

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

-----)	Chapter 11
In re:)	
)	Case No. 11-46151
The Clare at Water Tower,)	
)	Hon. Susan Pierson Sonderby
Debtor.)	
-----)	

**DEBTOR'S FIFTH AMENDED PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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The Clare at Water Tower (“*The Clare*” or the “*Debtor*”) hereby proposes the following plan of reorganization pursuant to chapter 11 of the Bankruptcy Code:

The Debtor is the proponent of this Plan and accompanying disclosure statement within the meaning of Bankruptcy Code section 1129. All Holders of Claims against the Debtor are encouraged to read this Plan and the Disclosure Statement with Respect to Third Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated March 21, 2012 (as supplemented, the “*Disclosure Statement*”) in their entirety before voting to accept or reject this Plan.

SECTION 1. DEFINITIONS AND INTERPRETATION

A. Definitions.

The following terms used herein shall have the respective meanings defined below:

1.1 *Administrative and Priority Claims Reserve* means the account to be established by the Plan Administrator and funded with the Administrative and Priority Claims Reserve Amount pursuant to Section 4.9 of this Plan in accordance with the Wind-Down Budget.

1.2 *Administrative and Priority Claims Reserve Amount* means Cash in an amount to be determined to be funded from the Sale Proceeds and used by the Plan Administrator for the payment of Administrative Expense Claims Allowed after the Effective Date, Compensation and Reimbursement Claims Allowed after the Effective Date, Priority Tax Claims Allowed after the Effective Date, Trustee Fee Claims Allowed after the Effective Date, DIP Claims Allowed after the Effective Date, Other Priority Claims Allowed after the Effective Date, Secured Tax Claims Allowed after the Effective Date, and Other Secured Claims Allowed after the Effective Date, to the extent that the foregoing Claims have not been paid on or prior to the Effective Date. The Administrative and Priority Claims Reserve Amount shall include the Wind-Down Budget.

1.3 *Administrative Expense Claim* means a Claim for payment of an administrative expense or cost of a kind specified in Bankruptcy Code section 503(b) and referenced in Bankruptcy Code sections 507(a)(2), 507(b) or 1114(e)(2) including, without limitation, the actual, necessary costs and expenses of preserving the Estate and operating the business of the Debtor, including wages, taxes incurred by the Estate, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case and Compensation and Reimbursement Claims.

1.4 *Administrative Expense Claim Bar Date* means the date that is the first Business Day that is at least thirty (30) days after the Effective Date.

1.5 *Allowed* means, with reference to any Claim against the Debtor, a Claim (i) as to which no objection or request for estimation has been filed on or before any deadline therefor set by the Bankruptcy Court or the expiration of such other applicable period fixed by the Bankruptcy Court or this Plan; (ii) as to which any objection has been settled, waived, withdrawn or denied by a Final Order or in accordance with this Plan; or (iii) that is allowed (a)

by a Final Order, (b) by an agreement between the Holder of such Claim and the Debtor or the Plan Administrator or (c) pursuant to the terms of this Plan; ***provided, however***, that, notwithstanding anything herein to the contrary, by treating a Claim as “Allowed” under clause (i) above (the expiration of the applicable deadline), the Debtor does not waive its rights to contest the amount and validity of any disputed, contingent and/or unliquidated Claim in the time, manner and venue in which such Claim would have been determined, resolved or adjudicated if the Chapter 11 Case had not been commenced. An Allowed Claim (i) includes a Disputed Claim to the extent such Disputed Claim becomes Allowed after the Effective Date and (ii) shall be net of any valid setoff exercised with respect to such Claim pursuant to the provisions of the Bankruptcy Code and applicable law. Unless otherwise specified in this Plan, in section 506(b) of the Bankruptcy Code or by Final Order of the Bankruptcy Court, “Allowed” Claims shall not, for purposes of Distributions under this Plan, include interest on such Claim accruing from and after the Petition Date.

