IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

In re:	)	Chapter 11
	)	
CARE FOUNDATION OF AMERICA, INC., et al.,	)	Case No. 08-12367 (KML)
	)	(Jointly Administered)
	)	
Debtors.	)	Judge Keith M. Lundin

DISCLOSURE STATEMENT FOR DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE
(Dated: April 30, 2009)

I. INTRODUCTION

This Disclosure Statement (the "**Disclosure Statement**") is being furnished by the Debtors to the holders of Claims against the Debtors pursuant to Section 1125 of the United States Bankruptcy Code. The Disclosure Statement is being furnished solely by the Debtors in connection with the solicitation of acceptances of the Plan that they are proposing jointly. The jointly proposed plan is entitled the "Debtors' First Amended Joint Plan of Reorganization (the "**Plan**"). The Debtors may be referred to together as the "Plan Proponents." The Plan has been filed under Chapter 11 ("**Chapter 11**") of Title 11 of the United States Code (the "**Bankruptcy Code**"). Capitalized terms used in this Disclosure Statement and not defined herein shall have their respective meanings set forth in the Plan or, if not defined in the Plan, as defined in the Bankruptcy Code.

On April 30, 2009, the Debtors filed the Plan. The purpose of this Disclosure Statement is to enable those persons whose Claims against the Debtors are Impaired and who are entitled to vote under the Plan to make an informed decision with respect to the Plan before exercising their rights to vote to accept or reject the Plan. On _____, 2009, after notice and a hearing, this Disclosure Statement was approved by the Bankruptcy Court as containing information, of a kind and in sufficient detail, to enable persons whose votes are being solicited to make an informed judgment with respect to acceptance or rejection of the Plan. A copy of the Bankruptcy Court's Order approving this Disclosure Statement and establishing procedures for voting on the Plan (the "**Disclosure Statement Order**") is included in the packet of information transmitted with this Disclosure Statement. The Bankruptcy Court's approval of this Disclosure Statement does not constitute either a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan.

Holders of Claims should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes with respect to the Plan may be made except pursuant to this Disclosure Statement. No statement or information concerning the Debtors (particularly as to results of operations or financial condition, or with respect to distributions to be made under the Plan) or any of the respective assets, properties or businesses of the Debtors that is given for

the purpose of soliciting acceptances or rejections of the Plan is authorized, other than as set forth in this Disclosure Statement. In the event of any inconsistencies between the provisions of the Plan and this Disclosure Statement, the provisions of the Plan shall control. **A true and correct copy of the Plan is attached to this Disclosure Statement as Exhibit "A."**

After carefully reviewing this Disclosure Statement and all exhibits and schedules attached hereto, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Then, except as provided below, **RETURN THE BALLOT TO WALLER LANSDEN DORTCH & DAVIS, LLP, 511 UNION STREET, SUITE 2700, NASHVILLE, TENNESSEE 37219, ATTN: CHRIS CRONK, IN THE ENCLOSED, POSTAGE-PAID, RETURN ENVELOPE IN SUFFICIENT TIME TO BE RECEIVED NO LATER THAN 4:00 P.M., CENTRAL TIME, ON _____, 2009 (THE "VOTING DEADLINE"). ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED UNLESS ORDERED BY THE BANKRUPTCY COURT.**

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT AND ANY PLAN ULTIMATELY CONFIRMED BY THE COURT MAY BE DIFFERENT FROM THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT IN CERTAIN MATERIAL RESPECTS. HOWEVER, THE DEBTORS BELIEVE THAT

ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF ALL CLAIMANTS OF THE DEBTORS AND, CONSEQUENTLY, THE DEBTORS URGE ALL CLAIMANTS TO VOTE TO ACCEPT THE PLAN.

It is important that you cast your Ballot so that it will be received before the Voting Deadline. Ballots that are received after the Voting, Deadline may not be used in connection with the Plan Proponents' request for Confirmation of the Plan or any modification thereof, except to the extent allowed by the Bankruptcy Court. *See* **"Voting Ballots and Voting Deadline."**

This Disclosure Statement has been compiled by the Debtors to accompany the Plan. The factual statements, projections, financial information, and other information contained in this Disclosure Statement have been taken from documents prepared by the Debtors, as well as documents prepared by the Debtors' Tenants, the Debtors' unaudited Schedules and Statements of Financial Affairs, the Debtors' unaudited Monthly Operating Reports, pleadings filed in the Bankruptcy Cases, and information obtained in the Bankruptcy Cases. Any information provided in the Disclosure Statement should not be relied upon unless such information has been independently verified. Nothing contained in this Disclosure Statement shall have any preclusive effect against the Debtors (whether by waiver, admission, estoppel or otherwise) in any cause or proceeding which may exist or occur in the future.

