all funds in the Distribution Reserve Account allocable to the holders of Class 4 Membership Interests; and

(ii) to each holder of a Class 6 Membership Interest, Cash equal to such holder's Class 6 Pro Rata Share of all funds in the Distribution Reserve Account ~~; and~~ **allocable to such holder's Class 6 Membership Interest; and**

(iii) to each holder of a Class 7 Membership Interest, Cash equal to such holder's Class 7 Pro Rata Share of all funds in the Distribution Reserve Account allocable to such holder's Class 7 Membership Interest (but not in excess of such holder's Class 7 Pro Rata Share of the residual value of the assets of the Premiere Debtors).

(E) promptly thereafter, request the Bankruptcy Court to enter an order closing the IHS Reorganization Cases.

(2) *Remaining Funds.* If funds remain in the Wind-Up Reserve, the Unclaimed Distributions Reserve or the Distribution Reserve Account after the Liquidating Manager has performed all of its responsibilities under the Plan, such ~~Remaining Funds~~ **remaining funds** shall be paid or distributed as determined in accordance with the Liquidating LLC Agreement. The Liquidating Manager shall be entitled to deduct from any such supplemental distribution its fees and expenses for making such supplemental distribution.

~~(m)~~**(o)** *Reports of Distributions by the Liquidating LLC.*

Every one hundred twenty (120) days after the Effective Date, the Liquidating Manager shall provide to the Post-Confirmation Committee a report detailing the calculation of Cash for the immediately preceding 120-day period (including a summary of costs incurred, any receipts of the Liquidating LLC, and a summary of disbursements from, or increases in the amount of, any Reserve). A copy of such report shall be furnished to any holder of a Membership Interest in the Liquidating LLC that delivers to the Liquidating Manager a written request for a copy of such report.

(p) *Subordinated Debt Claim Exclusion.*

Notwithstanding anything in the Plan to the contrary, the net proceeds of the Compensation Action shall be distributed by the Liquidating Manager to the holders of Allowed Claims in Classes 4 and 6 (other than holders of Claims in Class 6 which made the Class 6 Cash-Out Election), in accordance with Section 4.4(c)(3) of the Plan.

6.3 ***Distribution Procedures for Classes 4, 6 and 6 7 under the Stand-Alone Transactions.***

(a) *Initial Distribution; Reserve for Disputed Claims* If the Stand-Alone Transactions are implemented, then **(i)** on the ~~(i)~~ Effective Date or as soon thereafter as is reasonably practicable, the Reorganized Debtors shall deliver to Citibank, N.A., as Disbursing Agent, or its designee, the Class 4 Cash Fund; and (ii) on the Initial Stand-Alone Distribution

Date, the Reorganized Debtors shall distribute to each holder of an Allowed Senior Lender Claim in Class 4 ~~and,~~ each holder of an Allowed General Unsecured Claim in Class 6 **and each holder of an Allowed Premiere Unsecured Claim in Class 7** the consideration provided for in Sections 4.4(c)(4) ~~and,~~ 4.6(b) **and 4.7** hereof, calculated by (A) treating all Disputed General Unsecured Claims in Class 6 **(other than those in respect of which the Class 6 Cash-Out Election has been made, if made effective pursuant to Section 4.6(c) of the Plan),** as though they will become Allowed General Unsecured Claims in Class 6 in the amounts asserted, or otherwise as estimated or reserved for by the Bankruptcy Court, as applicable; ~~and~~(B) taking into account an appropriate reserve amount for any potential Allowed Senior Lender Claim arising under Sections 4.2(c)~~, 4.2(d)(2) and 4.2(e)(2)~~ **and 4.2(e)(2); and (C) treating all Disputed Premiere Unsecured Claims in Class 7 as though they will become Allowed Premiere Unsecured Claims in Class 7 in the amounts asserted, or otherwise as estimated or reserved for by the Bankruptcy Court, as applicable**. The balance of the New Common Stock and the New Subordinated Notes shall be transferred to the Disputed General Unsecured Claims Reserve.

(b) *Interim Distributions*. After the Initial Stand-Alone Distribution Date but prior to the Final Stand-Alone Distribution Date, the Reorganized Debtors shall distribute from the Disputed General Unsecured Claims Reserve (in accordance with Section 7 of the Plan) the consideration provided for in Sections 4.4(c)(4) ~~and,~~ 4.6(b) **and 4.7** hereof (including any dividends or accrued interest with respect thereto, net of their proportionate share of any taxes or expenses incurred by the Disputed General Unsecured Claims Reserve with respect thereto), to each holder of a Disputed Claim in Class 4 ~~and Class 6~~**, Class 6 (other than a General Unsecured Claim in respect of which the Class 6 Cash-Out Election has been made, if made effective pursuant to section 4.6(c) of the Plan) and Class 7** which becomes an Allowed Claim in such Class after the Effective Date within thirty (30) days after such allowance, such that the holder of such Claim receives the same amount of consideration that such holder would have received had its Claim been an Allowed Claim in Class 4 ~~or,~~ Class 6 **or Class 7**, as applicable, in such Allowed amount as of the Initial Stand-Alone Distribution Date.

(c) *Final Distributions*. If necessary, on the Final Stand-Alone Distribution Date, the Reorganized Debtors shall distribute from the Disputed General Unsecured Claims Reserve:

(1) to the Disbursing Agent for Class 4, New Common Stock, New Subordinated Notes and Cash, if any, equal to the aggregate Class 4 Pro Rata Share of all remaining consideration required to be distributed under the Plan but not yet distributed~~; and~~

(2) to each holder of an Allowed General Unsecured Claim in Class 6 (other than a General Unsecured Claim in respect of which a Class 6 Cash-Out Election has been made~~)~~**, if made effective pursuant to section 4.6(c) of the Plan)**, New Common Stock, New Subordinated Notes and Cash, if any, equal to such holder's Class 6 Pro Rata Share of all remaining consideration required to be distributed under the Plan but not yet distributed**; and**

(3) to each holder of an Allowed Premiere Unsecured Claim in Class 7, New Common Stock, New Subordinated Notes and Cash, if any, equal to such

holder's Class 7 Pro Rata Share of all remaining consideration required to be distributed under the Plan but not yet distributed.