1.6 ***Allowed Administrative Expense Claim*** means all or that portion of any Administrative Expense Claim which either: (a) has become allowed by a Final Order; or (b) was incurred by the Debtor in the ordinary course of business during the Chapter 11 Case and is due and owing under the terms and conditions of any agreements or applicable law.

1.7 ***Allowed Other Secured Claim*** means all or that portion of any Other Secured Claim which is or has become an Allowed Claim.

1.8 ***Allowed Priority Claim*** means all or that portion of any Priority Claim which is or has become an Allowed Claim.

1.9 ***Allowed Priority Tax Claim*** means all or that portion of any Priority Tax Claim which is or has become an Allowed Claim.

1.10 ***APA*** means the Stalking Horse Agreement, or such other purchase and sale agreement in respect of the Purchased Assets determined by the Debtor to represent, and approved by the Bankruptcy Court as, the highest and best bid following the Auction, or, if such sale does not close, the Next Best Bid, as may be amended, modified or supplemented from time to time, in a form and substance reasonably acceptable to the Master Bond Trustee, Bank and the Fixed Rate Bond Trustee.

1.11 ***Assets*** means all assets of the Debtor of any nature whatsoever, including, without limitation, all property of the Estate pursuant to Bankruptcy Code section 541, Cash, Avoidance and Other Actions, equipment, inventory, tax refunds, claims of right, interests and property, real and personal, tangible and intangible, and proceeds of any of the foregoing, including without limitation, proceeds of the Asset Sale and the proceeds of the sale of any other Assets pending disbursement. When referring to any time period prior to the Asset Sale Closing Date, Assets also means the Purchased Assets.

1.12 ***Asset Sale*** means the Debtor’s sale of the Purchased Assets, which sale will be conducted pursuant to the Bidding Procedure Order, and, for purposes of Bankruptcy Code section 1146(a), will be made and entered into, in furtherance of, under, or in connection with this Plan.

1.13 ***Asset Sale Closing Date*** means the date on which the Closing of the Asset Sale occurs.

1.14 ***Auction*** means the auction conducted in respect of the sale of the Purchased Assets in accordance with and pursuant to the Bidding Procedures Order.

1.15 ***Available Cash*** means the Debtor's "Cash on hand" as of the Effective Date and thereafter.

1.16 ***Avoidance and Other Actions*** means all Commercial Tort Claims as well as actions, Causes of Action, suits, choses in action, and claims of the Debtor and/or the Estate against any entity or Person, whether direct, indirect, derivative or otherwise arising under Bankruptcy Code section 510 or seeking to avoid a transfer of property or recover property pursuant to Bankruptcy Code sections 542 through 550 or applicable non-bankruptcy law.

1.17 ***Bank*** means Bank of America, N.A., agent of the Variable Rate Bonds.

1.18 ***Bankruptcy Code*** means title 11 of the United States Code, as now in effect or hereafter applicable to the Chapter 11 Case.

1.19 ***Bankruptcy Court*** means the United States Bankruptcy Court for the Northern District of Illinois or any other court having jurisdiction over the Chapter 11 Case from time to time.

1.20 ***Bankruptcy Rules*** means the Federal Rules of Bankruptcy Procedure, as amended, and the local rules of the Bankruptcy Court, as applicable to the Chapter 11 Case.

1.21 ***Bidding Procedures Motion*** means the Debtor's motion seeking, among other things, Bankruptcy Court approval of procedures for the conduct of the Asset Sale.

1.22 ***Bidding Procedures Order*** means an Order, in a form and substance reasonably acceptable to the Master Bond Trustee, Bank and the Fixed Rate Bond Trustee, approving procedures for the conduct of the Asset Sale, which requires that, among other things, each bid or offer to purchase all or substantially all of Purchased Assets comply with certain criteria.

1.23 ***Bond Documents*** means any bonds, trust indenture, loan agreement, mortgage, security agreement, letter of credit, letter of credit agreement or any other agreement executed in connection with or otherwise serving as collateral in connection with the Fixed Rate Bonds or Variable Rate Bonds.