This Disclosure Statement shall not be construed or deemed to constitute an acceptance of fact or an admission by the Debtors regarding any of the statements made herein, and all rights and remedies of the Debtors are expressly reserved in this regard. This Disclosure Statement contains statements which constitute the Debtors' or other third parties' views of certain facts. All such disclosures should be read as assertions of such parties. To the extent any paragraph does not contain an express reference that it constitutes an assertion of a particular party, it should be read as an assertion of the party indicated by the context and meaning of such paragraph.

The statements contained in this Disclosure Statement are made as of the Petition Date hereof unless another time is specified herein, and neither delivery of this Disclosure Statement nor any exercise of rights granted in connection with the Plan shall, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Disclosure Statement. Certain of the information contained in this Disclosure Statement, by its nature, is forward looking, contains estimates and assumptions that may prove to be inaccurate, and contains projections that may prove to be wrong, or that may be materially different from actual future results. Each Claimant should verify independently and consult its individual attorneys and accountants as to the effect of the Plan on such individual Claimant.

IT IS OF THE UTMOST IMPORTANCE TO THE PLAN PROPONENTS THAT YOU VOTE PROMPTLY TO ACCEPT OR REJECT THE PLAN BY COMPLETING AND SIGNING THE BALLOT ENCLOSED HEREWITH AND RETURNING IT TO THE ADDRESS SET FORTH IN THE BALLOT INSTRUCTIONS THAT ACCOMPANY SUCH BALLOT. SHOULD YOU HAVE ANY QUESTIONS REGARDING THE VOTING PROCEDURES, YOUR BALLOT, OR THE BALLOT INSTRUCTIONS, OR IF YOUR BALLOT IS DAMAGED OR LOST, CONTACT COUNSEL FOR THE DEBTORS AT THE FOLLOWING ADDRESS: DAVID E. LEMKE, WALLER LANSDEN DORTCH & DAVIS, LLP, 511 UNION STREET, SUITE 2700, NASHVILLE, TENNESEE 37219 (PH. 615-850-8655)

The Disclosure Statement Order fixes _____, 2009, at _____ Central Time, before the Honorable Keith M. Lundin, United States Bankruptcy Court for the Middle District of Tennessee, Nashville Division, Court Room II, 207 Customs House, 701 Broadway, Nashville, Tennessee 37203, as the date, time, and place for the hearing on Confirmation of the Plan, and fixes _____, 2009, as the date by which all objections to Confirmation of the Plan must be Filed with the Bankruptcy Court and received by counsel for the Debtors and certain other persons identified in the Disclosure Statement Order. The Plan Proponents will request Confirmation of the Plan at the Confirmation Hearing.

As used herein, the term "**Debtors**" means one or more of the six (6) jointly administered Debtors. The individual Debtor entities are Care Foundation of America, Inc., Brooksville Lessor/LLC, Bear Creek Lessor/LLC, Royal Oak Lessor/LLC, Cypress Cove Lessor/LLC, and Heather Hill Lessor/LLC, debtors and debtors-in-possession in the above-captioned Chapter Cases.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

II. PURPOSE OF CHAPTER 11{ TC "ARTICLE II. PURPOSE OF CHAPTER 11"\l1 }

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Formulation of a plan of reorganization is the principal purpose of Chapter 11. A plan of reorganization is the vehicle for satisfying the holders of claims against and equity interests in a debtor. The commencement of a Chapter 11 case creates an "estate" comprised of all the legal and equitable interests of the debtor. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may remain in possession of its property and continue to operate its business as a "debtor in possession." These jointly administered Chapter 11 bankruptcy cases (the

"Bankruptcy Cases") were commenced with the filing of voluntary petitions under Chapter 11 of the Bankruptcy Code by the Company on December 31, 2009 in the United States Bankruptcy Court, Middle District of Tennessee, Nashville Division (the "Bankruptcy Court"). Since the filing of the Bankruptcy Cases, the Debtors have been authorized to operate and manage their business as debtors in possession.

III. DESCRIPTION OF THE DEBTORS' BUSINESS{ TC "ARTICLE III. DESCRIPTION OF THE COMPANY'S BUSINESS"\l1 }

Debtor Care Foundation is a Tennessee not-for-profit, public benefit corporation. It is the sole member of the other named Debtors, each of which is organized in the State of Florida. Each of the Debtors, including Care Foundation, owns a skilled nursing facility which it in turn lease to the Tenants. The Tenants are unrelated to Debtors, other than as their lessees The Debtors value the Properties collectively at approximately $63,000,000.00 to $70,000,000.00. The Properties include the real estate, improvements, appurtenances, fixtures, furniture, equipment, inventory, and leasehold improvements at each facility, as well as the Certificates of Need on each of the Properties and the resulting licenses to operate a skilled nursing facility at each location. National Health Investors, Inc. ("NHI") is the Debtors' putative pre-petition lender, and it asserts a lien and security interest in the Properties, as well as the rents and revenues from the leases. The total amount of the claim asserted by NHI is approximately

$23,106,020.00 as of the Petition Date. NHI asserts that this amount continues to accrue interest at the annual rate of 9.5%. In addition, NHI asserts that it is entitled to recover its post petition attorneys fees and expenses.