(d) In the event that**, at any time,** any proceeds are realized in the Compensation Action, as soon thereafter as is practicable, but in no event later than 45 days after receipt of such proceeds, the Reorganized Debtors shall distribute to each holder of an Allowed Senior Lender Claim in Class 4 and each holder of an Allowed General Unsecured Claim in Class 6~~, who has not made a~~ **(other than those which have made the** Class 6 Cash-Out Election, ~~a~~ **if made effective pursuant to section 4.6(c) of the Plan), its approriate** portion of the proceeds in accordance with Sections ~~4.4(c)4(C)~~ **4.4(c)(4)(C)** and 4.6(b)(3), respectively.

SECTION 7. PROCEDURES FOR DISPUTED CLAIMS

7.1 *Objections to Claims.*

The Liquidating LLC or the Reorganized Debtors, as applicable, shall be entitled to object to any and all Claims. Any objections to Claims shall be served and filed on or before the later of (i) one hundred twenty (120) days after the Effective Date and (ii) such later date as may be fixed by the Bankruptcy Court. All objections shall be litigated to Final Order or compromised and settled or otherwise resolved, subject to approval of the Bankruptcy Court.

7.2 *Payments and Distributions with Respect to Disputed Claims*

(a) *General.* Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim. Any claim subject to a pending objection on or prior to the Initial Member Distribution Date, the Initial Stand-Alone Distribution Date, or the Initial Class ~~7~~ **8** Distribution Date (as applicable) shall be deemed to be a Disputed Claim.

(b) *Disputed Claims Reserves and Accounts Under the Sale Transactions.* If the Sale Transactions are implemented, all distributions with respect to (A) Disputed Excluded Administrative Claims shall be deposited in the Excluded Administrative Expense Claims Reserve, (B) Disputed General Unsecured Claims shall be deposited in the Disputed General Unsecured Claims Reserve and (C) other Disputed Claims shall be accounted for by entry on the books of the Liquidating LLC in the Disputed Claims account applicable to such Disputed Claim. All cash and cash equivalents held by the Disputed General Unsecured Claims Reserve and earnings of the Disputed General Unsecured Claims Reserve thereon shall be used to satisfy any expenses incurred in connection with the maintenance of the Disputed General Unsecured Claims Reserve, including taxes payable on interest income.

(c) *Tax Treatment of Disputed General Unsecured Claims Reserve.* Subject to definitive guidance from the Internal Revenue Service (the "IRS") or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the Disbursing Agent of a private letter ruling if the Disbursing Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing

Agent), the Disbursing Agent shall (i) treat the Disputed General Unsecured Claims Reserve as a discrete trust for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed Claim, in accordance with the trust provisions of the Tax Code (sections 641 et seq.), and (ii) to the extent permitted by applicable law, report consistently for state and local income tax purposes. In addition, pursuant to the Plan, all parties (including holders of Disputed Claims) shall report consistently with such treatment.

(d) *Tort Claims.* All Tort Claims shall be deemed Disputed Claims unless and until they are liquidated. Any Tort Claim which has not been liquidated prior to the Effective Date and as to which a proof of claim was timely filed in the IHS Reorganization Cases shall be determined and liquidated in the administrative or judicial tribunal in which it is pending on the Effective Date or in any administrative or judicial tribunal of appropriate jurisdiction, or in accordance with any alternative dispute resolution or similar proceeding as may be approved by order of a court of competent jurisdiction. Any Tort Claim determined and liquidated (i) pursuant to a judgment obtained in accordance with this Section and applicable nonbankruptcy law which is no longer appealable or subject to review, or (ii) in an alternative dispute resolution or similar proceeding approved by order of a court of competent jurisdiction, shall be deemed, to the extent applicable, an Allowed Claim in Class 6 or 7 (as applicable), in such liquidated amount (provided that for Insured Claims, such amount shall not exceed the liquidated amount of the Claim less the amount paid by the insurer) and treated in accordance with Section 4.6 or 4.7 (as applicable) hereof. Nothing contained in this Section shall constitute or be deemed a waiver of any Claim, right, or cause of action that any of the Debtors may have against any person in connection with or arising out of any Tort Claim, including, without limitation, any rights under section 157(b)of title 28 of the United States Code.

7.3 ***Distributions After Allowance.***

Disputed Claims. After such time as a Disputed Claim becomes, in whole or in part, an Allowed Claim, the applicable Disbursing Agent shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan as of such date. No interest shall be paid on any Disputed Claim that later becomes Allowed.

7.4 ***Estimations and Reserves for Contingent, Unliquidated and Disputed Claims.***

The Debtors, the Liquidating LLC or the Reorganized Debtors, as the case may be, in consultation with the Creditors' Committee or the Post-Confirmation Committee, as the case may be, shall request estimation or establishment of a reserve pursuant to section 502(c) of the Bankruptcy Code for every Disputed Claim that is contingent or unliquidated and the fixing or liquidation of which, as the case may be, would unduly delay distributions, regardless of whether any Debtor previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on

such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

SECTION 8. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 *Assumption of Executory Contracts and Unexpired Leases.*

Any executory contracts or unexpired leases listed on the Schedule of Assumed Leases and Executory Contracts and Cure Amounts that will be part of the Plan Supplement or which are the subject of a pending motion to assume as of the Confirmation Date shall be deemed to have been assumed by the applicable Debtor effective on the Effective Date, and the Plan shall constitute a motion to assume such executory contracts and unexpired leases. Subject to the occurrence of the Effective Date, entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such assumptions pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of the applicable Debtor, its estate, and all parties in interest in the IHS Reorganization Cases. With respect to each such executory contract or unexpired lease assumed by a Reorganized Debtor, any monetary amounts required as cure payments shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the cure amount in Cash as soon as practicable after and in no event later than 30 days after the Effective Date or upon such other terms as the parties to such executory contracts or unexpired leases otherwise may agree. In the event of a dispute regarding (i) the amount of any cure payment, (ii) the ability of the applicable Debtor, Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (iii) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving such dispute.

