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

AMENDED DISCLOSURE STATEMENT RELATING TO SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF CARE FOUNDATION OF AMERICA, INC. AND ITS AFFILIATED DEBTORS (Dated: May 13, 2010)

IMPORTANT DATES

- Date by which Ballots must be received: [_____, 2010]
- Date by which objections to Confirmation of the Plan must be filed and served: [_____, 2010]
- Hearing on Confirmation of the Plan: [_____, 2010]

WALLER LANSDEN DORTCH & DAVIS, LLP
David E. Lemke (TN BPR #013586)
Nashville City Center
511 Union Street, Suite 2700
Nashville, Tennessee 37219
Phone: (615) 244-6380

Counsel for Debtors and Debtors-In-Possession

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT, AND NO ONE MAY SOLICIT ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION. IN ADDITION, THIS DISCLOSURE STATEMENT WILL BE REVISED TO REFLECT EVENTS THAT OCCURS AFTER THE DATE HEREOF, BUT PRIOR TO THE BANKRUPTCY COURT'S APPROVAL OF THE DISCLOSURE STATEMENT. (LEGEND TO BE REMOVED UPON ENTRY BY THE CLERK OF THE BANKRUPTCY COURT OF ORDER OF THE BANKRUPTCY COURT APPROVING THIS DISCLOSURE STATEMENT.)

I. INTRODUCTION

This Disclosure Statement (the "**Disclosure Statement**") is being furnished by the Debtors[1] to the holders of Claims[2] against the Debtors pursuant to section 1125 of the Bankruptcy Code. The Disclosure Statement is being furnished solely by the Debtors in connection with the solicitation of acceptances of the jointly proposed Second Amended Joint Plan of Reorganization of Care Foundation of America, Inc. and Its Affiliated Debtors Under Chapter 11 of the Bankruptcy Code (the "**Plan**"). **A true and correct copy of the Plan is attached to this Disclosure Statement as Exhibit "A."** The Plan has been filed under chapter 11 ("**Chapter 11**") of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq*. (the "**Bankruptcy Code**").

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 [_____, 2010], 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

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[1] 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 Bankruptcy Cases. The Debtors may be referred to together as the "**Plan Proponents**."

[2] 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.

between the provisions of the Plan and this Disclosure Statement, the provisions of the Plan shall control.

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 [_____, 2010] (THE "VOTING DEADLINE"). ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED UNLESS ORDERED BY THE BANKRUPTCY COURT.**

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: ROBERT P. SWEETER, WALLER LANSDEN DORTCH & DAVIS, LLP, 511 UNION STREET, SUITE 2700, NASHVILLE, TENNESSEE 37219 (PH. 615-850-8178)

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, 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 Chapter 11 Cases, and information obtained in the Chapter 11 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.

Unless otherwise set forth herein, the statements contained in this Disclosure Statement are made as of the Petition Date, 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, 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.

The Disclosure Statement Order fixes _____, 2010, 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 _____, 2010, 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.

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. EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code, pursuant to which a debtor-in-possession may reorganize its business for the benefit of its creditors, equity holders,[3] and other parties in interest. The formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the holders of claims against and interests in the debtor's estate.

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. In either event, upon confirmation of the plan, it becomes binding on a debtor and all of its creditors and equity holders, and the obligations owed by a debtor to such parties are compromised and exchanged for the obligations specified in the plan.

After a plan of reorganization has been filed, the holders of impaired claims against and interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. **This Disclosure Statement is presented to holders of Claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the solicitation of votes by the Debtors on the Plan.**

The bankruptcy court may confirm a plan of reorganization even though fewer than all the classes of impaired claims and equity interests accept such plan. For a plan of reorganization to be confirmed, despite its rejection by a class of impaired claims, the plan must be accepted by at least one class of impaired claims (determined without counting the vote of insiders) and the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or equity interests that has not accepted the plan. **The Plan has been structured so that it will satisfy the foregoing requirements as to any rejecting class of Claims and can therefore be confirmed, if necessary, over the objection of any (but not all) classes of Claims.**

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[3] Because Debtor Care Foundation is a Tennessee non-profit corporation and the other Debtors are wholly-owned subsidiaries of Care Foundation, there are no equity holders in these cases.