The total monthly lease payment from the Tenants for all of the Properties is $533,333.33. Prior to the Petition Date, Debtors used the lease payments to make principal and interest payments to NHI in the amount $352,564.48 per month, as well as to pay for other operating expenses of the Debtors. Since the Petition Date, Debtors have used the leased payments to make adequate protection payments to NHI in the monthly about of $182,923.00, as well as to pay operating expenses and the administrative expenses associated with these Chapter 11 Cases, including attorneys fees and related expenses. The lease payments have been more than adequate to cover Debtors' pre and post Petition Date obligations. As of the date of this Disclosure Statement, Debtors had cash on hand in the amount of $_____. Debtors' post Petition Date accounts payable as of the date of this Disclosure Statement are $_____. [Debtors will insert these amounts on the date the Disclosure Statement is approved.]

The leases between the Debtors and the Tenants currently expire on September 30, 2009. The Debtors are in discussions with representatives of the Tenants regarding possible extensions of the leases. However, the Debtors are also pursuing other alternatives, including possibly leasing the Properties/Nursing Centers to someone other than the Tenants, or possibly engaging a third-party

management company to manage the Properties/Nursing Centers for the benefit of the Debtors as owners and operators of same. The Board of Care Foundation expects to make a decision on this issue in the near future. Under any circumstance, the revenues generated from the Properties will be adequate to make all Plan payments, as well as fund any additional operating expenses going forward.

IV. FACTORS LEADING TO FILING CHAPTER 11

A. Background

The Properties/Nursing Centers were previously owned by York Hannover Nursing Centers, Inc. ("York"). NHI was York's senior secured lender, with a term loan in the amount of approximately $29,500,000.00. The term loan was secured by the Properties/Nursing Centers. In addition, National Healthcare Corporation, an entity related at the time to NHI, was managing the Nursing Centers and had also loaned York and York's parent company, Stockbridge Investment Partners, Inc. ("Stockbridge"), $7,000,000.00. In April 1999, Stockbridge and York filed bankruptcy in the Middle District of Florida, and a trustee was appointed a few months later.

Shortly after Stockbridge's and York's bankruptcy cases were filed, NHI determined it would purchase the Properties/Nursing Centers from the York bankruptcy trustee. As part of this decision, NHI formed Care Foundation as a Tennessee not-for-profit corporation on December 9, 1999. Through a wholly-owned subsidiary, NHI then purchased the Properties/Nursing Centers from the York

bankruptcy estate on December 30, 1999, for a purchase price of $23,000,000.00. The next day, NHI caused its subsidiary to sell the Properties/Nursing Centers to Care Foundation for $32,707,924.00. NHI financed Care Foundation's acquisition with 100% financing (the "NHI Note"); and the Properties/Nursing Centers were pledged as collateral to secure the NHI Note. On September 15, 2000, Care Foundation's board formed each of the limited liability companies that now make up the other Debtors and transferred one of the Properties/Nursing Centers to each entity. The transfers were done with NHI's consent and subject to NHI's first mortgage on each of the Properties/Nursing Centers. On or about September 29, 2000, the Care Foundation board decided to lease the Properties to the Tenants so that the Tenants could operate the Nursing Centers and Care Foundation would simply collect rent.

B. NHI's Disputed Claim

The NHI Note originally had an interest rate of 11.5%, with a maturity date of July 1, 2001[1]. Over the years, the NHI Note was extended. For the year 2002 only, the interest rate was decreased to 10.5%. Prior to and after 2002, the interest rate on the NHI Note was 11.5%, until it was decreased to 9.5% on January 1, 2008. As of the Petition Date, the interest rate on the NHI Note was 9.5% per annum and the stated maturity date was December 31, 2009, pursuant to that Standstill Agreement between Care Foundation and NHI dated as of October 28, 2008.

[1] Interest was calculated on the NHI Note on a 360-day basis, as opposed to a 365-day basis. As a result, the effective interest rate on the NHI Note was actually 11.658125%.

NHI was unwilling to extend the maturity date of the NHI Note beyond December 31, 2008, on terms acceptable to Care Foundation. Care Foundation was informed and believed that NHI would file foreclosure actions against each of the Properties/Nursing Centers if the NHI Note were not promptly paid. Debtors did not have cash available to pay the matured amount of the NHI Note, nor were they able to obtain refinancing. Moreover, the Debtors contest the validity and enforceability of the NHI Note and NHI's liens. So even if they did have the ability to pay the matured NHI Note, they could not have done so without jeopardizing their ability to contest the obligation or to recover affirmative damages from NHI.