8.2 *Rejection of Executory Contracts and Unexpired Leases.*

Any executory contracts or unexpired leases (a) which are not listed on the Schedule of Assumed Leases and Executory Contracts and Cure Amounts that will be included in the Plan Supplement; (b) which have not been assumed with the approval of the Bankruptcy Court as of the Effective Date; or (c) which are not the subject of a motion to assume the same pending as of the Effective Date, shall be deemed to have been rejected by the applicable Debtor as of the Effective Date. The Plan of Reorganization shall constitute a motion to reject such executory contracts and unexpired leases, and the Reorganized Debtors shall have no liability thereunder except as is specifically provided in the Plan. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court shall constitute approval of such rejections pursuant to section 365(a) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such rejected executory contract or unexpired lease is burdensome and that the rejection thereof is in

the best interest of the applicable Debtor, its estate, and all parties in interest in the IHS Reorganization Cases.

8.3 ***Rejection Claims.***

Claims arising from the rejection of executory contracts or unexpired leases (including, without limitation, the rejection provided in Section 8.2 of the Plan) or the expiration or termination of any executory contract or unexpired lease prior to the Confirmation Date must be filed with the Bankruptcy Court and served on the Debtors no later than thirty (30) days after (i) in the case of an executory contract or unexpired lease that was terminated or expired by its terms prior to the Confirmation Date, the Confirmation Date, (ii) in the case of an executory contract or unexpired lease rejected by any Debtor, the entry of the order of the Bankruptcy Court authorizing such rejection, or (iii) in the case of an executory contract or unexpired lease that is deemed rejected pursuant to Section 8.2 of the Plan of Reorganization, the Confirmation Date. Any Claims for which a proof of claim is not filed and served within such time will be forever barred from assertion and shall not be enforceable against the Debtors or their estates, assets, properties, or interests in property, or against the Reorganized Debtors or their estates, assets, properties, or interests in property. All claims arising from the rejection of executory contracts or unexpired leases that are timely filed as provided herein shall be treated under the Plan as General Unsecured Claims in Class 6 **or Premiere Unsecured Claim in Class 7, as the case may be**.

8.4 ***Survival of the Debtors' Corporate Indemnities.***

Any obligations of the Debtors pursuant to their corporate charters and bylaws or agreements, entered into at any time prior to the Effective Date or pursuant to the Elkins Settlement Agreement, to the extent permitted by applicable law, to indemnify current directors, officers, agents, and/or employees, or the Elkins Released Parties with respect to all present and future claims, actions, suits, and proceedings against the Debtors or such directors, officers, agents, and/or employees, based upon any act or omission for or on behalf of the Debtors shall not be discharged or impaired by confirmation of the Plan of Reorganization, provided, however, that ~~notwithstanding~~ **this provision shall not affect the priority of any claim for indemnification under the applicable provisions of the Bankruptcy Code and applicable law, as to which all rights are reserved. Notwithstanding** the foregoing, the current directors, officers, agents and/or employees of the Debtors who are defendants in the Compensation Action shall be entitled to the advancement and/or reimbursement of the reasonable fees and expenses of their respective legal counsel incurred in connection with the Compensation Action.

SECTION 9. CONDITIONS PRECEDENT TO CONFIRMATION AND THE EFFECTIVE DATE

9.1 ***Conditions Precedent to Confirmation.***

Confirmation of the Plan will not occur unless each of the following conditions has been satisfied or has been waived in accordance with Section 9.4 of the Plan:

(a) The Confirmation Date shall occur on or prior to May 30, 2003.

(b) If the Debtors seek to have the Sale Transactions approved, the Sale Approval Order in form and substance satisfactory to the Debtors, the Purchaser, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been entered and shall have become a Final Order.

(c) If the Debtors seek to have the Stand-Alone Transactions approved, IHS shall have received a commitment for the Exit Financing Facility which is acceptable to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group.

9.2 ***Conditions Precedent to the Effective Date.***

The Effective Date of the Plan will not occur unless each of the following conditions has been satisfied or has been waived in accordance with Section 9.4 of the Plan:

(a) The Confirmation Order, in form and substance reasonably satisfactory to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been issued and entered by the Bankruptcy Court and shall have become a Final Order.

(b) Either the conditions precedent to the Sale Transactions shall have occurred, or the conditions precedent to implementation of the Stand-Alone Transactions shall have occurred, each as set forth below.

(1) *Conditions precedent to the Sale Transactions.* The Sale Transactions shall not be implemented unless:

(A) each of the conditions to Closing (as defined in the Sale Agreement) under the Sale Agreement shall have been satisfied or waived in accordance with the provisions thereof; and

(B) each of the Sale Transaction Documents, in form and substance reasonably satisfactory to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been effected or executed.

(2) *Conditions Precedent to the Stand-Alone Transactions.* The Stand-Alone Transactions shall not be implemented unless:

(A) either (i) the conditions to Closing have not been satisfied by July 31, 2003 and the Sale Agreement is terminated, (ii) the Debtors have earlier determined that Purchaser will not proceed with a Closing under the Sale Agreement or (iii) the Sale Agreement is otherwise terminated or the Sale Transactions do not occur; and

(B) each of the Stand-Alone Transaction Documents, in form and substance reasonably satisfactory to the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group, shall have been effected or executed, in which case, the Stand-Alone Transactions shall be implemented.

(c) All authorizations, consents, and regulatory approvals (if any) necessary to effectuate the Plan shall have been obtained.

(d) The Effective Date shall occur by July 31, 2003, or such later date as may be agreed to by the Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group.

9.3 ***Effect of Failure of Conditions to Effective Date.***

In the event the conditions specified in Section 9.2 have not been satisfied or waived, and upon written notification submitted by the Debtors, the Creditors Committee or the Unofficial Senior Lenders' Working Group to the Bankruptcy Court, (a) the Confirmation Order shall be vacated; (b) no distributions under the Plan shall be made; (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred; and (d) all the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other entity or to prejudice in any manner the rights of the Debtors, the Creditors' Committee, the Unofficial Senior Lenders' Working Group or any other entity in any further proceedings involving the Debtors.

9.4 ***Waiver of Conditions.***

The Debtors, the Creditors' Committee and the Unofficial Senior Lenders' Working Group by unanimous consent, in their sole discretion, may waive, in whole or in part, any of the conditions to the effectiveness of the Plan. Any such waiver of a condition may be effected at any time, without notice or leave or order of the Bankruptcy Court and without any formal action, other than the filing of a notice of such waiver with the Bankruptcy Court.