1.24 ***Bondholder Contribution*** means twenty-five thousand dollars (\$25,000) of Sale Proceeds that would otherwise be payable to the Holders of Allowed Variable Rate Bondholder Claims and Allowed Fixed Rate Bondholder Claims under this Plan for distribution to Holders of Third-Party Trade Claims pursuant to this Plan solely in the event that the Third-Party Releases are approved pursuant to a Final Order.

1.25 **Bonds** means the Fixed Rate Bonds and the Variable Rate Bonds in the approximate aggregate amount of Two Hundred Twenty-Nine Million Dollars (\$229,000,000).

1.26 **Business Day** means any day of the calendar week, except Saturday, Sunday, a “legal holiday,” as defined in Bankruptcy Rule 9006(a), or any day on which commercial banks are authorized or required by law to close in Chicago, Illinois.

1.27 **Cash** means cash and cash equivalents including, without limitation, checks and wire transfers; **provided, that** other than as set forth in the Bond Documents, no distributions to be made in Cash under this Plan shall be comprised of any funds or accounts held by the Master Bond Trustee, the Variable Rate Bond Trustee or the Fixed Rate Bond Trustee.

1.28 **Causes of Action** means any claim, cause of action, controversy, demand, agreement, right (including to legal or equitable remedies), action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license, and franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. Cause of Action also includes: (a) any right of setoff, counterclaim, or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to section 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress, and usury, and any other defenses set forth in section 558 of the Bankruptcy Code; and (e) any state law fraudulent transfer claim.

1.29 **Chapter 11** means chapter 11 of the Bankruptcy Code.

1.30 **Chapter 11 Case** means the Debtor’s chapter 11 case filed on the Petition Date in the Bankruptcy Court.

1.31 **Claim** means a claim, as defined by Bankruptcy Code section 101(5), against the Debtor or its Assets, whether or not asserted.

1.32 **Class** means a class or category of Claims as classified and described in Section 3 of this Plan.

1.33 **Closing** means the consummation of the purchase and sale of the Purchased Assets as provided by the Confirmation Order and the APA.

1.34 **Collateral Documents** has the meaning set forth in section 4.4.2 of this Plan.

1.35 **Commercial Tort Claims** means claims of the Debtor arising in tort that arose prior to the Petition Date in the course of the Debtor’s business.

1.36 **Compensation and Reimbursement Claim** means a Claim for compensation for services rendered or reimbursement of expenses incurred through and

including the Effective Date pursuant to Bankruptcy Code sections 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5), including, but not limited to, Claims of any Professional seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date.

1.37 **Confirmation Date** means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on the Bankruptcy Court's docket.

1.38 **Confirmation Hearing** means the hearing on confirmation of this Plan pursuant to Bankruptcy Code section 1129.

1.39 **Confirmation Order** means the order entered by the Bankruptcy Court in the Bankruptcy Case, in a form and substance reasonably acceptable to the Master Bond Trustee, Bank and the Fixed Rate Bond Trustee, confirming this Plan and approving the consummation of the transactions contemplated by the APA pursuant to Sections 363(b) and (f) and 365 of the Bankruptcy Code and Bankruptcy Rule 6004.

1.40 **Contingent Claim** means any contingent or unliquidated Claim asserted or which may be asserted against the Debtor.

1.41 **Creditor** means a Holder of a Claim.

1.42 **Creditors' Committee** means the statutory committee of unsecured creditors appointed in the Chapter 11 Case by the Office of United States Trustee for the Northern District of Illinois on December 1, 2012.

1.43 **Debtor** means The Clare at Water Tower, debtor and debtor in possession, and includes the Estate, where appropriate.

1.44 **DIP Claims** means any and all Claims in respect of, arising out of or relating to the DIP Loan Agreement or any order entered by the Bankruptcy Court in respect thereof.