Care Foundation, as a Tennessee non-profit corporation, has a duty to the citizens of the State of Tennessee to be good stewards of the assets entrusted to it, and to take reasonable steps to ensure Care Foundation can carry out its charitable purpose. To this point, all Care Foundation has been able to do is service the debt imposed on it by NHI.

C. The NHI Adversary Proceeding

On January 2, 2009, just two days after the Petition Date, the Debtors commenced an Adversary Proceeding with the Bankruptcy Court seeking, among other things, damages from NHI and the disallowance of NHI's Secured Claim. The allegations against NHI are set out in detail in the Complaint that Debtors filed to commence the Adversary Proceeding. In summary, though, Debtors allege fraud and breach of fiduciary duty against NHI. NHI has filed an answer denying any

liability to Debtors and also asserting that its Secured Claim should be Allowed in full. The parties are currently engaged in pre-trial discovery in the Adversary Proceeding. In addition, pursuant to the Bankruptcy Court's pretrial order, the parties will engage in mediation some time after May 1, 2009. It is not likely the Adversary Proceeding will be resolved prior to confirmation of the Plan. The Plan takes into account that the Adversary Proceeding may not be resolved prior to confirmation.

V. PLAN SUMMARY

Debtors refer the Creditors to the Plan for specifics regarding the treatment of the various Classes of Claims. The following is intended simply as a summary of the Plan. As stated above, to the extent there are any conflicts between the Plan and this Disclosure Statement, the Plan Controls.

There are two basic categories of Claims under the Plan—Non-Classified Claims and Classified Claims. The Non-Classified Claims consist of General Administrative Claims, Administrative Tax Claims, fees of the United States Trustee, and Priority Tax Claims. Debtors intend to pay these Claims, to the extent they are Allowed Claims, in full. The holders of these Claims will not be entitled to vote on the Plan.

The second category of Claims is the Classified Claims. The Classified Claims consist of the Secured Claim of NHI, Other Secured Claims, Administrative Convenience Claims, General Unsecured Claims, Tort Claims, and the Tenant

Claim. To the extent Claims in each of these Classes are Allowed Claims, Debtors also intend to pay them in full as provided in the Plan. Holders of Allowed Claims in each of these Classes will be entitled to vote on the Plan.

Based on the Debtors' pre-petition and post petition cash flow, as reflected in the Debtors Monthly Operating Reports filed in these Chapter 11 Cases, Debtors will have enough cash on hand as of the Effective Date and will generate enough excess cash flow post confirmation to make all payments due on Non-Classified and Classified Allowed Claims, as provided in the Plan, with the possible exception of the Allowed Secured Claim of NHI.

Under the Plan, Debtors may elect to pay the Allowed Secured Claim of NHI in full by either providing NHI with the NHI Note, along with a mortgage or deed of trust and security agreement to secure the NHI Note, or by paying NHI the NHI Cash Payment Amount on the later of the Effective Date or the date the NHI Secured Claim becomes an Allowed Secured Claim by Final Order of the Bankruptcy Court. If Debtors elect the latter, i.e., the NHI Cash Payment, they may not have enough cash on hand from operations to make the NHI Cash Payment Amount as of the later of the Effective Date or the date the NHI Secured Claim becomes an Allowed Secured Claim, depending on the Allowed amount of said Claim. Accordingly, Debtors intend to set up an Escrow Account (defined below) as follows.

A. NHI Escrow Account

Debtors are currently pursuing two courses of action. First, they are evaluating whether to continue leasing the Properties/Nursing Centers to the Tenants or to some other lessee(s) after the expiration of the current leases; or operate the Nursing Centers themselves and hire a third-party management company to perform the day-to-day management of them. Debtors intend to make this decision promptly. But under either scenario Debtors will have enough cash flow to pay all of the Debtors' Plan obligations, as well as all post confirmation obligations.