SECTION 10. **EFFECT OF CONFIRMATION**

10.1 ***Vesting of Assets.***

Except as provided in the Plan or the DIP Credit Facility, upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Debtors' bankruptcy estates shall vest in either the Liquidating LLC or the Reorganized Debtors, as applicable, free and clear of all Claims, liens, encumbrances, charges, and other interests not specifically contemplated by the Plan to either survive the IHS Reorganization Cases or to be created or granted in connection therewith. The Liquidating LLC or the Reorganized Debtors, as applicable, may use, acquire, and dispose of property free of any restrictions of the Bankruptcy

Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as provided in the Plan.

10.2 ***Discharge of Claims and Termination of Equity Interests.***

Except as provided in the ~~Plan or the~~ DIP Credit Facility, the rights afforded in the Plan of Reorganization and the payments and distributions to be made hereunder shall completely satisfy and discharge all existing debts and Claims, and terminate all Equity Interests, of any kind, nature, or description whatsoever against or in the Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in the Plan of Reorganization or the DIP Credit Facility, upon the Effective Date, all existing Claims against and Equity Interests in the Debtors, shall be, and shall be deemed to be, discharged, satisfied, released and terminated in full, and all holders of Claims and Equity Interests shall be precluded and enjoined from asserting against the Liquidating LLC or the Reorganized Debtors, as applicable, their successors and assigns, or any of their respective assets or properties, any other or further Claim or Equity Interest based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a proof of claim or proof of equity interest and whether or not the facts or legal bases therefor were known or existed prior to the Effective Date. **Notwithstanding the foregoing, the Claims and Causes of Action against IHS in the Compensation Action are reserved.**

10.3 ***Discharge of Debtors.***

Upon the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided in the Plan or the DIP Credit Facility each holder (as well as any trustee or agent on behalf of such holder) of a Claim or Equity Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Equity Interest in the Debtors.

10.4 ***Term of Injunctions or Stays.***

Unless otherwise provided, all injunctions or stays arising under or entered during the IHS Reorganization Cases under section 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 later of the Effective Date and the date indicated in the order providing for such injunction or stay.

10.5 ***Injunction Against Interference With Plan.***

Upon the entry of the Confirmation Order and except as otherwise provided in the ~~Plan or the~~ DIP Credit Facility, all holders of Claims and Equity Interests and other parties in interest, along with their respective present or former employers, agents, officers, directors, or

principals, shall be permanently and forever barred, restrained and enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

10.6 ***Injunction Against Suits Against IHS Under the Sale Transactions.***

If the Sale Transactions are implemented, then upon consummation thereof and effective as of the Confirmation Date, and except as otherwise provided in the Plan or the DIP Credit Facility, all holders of Claims and Equity Interests and other parties in interest, along with their respective present or former employers, agents, officers, directors, or principals, shall be permanently and forever barred, restrained and enjoined from taking any action, directly or indirectly, against IHS, to collect, recover or receive payment of, on, or with respect to any Claim or Equity Interest arising on or before the date of the Confirmation Order, including claims (within the meaning of section 101(5) of the Bankruptcy Code) against IHS relating to any asset or liability being purchased or assumed by the Purchaser under the Sale Agreement.

10.7 ***Exculpation.***

Neither the Debtors, Alvarez & Marsal, Inc., any Disbursing Agent, the Liquidating LLC, the Liquidating Manager, the Creditors' Committee, **the Post-Confirmation Committee,** the Unofficial Senior Lenders' Working Group, nor any of their respective members, officers, directors, employees, agents, counsel or other professionals that served at any time after the Commencement Date shall have or incur any liability to any holder of any Claim or Equity Interest or any other entity for any act or omission in connection with, or arising out of, the IHS Reorganization Cases, the formulation, dissemination, implementation or confirmation of the Plan of Reorganization, the consummation of the Plan of Reorganization, or the administration of the Plan of Reorganization or property to be distributed under the Plan of Reorganization, or any other act or omission in connection with the Plan of Reorganization, the Disclosure Statement, or any contract, instrument, release or other document or agreement related thereto, provided, however, that the foregoing shall not affect the liability of any person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted gross negligence or willful misconduct. Any of the foregoing parties in all respects shall be entitled to rely on the advice of counsel with respect to their duties and responsibilities in connection with the Plan of Reorganization, and all other matters referred to in this Section 10.7.

10.8 ***Retention of Causes of Action/Reservation of Rights.***

(a) Nothing contained in the Plan of Reorganization or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or causes of action that the Debtors, **the Debtors' estates,** the Liquidating LLC, **the Post-Confirmation Committee** or the Reorganized Debtors may have or which the Liquidating LLC or the Reorganized Debtors, as applicable, may choose to assert under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all Claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against any of the Debtors, the Liquidating LLC, the

Reorganized Debtors, their officers, directors, or representatives, and (ii) the turnover of any property of any of the Debtors' estates.

(b) Notwithstanding the foregoing, the Debtors and the Liquidating LLC or the Reorganized Debtors, as applicable, waive all Avoidance Claims except as set forth in the Plan Supplement.

(c) Nothing contained in the Plan of Reorganization or the Confirmation Order shall be deemed to be a waiver or relinquishment of any claim, cause of action, right of setoff, or other legal or equitable defense which any of the Debtors **or the Debtors' estates** had immediately prior to the Commencement Date or thereafter, against or with respect to any Claim left unimpaired by the Plan of Reorganization. The Liquidating LLC or the Reorganized Debtors, as applicable, shall have, retain, reserve, and be entitled to assert all such claims, causes of action, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Commencement Date or thereafter fully as if the IHS Reorganization Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any Claim left unimpaired by the Plan of Reorganization may be asserted after the Confirmation Date to the same extent as if the IHS Reorganization Cases had not been commenced.

SECTION 11. **RETENTION OF JURISDICTION**

11.1 *Exclusive Jurisdiction.*

On and after the Effective Date, the Bankruptcy Court shall retain and have exclusive jurisdiction over all matters arising in, arising under, or related to the IHS Reorganization Cases, or that relate to any of the following:

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

(b) To hear and determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date.

(c) To ensure that distributions to holders of Allowed Claims are accomplished as provided herein.

(d) To consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, Administrative Expense Claim, or Equity Interest.