1.45 **DIP Lender** means Redwood Capital Investments, LLC.

1.46 **DIP Loan Agreement** means that certain Senior Secured Super-Priority Debtor in Possession Loan Agreement between the Debtor and the DIP Lender, dated as of November 16, 2011, together with any and all related security agreements, mortgage or other related documents, each as may be amended, modified or supplemented from time to time.

1.47 **Disallowed Claim** means any Claim or portion thereof which has been disallowed by a Final Order and includes any Claim which is not an Allowed Claim for any other reason.

1.48 **Disclosure Statement** means the Disclosure Statement with Respect to the Debtor's Third Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated March 21, 2012, as may be altered, modified, or amended in accordance with the Bankruptcy Code and the Bankruptcy Rules.

1.49 ***Disputed Claim*** means a Claim that has neither been Allowed nor disallowed pursuant to a Final Order of the Bankruptcy Court, and (a) if no Proof of Claim has been filed by the applicable deadline: (i) a Claim that has been or hereafter is listed on the Schedules as disputed, contingent, or unliquidated; or (ii) a Claim that has been or hereafter is listed on the Schedules as other than disputed, contingent, or unliquidated, but as to which the Debtor or any other party in interest has interposed an objection or request for estimation which has not been withdrawn or determined by a Final Order; or (b) if a Proof of Claim or other request for payment has been filed by the applicable deadline: (i) a Claim for which no corresponding Claim has been or hereafter is listed on the Schedules or Allowed in this Plan; (ii) a Claim for which a corresponding Claim has been or hereafter is listed on the Schedules as other than disputed, contingent, or unliquidated, but the nature or amount of the Claim or as asserted in the Proof of Claim varies from the nature and amount of such Claim as listed on the Schedules to the extent of such positive variance; (iii) a Claim for which a corresponding Claim has been or hereafter is listed on the Schedules as disputed, contingent, or unliquidated; or (iv) a Claim for which a timely objection or request for estimation is interposed by the Debtor or any other party in interest which has not been withdrawn or determined by a Final Order.

1.50 ***Distribution*** means Cash, property, interests in property or other value distributed to Holders of Allowed Claims, or their designated agents, under this Plan.

1.51 ***Distribution Record Date*** means five (5) Business Days prior to the date on which the Confirmation Hearing is concluded.

1.52 ***Effective Date*** means a Business Day selected by the Debtor, which is, unless the Confirmation Order directs otherwise, following the date on which each of the conditions to this Plan's Effective Date set forth herein has either been satisfied or waived in accordance with this Plan.

1.53 ***Effective Date Distributions*** means all Distributions required to be made on the Effective Date under this Plan to the Holders of Claims that are Allowed as of the Effective Date.

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

1.55 ***Estate*** means the estate of the Debtor created by the Debtor's Chapter 11 Case pursuant to Bankruptcy Code section 541.

1.56 ***Excluded Assets*** means the "Excluded Assets" as such term is defined in the APA, which consists of those Assets not being sold, transferred, assigned, conveyed or delivered to the Purchaser pursuant to the APA. Excluded Assets include, without limitation (a) cash on hand as of closing date of the APA; and (b) any rights, claims or causes of action of the Debtor, including any actions under Chapter 5 of the Bankruptcy Code. For the avoidance of doubt, Purchaser is not acquiring any cash or cash equivalents held by the Bond Trustee.

1.57 ***Exculpated Claim*** means any claim related to any act or omission in connection with, relating to or arising out of the Debtor's in or out of court restructuring efforts, the Chapter 11 Case, formulation, preparation, dissemination, negotiation or filing of the

Disclosure Statement or this Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or this Plan, the filing of the Chapter 11 Case, the pursuit of confirmation of this Plan, the administration and implementation of this Plan or the distribution of property under this Plan or any other related agreement; ***provided, however***, that Exculpated Claims shall not include any act or omission that is determined in a Final Order to have constituted gross negligence, willful misconduct or fraud to the extent imposed by applicable non-bankruptcy law. For the avoidance of doubt, no Cause of Action, obligation or liability expressly set forth in or preserved by this Plan constitutes an Exculpated Claim.