In addition, Debtors are seeking new financing for the Properties/Nursing Centers. Debtors anticipate obtaining such financing before the later of the Effective Date or the date on which the NHI Secured Claim becomes an Allowed Secured Claim. Upon the closing of the financing, Debtors intend to pay into an escrow account (the "Escrow Account") an amount equal to the maximum possible amount of the NHI Cash Payment (the "Escrow Payment"). Debtors estimate the Escrow Payment will not exceed $25,000,000.00, which includes the maximum amount of principal, interest, attorneys and expenses, and other charges NHI may be able to claim against the Debtors. If Debtors and NHI can not agree on the amount of the Escrow Payment, Debtors will request the Bankruptcy Court to decide the issue. Upon payment of the Escrow Payment into the Escrow Account, the NHI Secured Claim shall be deemed paid in full and all liens on the Properties

shall be deemed discharged from the Properties so that the party providing the new financing will have a first-priority lien and security interest in the Properties securing such new financing; however, under the escrow agreement governing the Escrow Account (the "Escrow Agreement"), NHI will be granted a first-priority lien on the Escrow Account to secure Debtors' obligations under the Plan and the Escrow Agreement. The Escrow Account will be an interest bearing account. In addition, as of the Effective Date, Debtors will cease making any adequate protection or other payments to NHI. Instead, commencing the first month following the Effective Date, Debtors will pay monthly in arrears into the Escrow Account an amount sufficient make up the difference, if any, between the actual monthly interest accrual on the Escrow Amount and the amount that would accrue monthly if the Escrow Account were earning interest at the annual rate of 9.5%. The Escrow Account will be held in escrow in accordance with the Escrow Agreement until the later of the Effective Date or the date upon which the NHI Secured Claim is deemed to be an Allowed Secured Claim and the NHI Cash Payment Amount is determined by final Order of the Bankruptcy Court. To the extent NHI's Secured Claim becomes an Allowed Secured Claim and the NHI Cash Payment Amount is determined, then an amount equal to the NHI Cash Payment Amount will be paid from the Escrow Account to NHI. To the extent there are surplus funds in the Escrow Account after paying the NHI Cash Payment Amount, then the surplus funds in the Escrow Account, including any accrued interest, shall

be paid over to Care Foundation free and clear of any Liens, claims or encumbrances, including any claims of NHI. Likewise, if NHI's Secured Claim is disallowed altogether and the NHI Cash Payment Amount is determined to be zero, then the full amount of the Escrow Account, including accrued interest, shall be paid over to Care Foundation free and clear of any Liens, claims or encumbrances, including any claims of NHI.

Prior to confirmation, Debtors will submit a draft Escrow Agreement to NHI for review and approval. If NHI and Debtors can not agree to the terms of the Escrow Agreement and/or the agent under same, Debtors will request the Bankruptcy Court to decide same.

VI. CERTAIN RISK FACTORS{ TC "ARTICLE X. CERTAIN RISK FACTORS"\l1 }

A. Factors Relating to Chapter 11 and the Plan{ TC "A. Factors Relating to Chapter 11 and the Plan"\l2 }

The following is intended as a summary of certain risks associated with the Plan, but is not exhaustive and must be supplemented by the analysis and evaluation of the Plan and this Disclosure Statement made by each Claimant as a whole in consultation with such Claimant's own advisors.

1. Insufficient Acceptances{ TC "1. Insufficient Acceptances"\l3 }

The Plan may not be confirmed without sufficient accepting votes. Each impaired Class of Claims and Interests receiving a distribution under the Plan is given the opportunity to vote to accept or reject the Plan. The Plan will be accepted by a Class of impaired Claims if the Plan is accepted by Claimants in such Class actually voting on the Plan who hold *at least* two-thirds (2/3) in amount and more than *one-half* (1/2) in number of the total Allowed Claims of such Class that actually vote. The Plan will be accepted by a Class of impaired Interests if it is accepted by holders of Interests in such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount of the total Allowed Interests of the Class that actually vote. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes.

If any impaired Class of Claims under the Plan fails to provide acceptance levels sufficient to meet the minimum Class vote requirements but at least one impaired Class of Claims accepts the Plan, then, subject to the provisions of the Plan, the Debtors intend to request confirmation of the Plan under § 1129(b) of the Bankruptcy Code.

2. Business Risks{ TC "2. Business Risks"\l3 }

As with any business venture, risks are an inherent part of the process and success can not be guaranteed. This Disclosure Statement contains projections that

are estimations of future revenues and expenses that may not be realized. All risk factors cannot be anticipated, some events develop in ways that were not foreseen and many or all of the assumptions that have been used in connection with this Disclosure Statement and the Plan will not transpire exactly as assumed. Some or all of such variations may be material. While significant efforts have been made to be reasonable in this regard, there can be no assurance that subsequent events will bear out the analysis set forth herein. While the Debtors believe they have taken all prudent measures to address their future needs, no assurance of future success can be made.

VII. ALTERNATIVES TO THE PLAN{ TC "ARTICLE XI. ALTERNATIVES TO THE PLAN"\l1 }

The Debtors believe that the Plan affords creditors the potential for the greatest realization from the Debtors' assets, and, therefore, is in the best interests of creditors. The Debtors do not believe that any alternative Chapter 11 plan or liquidation under Chapter 7 would afford the holders of Allowed Claims a return greater than what may be achieved under the Plan.