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

(f) To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the

consummation, implementation, or enforcement of the Plan of Reorganization, the Confirmation Order, or any other order of the Bankruptcy Court.

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

(h) To hear and determine all applications under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date.

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

(j) To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan of Reorganization or to maintain the integrity of the Plan of Reorganization following consummation.

(k) To hear any disputes arising out of, and to enforce, the order approving alternative dispute resolution procedures to resolve personal injury, employment litigation, and similar claims pursuant to section 105(a) of the Bankruptcy Code.

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

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

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

(o) To enter a final decree closing the IHS Reorganization Cases.

(p) To recover all assets of the Debtors and property of the Debtors' estates, wherever located.

(q) To determine any other matters that may arise in connection with or are related to the Plan of Reorganization, the Disclosure Statement, the Confirmation Order, any of the Plan Documents, or any other contract, instrument, release or other agreement or document related to the Plan of Reorganization, the Disclosure Statement or the Plan Supplement.

(r) To hear and determine any rights, claims or causes of action held by or accruing to the Debtors pursuant to the Bankruptcy Code or pursuant to any federal or state statute or legal theory.

11.2 *Jurisdiction Over Compensation Action.* On and after the Effective Date, the Bankruptcy Court shall have jurisdiction over the Compensation Action; provided, however, that notwithstanding the foregoing or any other provision in the Plan, nothing in the Plan shall be construed as conferring upon the Bankruptcy Court exclusive jurisdiction over the Compensation Action.

SECTION 12. MISCELLANEOUS PROVISIONS

12.1 *Payment of Statutory Fees.*

On the Effective Date, and thereafter as may be required, the Liquidating LLC or the Reorganized Debtors, as applicable, shall pay all fees required to be paid pursuant to section 1930 of title 28 of the United States Code.

12.2 *Retiree Benefits.*

On and after the Effective Date, pursuant to section 1129(a)(13) of the Bankruptcy Code, if the Stand-Alone Transactions are implemented, the Reorganized Debtors shall continue to pay all retiree benefits of the Debtors (within the meaning of section 1114 of the Bankruptcy Code), at the level established in accordance with section 1114 of the Bankruptcy Code, at any time prior to the Confirmation Date, for the duration of the period for which the Debtors had obligated themselves to provide such benefits.

12.3 *Dissolution of Statutory Committees of Unsecured Creditors.*

The statutory committees of unsecured creditors appointed pursuant to section 1102 of the Bankruptcy Code in the IHS Reorganization Cases shall dissolve on the Effective Date, and the members of such committees shall be released and discharged from all duties and obligations arising from or related to the IHS Reorganization Cases.

12.4 *Post-Confirmation Committee.*

(a) On the Effective Date, the Post-Confirmation Committee shall succeed, in all respects to all of the rights, privileges and immunities of the Creditors' Committee including, without limitation, the attorney-client and work product privileges and any other evidentiary privileges of the Creditors' Committee.

(b) On the Effective Date, the **Claims or** Causes of Action ~~arising under or relating to~~ **in** the Compensation Action shall be deemed to have been irrevocably transferred by the Debtors' estates to the Post-Confirmation Committee, for and on behalf of the Liquidating LLC or the Reorganized Debtors, as applicable, **for the benefit of the holders of Allowed Senior Lender Claims and Allowed General Unsecured Claims (other than those in respect**

of which the Class 6 Cash-Out Election has been made, if made effective pursuant to Section 4.6(c), for distribution as provided for under the Plan, with no reversionary interest.

(c) *Function of the Post-Confirmation Committee.* The Post-Confirmation Committee's functions shall include: (A) monitoring the Reorganized Debtors' or Liquidating Managers' activities in reconciling and resolving Disputed Claims; (B) monitoring the resolution of the avoidance actions; (C) monitoring the making of distributions on account of the Disputed Claims once resolved; (D) reviewing and asserting objections to the reasonableness of settlements or compromises of Disputed Claims and avoidance actions; and (E) prosecuting and/or settling the Compensation Action on behalf of the Debtors' estates. The Post-Confirmation Committee, shall among other things, be authorized to continue in place and stead of the Creditors' Committee as the Plaintiff in the Compensation Action and shall be substituted in the Compensation Action for all purposes. The Post-Confirmation Committee shall have full authority, in the exercise of its business judgment, to prosecute and settle the Compensation Action without the need or consent of the ~~Liquidation LLC~~ **Liquidating LLC or the Reorganized Debtors, as applicable**. The Post-Confirmation Committee shall disburse any proceeds arising from the Compensation Action to the ~~Liquidation~~ **Liquidating** LLC if the Sale Transactions are implemented, ~~which shall distribute the same exact consideration;~~ or to the Reorganized Debtors if the Stand-Alone Transactions are implemented and, in each case, such proceeds will be distributed pursuant to the terms of the Plan.

(d) *Employment of Professionals by the Post-Confirmation Committee and Reimbursement of Committee Members.* The Post-Confirmation Committee may employ, without further order of the Court, professionals to assist it in carrying out its duties, including any professionals retained in the IHS Reorganization Cases, and the Reorganized Debtors or Liquidating Manager shall pay the reasonable costs and expenses of the Post-Confirmation Committee, including reasonable professional fees, in the ordinary course within ten (10) days of invoicing, without submission to or approval by the Bankruptcy Court. Other than as specified in the preceding sentence, the members of the Post-Confirmation Committee will serve without compensation. If there is any unresolved dispute between the Reorganized Debtors and the Post-Confirmation Committee, its professionals or a member thereof as to any fees or expenses, such dispute will be submitted to the Bankruptcy Court for resolution.

12.5 ***Substantial Consummation.***

On the Effective Date, the Plan of Reorganization shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

12.6 ***Amendments.***

(a) *Plan of Reorganization Modifications.* The Plan of Reorganization may be amended, modified, or supplemented by the Debtors, the Liquidating LLC or the Reorganized Debtors with the consent of the Creditors' Committee and the Unofficial Senior Lenders' Working Group, in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as the Bankruptcy Court may otherwise direct. In addition, after the

Confirmation Date, so long as such action does not materially adversely affect the treatment of holders of Claims or Equity Interests under the Plan of Reorganization, the Debtors may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan of Reorganization or the Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan of Reorganization.