III. COMPANY OVERVIEW

A. The Debtors' Businesses

Debtor Care Foundation is a Tennessee not-for-profit corporation. Care Foundation is the single member of each of the other Debtors, which are all limited liability companies organized in the State of Florida. As of the Petition Date, each of the Debtors, 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, owned respectively the following skilled nursing facilities located in and around the Tampa Bay, Florida area: Ayers Health & Rehabilitation Center, Brooksville Health Care Center, Bear Creek Nursing Center, Royal Oak Nursing Center, Cypress Cove Care Center, and Heather Hill Nursing Center (the "**Facilities**"), including certain furniture, fixtures, equipment and inventory located therein. Each of the Debtors in turn lease their Facility to one of six wholly owned subsidiaries of Health Services Management, Inc. (collectively, "**HSM**"), known as Brooksville Health Care Center, LLC, Cypress Cove Care Center, LLC, Royal Oak Nursing Center, LLC, Bear Creek Nursing Center, LLC, Heather Hill Nursing Center, LLC and Ayers Health & Rehabilitation Center, LLC (the "**HSM Subsidiaries**," and together with HSM, the "**Tenants**"). On February 2, 2010, Debtors sold their Facilities and assigned the leases related thereto to National Health Investors, Inc. ("**NHI**"), as part of a settlement between Debtors and NHI that was approved by the Bankruptcy Court. The total consideration paid by NHI under the settlement was $67,000,000. After payment of NHI's allowed secured claim and certain administrative expenses, including legal fees and expenses, Debtors currently have approximately $43,000,000 in cash.

B. Formation of Debtors and Secured Prepetition Indebtedness

NHI, the Debtors' prepetition lender, formed Care Foundation as a Tennessee not-for-profit corporation on December 9, 1999. Through a wholly-owned subsidiary, NHI purchased the Facilities from the bankruptcy estate of York Hannover Nursing Centers, Inc. on December 30, 1999, for a purchase price of $23,000,000.00. The next day, NHI caused its subsidiary to sell the Facilities to Care Foundation for $32,707,924.00. NHI financed Care Foundation's acquisition with 100% financing (the "**Note**"); and the Facilities were pledged as collateral to secure the 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 Facilities to each entity. The transfers were done with NHI's consent and subject to NHI's first mortgage on each of the Facilities. On or about September 29, 2000, the Care Foundation board decided to lease the Facilities to the Tenants so that the Tenants could operate the Nursing Centers. The Tenants leased the Facilities from Debtors until February 2, 2010, when they were sold to NHI as set forth above.

C. Charitable Mission

From their creation through the Petition Date, Debtors have never been able to pursue a charitable mission because substantially all of their operating revenues have been used to make principal and interest payments on the Note to NHI. However, now that Debtors have satisfied their obligations to NHI, upon successfully exiting these Chapter 11 Cases Care Foundation intends to use its assets for the benefit of the citizens of the State of Tennessee in the areas of education and health care.

IV. FACTORS LEADING TO FILING CHAPTER 11

The NHI Note originally had an interest rate of 11.5%, with a maturity date of July 1, 2001.[4] Over the years, the Note was extended from time to time. For the year 2002 only, the interest rate was decreased to 10.5%. Prior to and after 2002, the interest rate on the 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 Note was 9.5% per annum and the stated maturity date was December 31, 2008, pursuant to that Standstill Agreement between Care Foundation and NHI dated as of October 28, 2008.

NHI was unwilling to extend the maturity date of the 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 Facilities if the Note was not promptly paid. Debtors did not have cash available to pay the matured amount of the Note, nor were they able to obtain refinancing. Moreover, the Debtors contested the validity and enforceability of the Note and NHI's liens. Therefore, even if the Debtors had had the ability to pay the matured 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. Accordingly, with the efforts to negotiate a resolution of the disputes between the Debtors and NHI having failed, on December 31, 2008, the Debtors were forced to commence the Chapter 11 Cases in an effort to, among other things, mitigate the risk of a foreclosure on the Facilities and to preserve the value of the Facilities for the Debtors and the citizens of the State of Tennessee.