1.58 ***Exculpated Party*** means each of: (i) the Debtor, (ii) the Manager in any capacity, (iii) FSC in any capacity, (iv) the Issuer, (v) the Master Bond Trustee in any capacity, (vi) the Bank in any capacity, (vii) the Fixed Rate Bond Trustee in any capacity, (viii) the majority Fixed Rate Holders in any capacity, (ix) the Variable Rate Bond Trustee in any capacity, (x) the DIP Lender, (xi) the Creditors' Committee and its members and (xii) the current and former officers, directors, members, managers, employees, attorneys and advisors, each in their respective capacities as such, of each of the foregoing.

1.59 ***Executory Contract*** means a contract to which the Debtor is a party that is capable of assumption or rejection under section 365 of the Bankruptcy Code.

1.60 ***Final Cash Collateral Order*** means that "Final Order Authorizing Use of Cash Collateral and Providing Adequate Protection Under 11 U.S.C. §§ 105, 361, and 363" entered in the Chapter 11 Case as Docket No. 158.

1.61 ***Final Order*** means an order or judgment of the Bankruptcy Court entered by the Clerk of the Bankruptcy Court on the docket in the Chapter 11 Case, which has not been reversed, vacated, or stayed and as to which (i) the time to appeal, petition for certiorari, or move for a new trial, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument, or rehearing shall then be pending, or (ii) if an appeal, writ of certiorari, new trial, reargument, or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari or move for a new trial, reargument, or rehearing shall have expired; ***provided, however***, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or Bankruptcy Rule 9024, may be filed relating to such order shall not cause such order to not be a Final Order.

1.62 ***Fixed Rate Bond Trustee*** means Wells Fargo Bank, N.A., not individually but as successor series trustee for the Revenue Refunding Bonds, Series 2010A (The Clare at Water Tower) and Revenue Refunding Bonds, Series 2010B (The Clare at Water Tower).

1.63 ***Fixed Rate Bonds*** means The Clare's Fixed Rate Bonds of Series 2005A, 2005B, 2005C, 2010A and 2010B, outstanding as of the Effective Date in the approximate aggregate principal amount of Ninety-Five Million One Hundred Ninety-Nine Thousand and Twenty-Four Dollars (\$95,199,024).

1.64 ***Fixed Rate Bondholder Claim*** means any and all Claims in respect of, arising out of or relating to the Fixed Rate Bonds, whether under or pursuant to the Bond Documents or otherwise.

1.65 ***FSC*** means Franciscan Sisters of Chicago, the sole member of FSCSC.

1.66 ***FSCSC*** means Franciscan Sisters of Chicago Service Corporation, the sole member of the Debtor.

1.67 ***FSCSC Contribution*** means the aggregate amount of fifty thousand dollars (\$50,000) to be contributed by FSC and/or FSCSC on or prior to the Effective Date for distribution to Holders of Third-Party Trade Claims pursuant to this Plan solely in the event that the Third-Party Releases are approved pursuant to a Final Order.

1.68 ***General Unsecured Claim*** means any Unsecured Claim asserted against the Debtor which is not included within the other specifically defined Classes hereunder or which is otherwise determined by the Bankruptcy Court to be a General Unsecured Claim, including, without limitation, (a) any Rejection Damages Claim, (b) any Resident Claim as to which the Holder thereof does not vote to accept the Plan, and therefore does not agree to the Resident Modifications in accordance with Section 3.2.6 of this Plan, (c) any Unsecured Deficiency Claims, and (d) any claim held by a resident of the Debtor that is not a Resident Claim.

1.69 ***Holder*** means the legal or beneficial Holder of a Claim or Interest.

1.70 ***Impaired*** means, with respect to a Claim or Interest, that such Class of Claims or Interests is impaired within the meaning of Bankruptcy Code section 1124.