(b) *Other Amendments.* Prior to the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan of Reorganization without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims or Equity Interests.

12.7 ***Revocation or Withdrawal of the Plan.***

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors take such action, the Plan of Reorganization shall be deemed null and void.

12.8 ***Severability.***

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

12.9 ***Governing Law.***

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit hereto or a document in the Plan Supplement provides otherwise, the rights, duties, and obligations arising under the Plan of Reorganization shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

12.10 ***Time.***

In computing any period of time prescribed or allowed by the Plan of Reorganization, unless otherwise set forth herein or determined by the Bankruptcy Court, the provisions of Bankruptcy Rule 9006 shall apply.

12.11 ***Section Headings.***

The section headings contained in the Plan of Reorganization are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan of Reorganization.

12.12 ***Exemption from Transfer Taxes.***

Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of notes or equity securities under the Plan of Reorganization, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan of Reorganization, shall not be subject to any stamp, real estate transfer, sales, use, mortgage recording or other similar tax.

12.13 ***Effectuating Documents and Further Transactions.***

Each of the officers of the Debtors and either the Liquidating LLC or the Reorganized Debtors, as applicable, is authorized to execute, deliver, file or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and provisions of the Plan of Reorganization.

12.14 ***Injunction Regarding Worthless Stock Deductions.***

Unless otherwise ordered by the Bankruptcy Court, on and after the Confirmation Date, any "fifty percent shareholder" within the meaning of section 382(g)(4)(D) of the Internal Revenue Code of 1986, as amended, shall be enjoined from claiming a worthless stock deduction with respect to any Equity Interests held by such entity for any taxable year of such shareholder ending prior to the Effective Date.

12.15 ***Exhibits.***

All Schedules and Exhibits to the Plan of Reorganization and Plan Supplement are incorporated into and are a part of the Plan of Reorganization as if set forth in full herein.

12.16 ***Notices.***

All notices, requests, and demands to or upon the Debtors to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Integrated Health Services, Inc.
The Highlands
910 Ridgebrook Road
Sparks, MD 21152
Attn: General Counsel
Telephone: (410) 773-1000
Telecopier: (410) 773-1325

-and-

Kaye Scholer LLP
425 Park Avenue
New York, NY 10022-3598
Attn: Michael J. Crames, Esq.
Arthur Steinberg, Esq.
Marc D. Rosenberg, Esq.
Telephone: (212) 836-8000
Telecopier: (212) 836-7151

-and-

Young Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, DE 19899-0391
Attn: James J. Patton, Esq.
Robert S. Brady, Esq.
Telephone: (302) 571-6600
Telecopier: (302) 571-1253

-and-

Jenkens & Gilchrist--Parker Chapin LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174
Attn: Charles P. Greenman, Esq.
Lee W. Stremba, Esq.
Telephone: (212) 704-6000
Telecopier: (212) 704-6288

-and-

Dewey Ballantine LLP
1301 Avenue of the Americas

New York, New York 10019-6092
Attn: Stuart Hirshfield, Esq.
Marc Hirschfield, Esq.
Telephone: (212) 259-8000
Telecopier: (212) 259-6333

Dated: New York, New York
February ~~5~~ **24**, 2003

Respectfully submitted,

INTEGRATED HEALTH SERVICES, INC., for itself and as agent and attorney-in-fact for each of the Debtors

By: _____ ~~/s/ Guy Sansone~~
Name: Guy Sansone
Title: Senior Vice President

COUNSEL:

_____

James P. Patton, Esq.
Robert S. Brady, Esq.
YOUNG, CONAWAY, STARGATT & TAYLOR LLP,
Co-Attorneys for the Debtors and Debtors in Possession
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, DE 19899-0391
(302) 571-6600

Michael J. Crames, Esq.
Arthur Steinberg, Esq.
Marc D. Rosenberg, Esq.
KAYE SCHOLER LLP
Co-Attorneys for the Debtors and Debtors in Possession
425 Park Avenue
New York, NY 10022-3598
(212) 836-8000

Charles P. Greenman, Esq.
Lee W. Stremba, Esq.
Mitchel H. Perkiel, Esq.
JENKENS & GILCHRIST--PARKER CHAPIN LLP
Co-Attorneys for the Debtors and Debtors in Possession
The Chrysler Building
405 Lexington Avenue
New York, NY 10174
(212) 704-6000

~~EXHIBIT B[LETTER FROM OFFICIAL COMMITTEE OF UNSECURED CREDITORS]~~

EXHIBIT B

[INTENTIONALLY OMITTED]

EXHIBIT C
STATEMENT OF UBS WARBURG LLC REGARDING ESTIMATED GOING CONCERN ENTERPRISE VALUE OF REORGANIZED DEBTORS

EXHIBIT D
LIQUIDATION ANALYSIS

EXHIBIT E
SALE AGREEMENT

Filed on January 30, 2003 with the Bankruptcy Court.

EXHIBIT F
EXCLUDED ASSETS

~~IHS supplemental executive retirement plans (i.e., SERP).~~

~~Cash (which excludes deposits and prepaid items).~~

~~That certain note from Stephen P. Linehan in favor of Seller in the original principal amount of three hundred thousand dollars ($300,000).~~

~~That certain note from the Futera Brothers in favor of Seller.~~

~~Interests in the Elder Health and Capitol Health joint ventures.~~

~~Bankruptcy-related retainers and deposits.~~

~~Artwork belonging to Seller.~~

~~Sparks (Maryland) Campus Headquarters.~~

~~Official Committee of Unsecured Creditors of Integrated Health Services, Inc. v. Robert N. Elkins, et al., Case No. 00-389 (MFW) (U.S. Bankruptcy Court for the District of Delaware) (IHS is named as a nominal defendant).~~

~~All employee loans and advances.~~

~~Rights of the Seller under the Agreement.~~

~~Integrated Health Services, Inc. v. M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, No. 682 M.D. 2002.~~

~~All preference, fraudulent conveyance and avoidance actions, including without limitation, the avoidance actions set forth below:~~

~~1. Integrated Health Services, Inc. v. Accountants Inc. Services (Adv. No. 02-1736).~~

~~2. Integrated Health Services, Inc. v. American Express Company (Adv. No.02-1737).~~

~~3. Integrated Health Services, Inc. v. Anthony R. Masso (Adv. No. 02-1822).~~

~~4. Integrated Health Services, Inc. v. Associated Receivables Funding, Inc. (Adv. No. 02-1819).~~

~~5. Integrated Health Services, Inc. v. ATC Healthcare Services, Inc. (Adv. No. 02-1738).~~

~~6. Integrated Health Services, Inc. v. Baltimore Electric and Gas Company (Adv. No.02-1739).~~

7. Integrated Health Services, Inc. and Symphony Health Services, Inc. v. BT Office Products International, Inc. (n/k/a Corporate Express Office Products, Inc.) (Adv. No. 02-1824).