A. Analysis of Liquidation under Chapter 7{ TC "A. Analysis of Liquidation under Chapter 7"\l2 }

An alternative to the confirmation of the Plan would be Debtors' voluntary conversion of these Chapter 11 Cases to liquidation proceedings under Chapter 7 of

the Bankruptcy Code. Under Chapter 7, a trustee would be appointed to administer the Estates, to resolve pending controversies, including the Adversary Proceeding between Debtors and NHI, and to make distributions on Allowed Claims. If the Bankruptcy Cases were converted to cases under Chapter 7, significant additional Administrative Expenses would be incurred, inasmuch as a Chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in Section 326 of the Bankruptcy Code, and a Chapter 7 trustee might also seek to retain new professionals, including attorneys and accountants, in order to resolve any Contested Claims and/or the Adversary Proceeding. There is a strong probability that a Chapter 7 trustee would not possess any particular knowledge of the Properties owned by the Debtors and would not be able to get as much value out of them as can the Debtors. Also, there is a possibility the trustee would not be able to operate the Nursing Centers, which could result in a loss of the residents. If that were to occur, the value of the Properties would go down significantly. It is certainly possible that a Chapter 7 would still result in distributions on Allowed Claims equal to the distributions under the Plan; however, a Chapter 7 would also result in Care Foundation being able to fulfill its charitable mission since its assets will have been liquidated. Therefore, in light of all the above, the Debtors do not believe conversion to a Chapter 7 is in the best interests of creditors or the Debtors.

In order to determine whether or not the Plan complies with the "best interest of creditors" test of Section 1129(a)(7) of the Bankruptcy Code, it is

necessary to do an analysis of the liquidation of the Debtors' assets in a Chapter 7. Due to the numerous uncertainties and time delays associated with liquidation under Chapter 7 of the Bankruptcy Code, it is not possible to predict with certainty the outcome of any Chapter 7 liquidation of the Company or the timing of any distributions to Claimants. However, Debtors have concluded that a complete liquidation of the Company under Chapter 7 of the Bankruptcy Code would result in a distribution to Unsecured Creditors of less than 100%

B. Alternatives Under Chapter 11{ TC "B. Alternatives under Chapter 11"\l2 }

After the expiration or termination of the Debtors' exclusivity period for filing a plan, other parties-in-interest could attempt to formulate different plans. Such plans might involve a sale of the Debtors' assets. The Company believes that the sale of the Company's business as a going concern which might be proposed under some other Chapter 11 plan would result in less recovery for unsecured creditors.

VIII. VOTING PROCEDURES{ TC "ARTICLE XII. VOTING PROCEDURES"\l1 }

ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DETERMINED, PURSUANT TO THE BANKRUPTCY CODE, BASED UPON THE ALLOWED CLAIMS AND ALLOWED INTERESTS THAT ACTUALLY

VOTE ON THE PLAN. THEREFORE, IT IS IMPORTANT THAT CLAIMANTS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.

A. Classes Entitled to Vote on the Plan{ TC "A. Classes Entitled to Vote on the Plan"\l2 }

All members of Impaired Classes who hold Allowed Claims are entitled to vote to accept or reject the Plan. Section 1124 of the Bankruptcy Code generally provides that a class of claims is considered to be Impaired under a plan unless the plan does not alter the legal, equitable and contractual rights of the holders of such claims or interest. For purposes of Plan solicitation, Classes 1-6 are Impaired and are, therefore, entitled to cast ballots and vote on the Plan.

B. Persons Entitled to Vote on the Plan{ TC "B. Persons Entitled to Vote on the Plan"\l2 }

Any holder of an Impaired or deemed Impaired Claim which is an Allowed Claim against the Debtors on _____, the Voting Record Date established by the Bankruptcy Court, is entitled to vote to accept or reject the Plan, unless such Class has been deemed to reject the Plan.

For purposes of voting, an Allowed Claim is as defined in the Plan. Therefore, although the holders of Disputed Claims will receive ballots, these votes

will not be counted unless such Claims become Allowed Claims as provided under the Plan or are temporarily allowed for voting purposes by the Bankruptcy Court.

C. Vote Required for Class Acceptance{ TC "C. Vote Required for Class Acceptance"\l2 }

During the Confirmation Hearing, the Bankruptcy Court will determine whether the Classes voting on the Plan have accepted the Plan by determining whether sufficient acceptances have been received from the holders of Allowed Claims actually voting in such Classes. A Class of Claims will be determined to have accepted the Plan if the holders of Allowed Claims in the Class casting votes in favor of the Plan (i) hold at least two-thirds of the total amount of the Allowed Claims of the holders in such Class who actually vote and (ii) constitute more than one-half in number of holders of the Allowed Claims in such Class who actually vote on the Plan. As a condition to Confirmation, the Bankruptcy Code requires that each impaired Class of Claims or Interests accept the Plan, subject to the exception of § 1129(b) described herein. At least one impaired Class of Claims must accept the Plan.