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

V. THE CHAPTER 11 CASES

A. Commencement of the Chapter 11 Cases.

These jointly administered chapter 11 cases (the "**Chapter 11 Cases**") were commenced by the Debtors by filing of voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on December 31, 2008 (the "**Petition Date**") in the United States Bankruptcy Court, Middle District of Tennessee, Nashville Division (the "**Bankruptcy Court**"). Since the filing of the Chapter 11 Cases, the Debtors have been authorized to operate and manage their business as debtors-in-possession.

B. Representation of the Debtors

Prior to the Petition Date, the Debtors retained Waller Lansden Dortch & Davis, LLP ("**Waller**") to provide legal advice with respect to, among other things, their disputes with NHI and to advise them on their various options, including those under the Bankruptcy Code. As of the Petition Date, Waller was retained as bankruptcy counsel to the Debtors in connection with these Chapter 11 Cases. In addition, Debtors retained the law firm of White & Reasor, P.C., pursuant to section 327(e) of the Bankruptcy Code, as Debtors' outside general corporate counsel.

C. Schedules and Bar Dates for Filing Proofs of Claim

On January 23, 2009, the Debtors filed their Schedules of Assets and Liabilities (the "**Original Schedules**"). On April 28, 2009, the Debtors filed amendments to certain Original Schedules (together with the Original Schedules, the "**Schedules**").

On April 29, 2009, the Court entered an Order Establishing Bar Date for Filing of Claims (the "**Bar Date Order**"). The Bar Date Order established June 30, 2009 (the "**Bar Date**") as the last date for all persons or entities (each, a "**Claimant**"), with certain limited exceptions, holding a Claim (as such term is defined in section 101(5) of the Bankruptcy Code) against the Debtors to file proofs of claims in these Chapter 11 Cases. The Debtors gave notice of the Bar Date by mailing on our about May 4, 2009 (a) a notice of the Bar Date in the form approved by the Court (the "**Bar Date Notice**") and (b) a proof of claim form substantially similar to Official Form No. 10 customized for these Cases to all entities known or reasonably ascertainable as potential holders of a Claim.

D. Cash Collateral

On February 5, 2009, the Bankruptcy Court entered an agreed interim order authorizing the Debtors' use of Cash Collateral[5] on an interim basis. On March 18, 2009, the Bankruptcy Court entered an agreed final order authorizing the Debtors' use of Cash Collateral on a final basis for the duration of these Chapter 11 Cases and providing adequate protection to NHI in the form of monthly payments in the amount of $182,923.00.[6] In addition, the Bankruptcy Court granted NHI replacement liens in all post petition lease payments received by the Debtors, subject to certain limitations. Debtors ceased making adequate protection payments to NHI as of February 2010 in light of the sale of the Facilities to NHI, and the Cash Collateral Order has become moot inasmuch as no other parties assert or have any liens on any of the Debtors' cash.

E. Exclusivity

Pursuant to sections 1121(b) and (c)(3) of the Bankruptcy Code, the Debtors have a certain amount of time within which (a) to file their Plan (the "**Filing Period**"); and (b) to solicit acceptances of their timely filed Plan (the "**Solicitation Period**") before other parties in interest are permitted to file plans. The initial Filing Period and the initial Solicitation Period were April 30, 2009 and June 29, 2009, respectively. The Debtors filed their initial Plan on March 31, 2009, and an amended Plan on April 30, 2009. The initial Solicitation Period of April 30, 2009 was extended on July 1, 2009 to November 30, 2009, and further extended on November 30, 2009 to March 30, 2010.

F. Extension of Leases

The Leases were scheduled to expire by their own terms on September 30, 2009. Prior the expiration of the Leases, the Debtors entered into arm's length negotiations with the Tenants to reach a mutual agreement for the extension of the Leases. By an order dated September 1, 2009, the Bankruptcy Court authorized the Debtors to enter into amendments to the Leases with the Tenants to, among other things, (a) extend the terms of the Leases for five years, with a single option by the Tenants to extend the Leases by an additional three years, and (b) reduce the base rent with a 3 percent increase each year commencing the beginning of the third year of the new lease term. In addition, the Bankruptcy Court approved a compromise and settlement of certain claims between the Debtors and the Tenants arising out of, and related to, the Leases, including competing claims to the CapX Escrow Account in the amount of $500,000.00. As a result of that settlement and

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[5] **"Cash Collateral"** means proceeds, products, offspring, rents, or profits of property subject to a security interest as provided in section 552 (b) of the Bankruptcy Code, whether existing before or after the commencement of the Chapter 11 Cases.