1.71 ***Indemnification Escrow Agreement*** means that certain Indemnification Escrow Agreement dated as of July 15, 2010, by and among the Debtor, the Issuer, and The Bank of New York Mellon Trust Company, in its capacity as escrow agent.

1.72 ***Issuer Escrow Fund Amount*** means the \$750,000 the Debtor caused to be delivered to the Issuer pursuant to the Indemnification Escrow Agreement as security for the indemnification obligations of the Debtor to the Issuer.

1.73 ***Issuer Escrow Fund Distribution*** means an amount equal to the Issuer Escrow Fund Amount less any Pending Claims Amount (as defined in the Indemnification Escrow Agreement) and any amounts previously provided to the Issuer pursuant to the terms of the Indemnification Escrow Agreement, which is to be distributed according to the conditions set forth in section 4.1 of the Indemnification Escrow Agreement.

1.74 ***Intercreditor Agreement*** means that certain Second Amended and Restated Intercreditor Agreement dated as of March 31, 2011, among the Master Bond Trustee, the series trustees for each series of Bonds and the Bank.

1.75 **Intercreditor Imbalance** has the meaning set forth in the Final Cash Collateral Order and shall be in an amount that is agreed upon by the Bank and the Fixed Rate Bond Trustee.

1.76 **Interest** means the interest of any Holder of the Debtor, within the meaning of Bankruptcy Code section 101(16), (17), represented by any instrument evidencing a present ownership or membership interest in the Debtor, whether or not transferable, or any option or right, contractual or otherwise, to acquire any such interest, including a partnership, limited liability company or similar interest in Debtor.

1.77 **Issuer** means Illinois Finance Authority, a body politic and corporate constituting a public instrumentality created and existing under and by virtue of the Illinois Finance Authority Act.

1.78 **Lease** means that certain Lease Agreement between Loyola, as Landlord, and the Debtor, as Tenant, dated as of November 2, 2005, as may be amended, modified or supplemented from time to time.

1.79 **Legacy Residents** has the meaning set forth in section 3.2.6 of this Plan.

1.80 **Lien** has the meaning set forth in section 101(37) of the Bankruptcy Code.

1.81 **Loyola** means Loyola University of Chicago.

1.82 **Majority Fixed Rate Holders** means the following holders of Fixed Rate Bonds: American High-Income Municipal Bond Fund, American Municipal Income Portfolio (XAA), Nuveen Intermediate Tax Free Fund, and Nuveen Short Tax Free Fund; BlackRock Apex Municipal Fund Inc. and BlackRock Muniassets Fund, Inc.; Federated Municipal High Yield Advantage Fund; Invesco Van Kampen High Yield Municipal Fund, Van Kampen High Yield Municipal Fund, and Van Kampen Strategic Municipal Income Fund; Lord Abbett Municipal Income Fund, Inc. and Lord Abbett High Yield Municipal Bond Fund; MFS Municipal Income Trust (MFM) and MFS Series Trust III on behalf of one of its Series, MFS Municipal High Income Fund (MMH); and Capital Research Management Company.

1.83 **Management Agreement** means that certain Management Services Agreement between the Debtor and FSCSC, dated as of October 24, 2005, as may be amended, modified or supplemented from time to time.

1.84 **Manager** means FSCSC, as manager of the Retirement Community pursuant to the Management Agreement.

1.85 **Master Bond Trustee** means Bank of New York Mellon Trust Company, N.A., not individually but as the master indenture trustee for The Clare's Fixed Rate Bonds and Variable Rate Bonds.

1.86 **Master Indenture** means Master Trust Indenture dated July 1, 2010 (as supplemented and amended from time to time) between the Debtor and the Master Bond Trustee.

1.87 **Medicare Indemnity Escrow** means that certain escrow account to be established pursuant to section 3.7 of the APA, and funded with the Medicare Indemnity Escrow Amount, to satisfy any amounts which are determined to be due to the Medicare program in connection with services provided to the Debtor's Medicare residents prior to the Closing Date.