D. Voting Instructions{ TC "D. Voting Instructions"\l2 }

1. Ballots and Voting{ TC "1. Ballots and Voting"\l3 }

Holders of Allowed Claims entitled to vote on the Plan have been sent a Ballot, together with instructions for voting, with this Disclosure Statement. Claimants should read the Ballot carefully and follow the instructions contained therein. In voting for or against the Plan, please use only the Ballot(s) that accompanies this Disclosure Statement.

If you have Claims in more than one Class, you may receive multiple Ballots. **IF YOU RECEIVE MORE THAN ONE BALLOT, YOU SHOULD ASSUME THAT EACH BALLOT IS FOR A SEPARATE CLAIM OR INTEREST AND SHOULD COMPLETE AND RETURN EACH BALLOT.** Alternatively, if you believe that you hold Claims in more than one Class but do not receive multiple ballots, you may make as many copies of the Ballot as necessary to vote your Claims.

IF YOU ARE A MEMBER OF A CLASS ENTITLED TO VOTE ON THE PLAN AND DID NOT RECEIVE A BALLOT FOR SUCH CLASS, OR IF YOUR BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU SHOULD CONTACT COUNSEL FOR THE DEBTORS: David E. Lemke, Waller

Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, Tennessee 37219 (Ph: 615-850-8655).

2. Returning Ballots and Voting Deadline{ TC "2. Returning Ballots and Voting Deadline"\l3 }

You should complete and sign each Ballot that you receive and return it in the pre-addressed envelope enclosed with each Ballot to Chris Cronk, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, Tennessee 37219 (Ph: 615-850-8655) by the Voting Deadline (as hereinafter defined). All Ballots will be tabulated and the tabulation of voting presented to the Bankruptcy Court at the Confirmation Hearing.

THE VOTING DEADLINE IS 4:00 P.M., CENTRAL TIME, ON _____. IN ORDER TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED BY THE TABULATION AGENT ON OR BEFORE 4:00 P.M., CENTRAL TIME, ON THE VOTING DEADLINE AT THE ADDRESS SET FORTH IN THE BALLOT INSTRUCTIONS WHICH ACCOMPANY THE ENCLOSED BALLOT. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE ACCEPTED OR USED IN CONNECTION WITH THE COMPANY'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

3. Incomplete or Irregular Ballots { TC "3. Incomplete or Irregular Ballots "\l3 }

Ballots which fail to designate the Class to which they apply shall be counted in the appropriate Class as determined by the Debtors, subject only to contrary determinations by the Bankruptcy Court.

BALLOTS THAT ARE SIGNED AND RETURNED, BUT DO NOT INDICATE A VOTE EITHER FOR ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE COUNTED AS BALLOTS FOR THE ACCEPTANCE OF THE PLAN IF PERMITTED BY THE BANKRUPTCY COURT.

4. Changing Votes{ TC "4. Chancing Votes"\l3 }

Bankruptcy Rule 3018(a) permits a Claimant, for cause, to move the Bankruptcy Court to permit such claimant to change or withdraw its acceptance or rejection of a plan of reorganization.

E. Contested and Unliquidated Claims{ TC "E. Contested and Unliquidated Claims"\l2 }

Contested Claims are not entitled to vote to accept or reject the Plan. If you are the holder of a Contested Claim, you may ask the Bankruptcy Court to temporarily Allow your Claim for the purpose of voting pursuant to Bankruptcy Rule 3018.

F. Possible Reclassification of Creditors and Interest Holders{ TC "F. Possible Reclassification of Creditors and Interest Holders"\l2 }

The Debtors are required pursuant to Section 1122 of the Bankruptcy Code to place Claims into Classes that contain substantially similar Claims. While the Debtors believe they have classified all Claims in compliance with Section 1122 of the Bankruptcy Code, it is possible that a Claimant may challenge the classification of its Claim . If the Debtor is required to reclassify any Claims of any Claimants under the Plan, the Debtors, to the extent permitted by the Bankruptcy Court, intends to continue to use the acceptances received from such Claimants pursuant to the solicitation of acceptances using this Disclosure Statement for the purpose of obtaining the approval of the Class or Classes of which such Claimants are ultimately deemed to be a member. Any reclassification of Claimants could effect the Class in which such Claimants were initially a member, or any other Class under the Plan, by changing the composition of such Class and the required vote thereof for approval of the Plan.