[6] The monthly adequate protection payments equaled the interest accrual on the amount of the claim asserted by NHI.

compromise, the Tenants received the funds in the CapX Escrow Account and released, inter alia, their prepetition claims against Debtors. The Leases were assigned to NHI as part of the sale of the Facilities.

G. NHI Adversary Proceeding

On January 2, 2009, the Debtors commenced an adversary proceeding against NHI styled: Care Foundation of America, Inc.; Heather Hill Lessor/LLC; Cypress Cove Lessor/LLC; Brooksville Lessor/LLC; Bear Creek Lessor/LLC; and Royal Oak Lessor/LLC, vs. National Health Investors, Inc., Adv. No. 09-00002 (the "**Adversary Proceeding**"). In their complaint, Debtors sought, among other things, damages from NHI and the disallowance of NHI's Claim based upon allegations of fraud and breach of fiduciary duty by NHI. On May 15, 2009, Robert E. Cooper, Jr., the Attorney General and Reporter for the State of Tennessee (the "**Attorney General**"), intervened in the Adversary Proceeding as a co-plaintiff with the Debtors. The Attorney General's allegations were substantially the same as Debtors and were based on the same facts and circumstances. NHI filed its answers denying any liability to Debtors or the Attorney General, and also asserted that the NHI proof of claim should be allowed in full as a secured claim.

The trial was set to commence in the Adversary Proceeding on December 2, 2009. Immediately prior to the commencement of the trial, Debtors, the Attorney General, and NHI agreed to settle the Adversary Proceeding on the terms and conditions contained in that letter agreement dated December 3, 2009 (the "**Settlement Agreement**"). The Settlement Agreement was approved by the Bankruptcy Court on January 11, 2010 (Docket No. 286) (the "**Settlement Order**").

H. Sale of Facilities to NHI

Pursuant to the Settlement Agreement and Settlement Order,[7] NHI paid Debtors a total of sixty-seven million and no/100 dollars ($67,000,000.00) (the "**Settlement Amount**"). In exchange, Debtors and the Attorney General released NHI from the claims asserted in the Adversary Proceeding and Debtors transferred the Facilities and assigned their interests in the Leases (collectively, the "**CFA Assets**") to NHI, free and clear of all liens, claims and interests.

I. NHI Claim

Pursuant to the terms of the Settlement Agreement, as approved by the Settlement Order, NHI's Claim was allowed in full, without costs or attorneys' fees,

[7] The following is intended to be only a summary of the terms of the Settlement Agreement and Settlement Order. To the extent anything set forth below is inconsistent with the terms of the Settlement Agreement or Settlement Order, the Settlement Agreement and Settlement Order shall control.

in the amount of $23,106,109, plus accrued and unpaid interest to the closing date. Furthermore, the Settlement Order authorized NHI to offset the amount of NHI's Claim against the Settlement Amount. The settlement closed on February 2, 2010. As of the closing date, NHI had no further claims in these Chapter 11 Cases.

VI. PLAN SUMMARY

The following is a brief summary of certain terms and provisions of the Plan. This summary of the Plan is qualified in its entirety by reference to the full text of the Plan, which is annexed to this Disclosure Statement as Exhibit A. As stated above, to the extent there are any conflicts between the Plan and this Disclosure Statement, the Plan controls.

A. Classification and Treatment of Claims and Interests

The Debtors refer the Creditors to the Plan for specifics regarding the treatment of the various Classes of Claims. There are two basic categories of Claims under the Plan -- Non-Classified Claims and Classified Claims. The Non-Classified Claims consist of (a) General Administrative Expense Claims, (b) Administrative Tax Claims, (c) fees of the U.S. Trustee, and (d) Priority Tax Claims. The Debtors intend to pay these Claims, to the extent they are Allowed Claims, in full in accordance with the Plan. The holders of these Claims are unimpaired and will not be entitled to vote on the Plan.