8. Integrated Health Services, Inc. v. Comprehensive Consulting Solutions, LLC (Adv. No. 02-1740).

9. Integrated Health Services, Inc. v. Critical Care Concepts, Inc. (Adv. No. 02-1741).

10. Symphony Health Services, Inc. v. Danka Financial Services and Danka Industries, Inc. (Adv. No. 02-1818).

11. Integrated Health Services, Inc. et al v. Dooley and Mack Constructors, Inc. et al (Adv. No. 02-1742).

12. Integrated Health Services, Inc. v. Florida Power & Light (Adv. No. 02-1807).

13. Integrated Health Services, Inc. v. Francis P. Kirley (Adv. No. 02-1820).

14. Integrated Health Services, Inc. v. General Electric Capital Corp. (Adv. No. 02-1744).

15. Integrated Health Services, Inc. v. Health Care Management Corporation (Adv. No. 02-1745).

16. Integrated Health Services, Inc. v. Highland Healthcare (Adv. No. 02-1746).

17. Integrated Health Services, Inc. v. Hyatt Corporation (Adv. No. 02-1808).

18. Integrated Health Services, Inc. v. IOS Capital, Inc. (Adv. No. 02-1748).

19. Integrated Health Services, Inc. v. J and M Construction Company Incorporated (Adv. No. 02-1749).

20. Integrated Health Services, Inc. et al v. Litchfield Investment Company, LLC (Adv. No. 02-1846).

21. Symphony Health Services, Inc. v. MCSI Computer Supplies (Adv. No. 02-1823).

22. Integrated Health Services, Inc. v. Medcare Equipment Company (Adv. No. 02-1750).

23. Integrated Health Services, Inc. v. Medical Connection Inc.(Adv. No. 02-1813).
24. Integrated Health Services, Inc. v. National Abandoned Property Processing Corp. (Adv. No. 02-1811).

25. Integrated Health Services, Inc. v. RDA Consultants Limited (n/k/a RDA Corporation) (Adv. No. 02-1751).

26. Symphony Health Services, Inc. v. Rouse Teachers Properties (Adv. No. 02-1821).

~~27 Integrated Health Services, Inc. v. SmithKline Beecham Clinic Laboratories (adv. No. 02-1752).~~

~~28. Integrated Health Services, Inc. v. Sprint Corporation, Ltd. (Adv. No. 02-1753).~~

~~29. Integrated Health Services, Inc. v. Starmed Health Personnel, Inc. (Adv. No. 02-1754).~~

~~30. Integrated Health Services, Inc. v. TXU Electric (Adv. No. 02-1815).~~

~~31. Integrated Health Services, Inc. v. Unisys Corporation (Adv. No.02-1755).~~

~~32. All causes of action against Monarch Properties L.P. (subject to tolling agreement which expires November 30, 2002)*~~

~~33. All causes of action against Pharmerica, Inc. (subject to tolling agreement which expires February 1, 2003)*~~**See Schedule of Excluded Assets, which is an exhibit to the Sale Agreement.**

EXHIBIT G
EXCLUDED LIABILITIES

~~All administrative expenses incurred by Seller for professional services rendered in connection with its reorganization.~~

~~Up to four million five hundred thousand dollars ($4,500,000) in respect of certain employee severance costs.~~

~~All pre-petition liabilities discharged pursuant to the Plan.~~

~~The outstanding balance as of the Closing of the Debtor in Possession Financing dated March 27, 2002.~~

~~All pre-petition liabilities relating to directors' or officers' indemnification claims.~~

~~All post-petition liabilities relating to directors' or officers' indemnification claims instituted by the Seller's creditors.~~

~~Taxes arising from the disposition of Rotech Healthcare Inc.~~

~~Promissory Note in the original principal amount of $5,000,000 made by the Seller in favor of Rotech Healthcare Inc. (assigned to Rotech Medical Corporation).~~

~~Countersuit against Seller in the case of Integrated Health Services, Inc. et al v. Litchfield Investment Company, LLC (Adv. No. 02-1846).~~

~~Liabilities of the Seller under the Agreement.~~

~~Liabilities relating to Excluded Assets.~~

~~Liabilities relating to the direct and indirect inactive, non-debtor subsidiaries listed below:~~

~~Subsidiary Direct Owner~~
~~ABC Pharmaceuticals, Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~Asia Care, Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~COA Therapy Technology Corp. N Indirect RehabWorks, Inc. Inactive~~
~~Elizabell Co., Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~HCP III Jesup, Inc. N Indirect Health Care Properties III, Incorporated Inactive~~
~~IHS Acquisition No. 101, Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~IHS Acquisition No. 104, Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~IHS Acquisition No. 105, Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~IHS Acquisition No. 109, Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~IHS Acquisition No. 110, Inc. N Direct Integrated Health Services, Inc. Inactive~~
~~IHS Acquisition No. 115, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Subsidiary Direct Owner IHS Acquisition No. 116, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Acquisition No. 117, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Acquisition No. 118, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Acquisition No. 159, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Acquisition No. 177, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Acquisition XIX, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Acquisition XXII, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Chicago Post-Acute Network, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS of Dana, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~IHS Realty Company, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services at Carol, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services at Cincinnati, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services at King David Center, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services Development, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services NPR, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services of Naples, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services of Skyview II, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Health Services of Skyview, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Managed Care, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Integrated Physician Group Services, Inc. N Direct Integrated Health Services, Inc. Inactive~~

~~Medical Supply of America, Inc. N Indirect Community Care of America, Inc. Inactive~~

~~Palestine Nursing Center, Inc. N Indirect Arbor Living Centers of Texas, Inc. Inactive~~