IX. APPLICATION OF SECTION 1129(b){ TC "ARTICLE XIII. APPLICATION OF § 1129(b)"\l1 }

A. Request for Relief under § 1129(6){ TC "A. Request for Relief under § 1129(6)"\l2 }

In the event any Impaired Class of Claims fails to accept the Plan in accordance with § 1129(a) of the Bankruptcy Code, the Debtors shall request the Bankruptcy Court to confirm the Plan in accordance with the provisions of § 1129(b) of the Bankruptcy Code.

The Court may confirm a plan, even if it is not accepted by all impaired Classes, if the Plan has been accepted by at least one impaired Class of Claims and the Plan meets the "cramdown" provisions set forth in § 1129(b) of the Code. The "cramdown" provisions require that the Court find that a plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting impaired Class. In the event that all impaired Classes do not vote to accept the Plan, the Company will request that the Bankruptcy Court nonetheless confirm the Plan pursuant to the provisions of Section 1129(b) of the Code.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non- accepting impaired Unsecured Claims only if (a) each impaired unsecured Creditor receives or retains under the Plan property of a value as of the Effective Date of such Plan equal to the amount of its Allowed Claim, or (b) the holder of any Claim or Interest that is junior to the Claims of the dissenting Class will not receive or retain any property under the Plan.

The Court may find that the Plan is "fair and equitable" with respect to a Class of non- accepting Secured Claims, only if, under the Plan, (a) the holder of each Secured Claim in such Class retains such holder's lien and receives deferred cash payments totaling at least the Allowed amount of such Secured Claim and having a value, as of the Effective Date of the Plan, equal to or in excess of the value of such holder's interest in the estate's interest in the collateral for the Secured Claim, (b) the collateral for such Secured Claim is sold, the lien securing such Claims attached to the proceeds, and such liens on proceeds are afforded the treatment described under clause (a) or (c) of this sentence, or (c) the holders of such Secured Claims realize the "indubitable equivalent" of their claims.

If all of the provisions of Section 1129 are met, the Court may enter an order confirming the Plan.

B. The Plan is Confirmable Under § 1129(b) of the Bankruptcy Code{ TC "B. The Plan is Confirmable Under § 1129(b) of the Bankruptcy Code"\l2 }

The Debtors believe the Plan is confirmable under Section 1129(b) of the Bankruptcy Code because the Plan meets the "best interest of creditors" test and is "feasible." In addition, if any Class of Claims rejects the Plan, the Plan can nevertheless be confirmed because it meets the "cramdown" standard with respect to each Class.

1. The Plan Meets the "Best Interest of Creditors" Test{ TC "1. The Plan Meets the "Best Interest of Creditors" Test"\l3 }

The "best interest of creditors" test requires that the Court find that the Plan provides to each non-accepting holder of a Claim or Interest treated under the Plan a recovery which has a present value at least equal to the present value of the distribution that such person would receive from the debtor if the debtor were liquidated under Chapter 7 of the Code. An analysis of the likely recoveries and affect on Creditors in the event of liquidation under Chapter 7 of the Code is contained herein.

2. The Plan is Feasible{ TC "2. The Plan is Feasible"\l3 }

The Code requires that, as a condition to Confirmation of a plan, the Court find that Confirmation is not likely to be followed by a liquidation or a need for further financial reorganization except as proposed in that plan. Since the current board took over, the Debtors have generated significant cash flow for the payment of debt. Once the Plan is in effect, the Reorganized Debtors will have a stable capital structure and be free to focus even more on the growth and development of the Debtors' businesses, as well as their charitable mission. The combination of these elements and the reorganization contemplated in the Plan amply meets the feasibility requirements of the Bankruptcy Code.

3. The Plan Meets the Cramdown Standard With Respect to Any Impaired Class of Claims Rejecting the Plan{ TC "3. The Plan Meets the Cramdown Standard With Respect to Any Impaired Class of Claims Rejecting the Plan"\l3 }

In the event any impaired Class of Claims rejects the Plan, the Plan can nevertheless be confirmed. The Plan satisfies the provisions for cramdown under Section 1129(b)(2) of the Code. Secured Creditors are either retaining their liens and receiving the value of their interest in the Debtors' property in deferred cash payments totaling the allowed amount of their Claims, or receiving the indubitable equivalent of their Claims. Unsecured creditors are receiving on account of their claims property of a value equal to the allowed amount of their claims. In the event an impaired Class rejects the Plan, the Plan shall be deemed a motion for cramdown of such Class under Section 1129(b)(2) of the Code.

X. RECOMMENDATION OF THE DEBTORS

The Debtors believe the Plan is in the best interests of the Debtors' Creditors. Accordingly, the Debtors unanimously recommend that you vote for acceptance of the Plan and hereby solicit your acceptance of the Plan.

DATED: April 30, 2009

Prepared and submitted by:

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By: /s/ James P. Earle, III
James P. Earle, III, President

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