The second category of Claims is the Classified Claims. The Classified Claims consist of the (a) Class 1 -- Secured Claim of NHI, (b) Class 2 -- Other Secured Claims, (c) Class 3 -- Administrative Convenience Claims, (d) Class 4 -- General Unsecured Claims, (e) Class 5 -- Tort Claims, and (f) Class 6 -- Tenant Claims. 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 are impaired and 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, and the sale of the Facilities to NHI, the Debtors will have enough cash on hand as of the Effective Date to make all payments due on Non-Classified and Classified Allowed Claims, as provided in the Plan. Debtors estimate they will have approximately $43,000,000 in cash as of the Effective Date of the Plan. They further estimate there will be no unpaid Allowed General Administrative Expense Claims. Likewise, Debtors do not believe there will be any Allowed Administrative Tax Claims, Allowed Priority Tax Claims, or Allowed Class 5 -- Tort Claims. Furthermore, the Class 1 -- Secured Claim of NHI and Class 6 -- Tenant Claims have been resolved and there will be no further cash distribution on account of such claims under the

Plan. Debtors estimate that the Allowed Class 2 -- Other Secured Claims will not exceed $15,434.50. Finally, Debtors estimate that the Allowed Class 3 -- Administrative Convenience Class Claims and the Allowed Class 4 -- General Unsecured Claims will not exceed $35,000 in the aggregate. Even if any of the aforementioned Claims are Allowed in amounts that far exceed the above estimates, Debtors should have adequate cash on hand to pay all Allowed Claims, as well as the fees of the United States Trustee, in accordance with the Plan.

B. Means For Implementation Of The Plan

The Debtors shall continue to operate as debtors-in-possession, subject to the supervision of the Bankruptcy Court, during the period from the Confirmation Date through and until the Effective Date. Upon the occurrence of the Effective Date, Brooksville Lessor/LLC, Bear Creek Lessor/LLC, Royal Oak Lessor/LLC, Cypress Cove Lessor/LLC, and Heather Hill Lessor/LLC Inc. shall be merged into Reorganized Care Foundation, which shall be the surviving corporate entity, and Brooksville Lessor/LLC, Bear Creek Lessor/LLC, Royal Oak Lessor/LLC, Cypress Cove Lessor/LLC, and Heather Hill Lessor/LLC Inc. shall be dissolved. As a result, on the Effective Date, all property of the Debtors and the Estates shall vest in the Reorganized Debtors, free and clear of all liens, claims and encumbrances.

Unless otherwise set forth in the Settlement Agreement, the Reorganized Debtors will be responsible for evaluating, funding, and pursuing any or none of the Causes of Action based on their reasonable business judgment for the benefit of the Reorganized Debtors. However, the Reorganized Debtors shall only be liable to fund such amounts as the Reorganized Debtors, in their sole and absolute discretion, shall deem appropriate and reasonable. Unless otherwise set forth in the Settlement Agreement, after the Effective Date, the Reorganized Debtors shall, in their sole and absolute discretion, be authorized to compromise and settle any of the Causes of Action without Bankruptcy Court approval or notice to any party, at any time, and for any consideration that the Reorganized Debtors believe to be in their best interests (and not necessarily in the best interest of their creditors) including, inter alia, the right to permit the Reorganized Debtors to accept zero-cash or non-cash benefits.

VII. SOLICITATION PACKAGE AND VOTING PROCEDURES

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

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

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

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 accept the Plan, subject to the exception of section 1129(b) described herein. At least one impaired Class of Claims must accept the Plan.

D. Voting Instructions

1. Ballots and Voting

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 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: Robert P. Sweeter, Waller Lansden Dortch & Davis, LLP, 511 Union Street, Suite 2700, Nashville, Tennessee 37219 (Ph: 615-850-8178).

2. Returning Ballots and Voting Deadline

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 DEBTORS' COUNSEL 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

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

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

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

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 Debtors are required to reclassify any Claims of any Claimants under the Plan, the Debtors, to the extent permitted by the Bankruptcy Court, intend 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.

VIII. CERTAIN RISK FACTORS

A. Factors Relating to Chapter 11 and the Plan

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

The Plan may not be confirmed without sufficient accepting votes. Each impaired Class of Claims 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 Claims if it is accepted by holders of Claims in such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount of the total Allowed Claims 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 section 1129(b) of the Bankruptcy Code.

2. Business Risks

As with any business venture, risks are an inherent part of the process and success can not be guaranteed. 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.