~~SHCM Atlanta, Inc. N Indirect SHCM Holdings, Inc. Inactive~~

~~Signature Home Care of Florida, Inc. N Indirect Signature Home Care Group, Inc. Inactive~~

~~Signature Home Care of Georgia, Inc. N Indirect Signature Home Care Group, Inc. Inactive~~

~~Signature Home Care of San Antonio, Inc. N Indirect Signature Home Care Group, Inc. Inactive~~

~~Signature Home Care Services of San Antonio, Inc. N Indirect Signature Home Care Group, Inc. Inactive~~

~~Signature Management Services, Inc. N Indirect Signature Home Care Group, Inc. Inactive~~

~~Signature Receivables Corp N Indirect Signature Home Care Group, Inc. Inactive~~

~~Rehab People's Agency of Wichita, Inc. N Indirect Rehab People, Inc. Inactive~~

~~VTA Therapy Technologies Corp. N Indirect VTA Management Services, Inc. Inactive~~ **See Schedule of Excluded Liabilities, which is an Exhibit to the Sale Agreement.**

---------- COMPARISON OF FOOTNOTES ----------

-FOOTNOTE 1-
All capitalized terms not herein defined shall have the meanings ascribed to them in the **Amended** Joint Plan of Integrated Health Services, Inc. and Its Subsidiaries Under Chapter 11 of the Bankruptcy Code dated ~~December 26, 2002~~ **February [ ], 2003** (the "Plan" or "Plan"), a copy of which is annexed hereto as Exhibit A.

-FOOTNOTE 2-
Upon the failure of certain conditions set forth in the Sale Agreement, in lieu of a sale and purchase of the Shares, the Sale Agreement provides for the sale and purchase of (a) all of the capital stock of Reorganized IHS (but specifically excluding the Excluded Assets and Excluded Liabilities) to be issued upon the Effective Date of the Plan (the "IHS Shares") or, at the option of the Purchaser, (b) simultaneously, the IHS Shares and the Shares.

-FOOTNOTE 3-
This range is based on the Debtors' estimate of mortgage obligations that will be reinstated pursuant to the Plan, but excludes the Restructured Headquarters Note that will be created for the benefit of the holders of Secured Synthetic Lease Claims. As described in Section II.D.2 of this Disclosure Statement, the Plan provides for the sale of the Headquarters Property and satisfaction of the Restructured Headquarters Note as soon as practicable after the Effective Date.

-FOOTNOTE 4-
The Debtors estimate that other than letters of credit, there will be no other obligations outstanding under the DIP Credit Facility on the Effective Date. However, to the extent there are any such obligations outstanding, they will be repaid in full in Cash on the Effective Date.

-FOOTNOTE 5-
Beal Bank SSB ("Beal") disputes the Debtors' contention that this is the appropriate amount of the claim.

-FOOTNOTE 6-
Beal disputes the Debtors' contention that this is the appropriate amount of the claim.

-FOOTNOTE ~~5~~ 7-
These illustrative calculations do not include the additional recovery afforded by the Debtors' contribution of 3% of the amount of any deficiency between the total Available 1999 Insurance Proceeds and the total Allowed 1999 Insured Tort Claim.

-FOOTNOTE 8-
Subsidiaries of Lyric Health Care LLC and its affiliate, Claremont Health Care, LLC (collectively, "Lyric"), are lease operators of 40 skilled nursing and long term care facilities (collectively, the "Lyric Facilities") that were subject to Management Agreements and are now subject to an Interim Services Agreement with IHS and/or certain of IHS's affiliates. Monarch Properties, LP and Monarch Properties at Jacksonville, LLC (collectively, "Monarch") are the owners/lessors of 31 of the Lyric Facilities. Lyric and Monarch have

stated their intention to assert certain Administrative Expense Claims (the "Administrative Expense Claims") against the Debtors. Briarwood has agreed under the Sale Agreement that the Purchased Subsidiaries will be subject to any and all Allowed Administrative Expense Claims by Lyric and Monarch against the Debtors' estates. Lyric has asserted that it holds Administrative Expense Claims which may include, without limitation, the following: (a) all of Lyric's liabilities for 2001 PLGL Claims in excess of available insurance coverage; (b) all liability of the Debtors to Lyric and/or Monarch for negligence, misconduct, fraud, misappropriation of facility residents, tortious interference or mismanagement involving the Lyric Facilities; (c) all liability of the Debtors to Lyric relating to or involving Lyric's funds; (d) all liability of the Debtors to Lyric and/or Monarch for breach of the various IHS-Lyric Management Agreements; and (e) all liability of the Debtors to Lyric and/or Monarch for breach of any fiduciary duty owed by IHS or any of IHS's affiliates to Lyric or Monarch. Lyric and Monarch assert that these Administrative Expense Claims may total significantly more than $16,000,000 in the aggregate. The Debtors dispute all of the foregoing claims and believe that none of Lyric's Alleged Administrative Expense Claims will become Allowed. However, to the extent that they are ultimately Allowed, they will be obligations of the Purchased Subsidiaries pursuant to the Sale Agreement.

-FOOTNOTE 6 **9**-
Procedural consolidation is the administrative process (contemplated by Bankruptcy Rule 1015(b)) whereby the proceedings of two or more affiliated debtors are conducted as part of a single proceeding for the convenience of the bankruptcy court and parties in interest. Procedural consolidation does not affect the substantive rights of the debtors or their respective creditors and interest holders.

-FOOTNOTE ~~7~~ **10**-
Effective May 2002, the Creditors' Committee retained Eureka Capital Markets LLC as its replacement financial advisor.

---------- COMPARISON OF HEADERS ----------

-HEADER 1-

~~-HEADER 2-~~
~~Header Discontinued~~Page

---------- COMPARISON OF FOOTERS ----------

-FOOTER 1-
Doc. #

This redlined draft, generated by CompareRite (TM) - The Instant Redliner, shows the differences between -
original document : C:\TEMP\KDOCS\30379684_V126.WPD
and revised document: C:\TEMP\KDOCS\30379684_V142.WPD

CompareRite found 456 change(s) in the text
CompareRite found 5 change(s) in the notes

Deletions appear as Strikethrough text
Additions appear as Bold-Underline text