IX. ALTERNATIVES TO THE PLAN

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

An alternative to the confirmation of the Plan would be the Debtors' voluntary conversion of these Chapter 11 Cases to liquidation proceedings under chapter 7 of the Bankruptcy Code ("**Chapter 7**"). Under Chapter 7, a trustee would be appointed to administer the Estates, to resolve pending controversies and to make distributions on Allowed Claims. If the Chapter 11 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. Therefore, a liquidation under a Chapter 7 would likely result in significant delays in distributions to creditors and could result in the incurrence of significant costs to the Debtors' estates. 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 unable 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 proceeding. 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 Debtors or the timing of any distributions to Claimants. Debtors have, however, concluded that a complete liquidation of their assets under Chapter 7 of the Bankruptcy Code would not result in a distribution to Unsecured Creditors greater than under the Plan.

B. Alternatives Under Chapter 11

After the expiration or termination of the Debtors' exclusivity period for filing a plan, other parties-in-interest could attempt to formulate different plans. With respect to an alternative plan of reorganization, the Debtors have examined various

other alternatives in connection with the process involved in the formulation and development of the Plan. The Debtors believe that the Plan, as described herein, enables holders of Claims to realize the best recoveries under the present circumstances.

X. APPLICATION OF SECTION 1129(b)

A. Request for Relief Under Section 1129(b)

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

The Bankruptcy 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 section 1129(b) of the Bankruptcy Code. The "cramdown" provisions require that the Bankruptcy 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 Debtors will request that the Bankruptcy Court nonetheless confirm the Plan pursuant to the provisions of section 1129(b).

The Bankruptcy 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 Bankruptcy Court may enter an order confirming the Plan.

B. The Plan is Confirmable Under Section 1129(b) of the Bankruptcy Code

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

The "best interest of creditors" test requires that the Bankruptcy Court find that the Plan provides to each non-accepting holder of a Claim 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 Debtors if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

2. The Plan is Feasible

Section 1129(a)(11) of the Bankruptcy Code requires that, as a condition to Confirmation of the 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 the Plan. Since the current Board of Directors 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 will 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

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 Bankruptcy Code.

XI. CONCLUSION AND RECOMMENDATION

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. Any alternative to confirmation of the Plan, such as liquidation under Chapter 7 of the Bankruptcy Code or attempts to confirm an alternative plan of liquidation, would involve significant delays, uncertainty, substantial additional administrative costs, and the potential abolishment of the Debtors' charitable mission. Moreover, as described above, the Debtors believe that their creditors will receive greater and earlier recoveries under the Plan than those that could be achieved in a liquidation under Chapter 7 of the Bankruptcy Code. **FOR THESE REASONS, THE DEBTORS URGE ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN TO RETURN THEIR BALLOTS ACCEPTING THE PLAN**.

Dated: Nashville, Tennessee
May 13, 2010

Submitted By:

Care Foundation of America, Inc.

By: /s/ C. Thomas Davenport, Jr.
C. Thomas Davenport, Jr., President

Brooksville Lessor/LLC

By: Care Foundation of America, Inc., its sole Member

By: /s/ C. Thomas Davenport, Jr.
C. Thomas Davenport, Jr., President

Bear Creek Lessor/LLC

By: Care Foundation of America, Inc., its sole Member

By: /s/ C. Thomas Davenport, Jr.
C. Thomas Davenport, Jr., President

Royal Oak Lessor/LLC

By: Care Foundation of America, Inc., its sole Member

By: /s/ C. Thomas Davenport, Jr.
C. Thomas Davenport, Jr., President

Heather Hill Lessor/LLC

By: Care Foundation of America, Inc., its sole Member

By: /s/ C. Thomas Davenport, Jr.
C. Thomas Davenport, Jr., President

Cypress Cove Lessor/LLC

By: Care Foundation of America, Inc., its sole Member

By: /s/ C. Thomas Davenport, Jr.
C. Thomas Davenport, Jr., President

WALLER LANSDEN DORTCH & DAVIS, LLP

By: /s/ David E. Lemke
David E. Lemke (TN BPR #013586)
Nashville City Center
511 Union Street, Suite 2700
Nashville, Tennessee 37219
Phone: (615) 244-6380
Fax: (615) 244-6804
David.lemke@wallerlaw.com

Counsel for Debtors and Debtors-In-Possession