1.88 **Medicare Indemnity Escrow Amount** means the aggregate amount of \$2,000,000 from the Cash Purchase Price (as defined in the APA) to be provided at the Closing by the Purchaser to fund the Medicare Indemnity Escrow in accordance with section 3.7 of the APA.

1.89 **Medicare Indemnity Escrow Fund Distribution** means any portion of the Medicare Indemnity Escrow Amount to which the "Seller" is entitled and which is distributed to the Debtor or the Plan Administrator, in each case in accordance with section 3.7 of the APA.

1.90 **Next Best Bid** means the bid made by the Next Best Bidder.

1.91 **Next Best Bidder** means a Qualified Bidder that has been determined by the Debtor to represent the next highest and best bid for the Purchased Assets as compared to the Successful Bid following the Auction.

1.92 **Person** means an individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, estate, unincorporated organization, governmental unit, government (or agency or political subdivision thereof), or other entity, including, without limitation, the Debtor.

1.93 **Petition Date** means November 14, 2011.

1.94 **Plan** means this Fifth Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated April 23, 2012, as may be altered, modified, or amended in accordance with the Bankruptcy Code and the Bankruptcy Rules.

1.95 **Plan Administrator** means the Person designated by the Debtor as the representative of the Debtor and the Estate for purposes of administering and consummating this Plan.

1.96 **Plan Contribution Amount** means collectively the FSCSC Contribution and the Bondholder Contribution, the aggregate of which will be distributed to the Holders of Third-Party Trade Claims pursuant to Section 3.2.7 of this Plan solely in the event that the Third-Party Releases are approved pursuant to a Final Order.

1.97 **Plan Documents** means all documents, forms of documents, schedules, and exhibits to this Plan to be executed, delivered, assumed and/or performed in conjunction with consummation of this Plan on the Effective Date.

1.98 **Plan Expenses** means all actual and necessary fees, costs, expenses and obligations incurred by or owed to the Plan Administrator and its agents, employees, attorneys, advisors and other professionals in administering this Plan, including, without limitation, (a) reasonable compensation for services rendered, and reimbursement for actual and necessary

expenses incurred by the Plan Administrator and its agents, employees and professionals after the Effective Date through and including the date upon which the Bankruptcy Court enters a final decree closing the Chapter 11 Case, and (b) all fees payable pursuant to Section 11.1 of this Plan.

1.99 **Plan Expenses Reserve** means the account to be established by the Plan Administrator and funded with the Plan Expenses Reserve Amount to be used for the payment of Plan Expenses.

1.100 **Plan Expenses Reserve Amount** means Cash in an amount to be determined by the Debtor to be funded from the Sale Proceeds and used for the payment of Plan Expenses, as reflected in the Wind-Down Budget.

1.101 **Plan Transactions** has the meaning set forth in Section 4.5 of this Plan.

1.102 **Priority Claim** means a Claim entitled to priority under Bankruptcy Code sections 507(a)(4) and 507(a)(5), if Allowed.

1.103 **Priority Tax Claim** means a Claim of a governmental unit of a kind entitled to priority under Bankruptcy Code section 507(a)(8), if Allowed.

1.104 **Professionals** means all professionals employed in the Chapter 11 Case pursuant to Bankruptcy Code sections 327 and 1103.

1.105 **Proof of Claim** means a proof of Claim filed against the Debtor in the Chapter 11 Case.

1.106 **Pro Rata Share** means, with respect to any Distribution on account of any Allowed Claim, the ratio that the amount of such Allowed Claim bears to the aggregate amount of all Allowed Claims in the same Class.

1.107 **Purchased Assets** means the "Purchased Assets" as such term is defined in the APA, which consists of those Assets that will be sold, transferred, assigned, conveyed and delivered to the Purchaser pursuant to the APA; **provided, however**, Purchased Assets do not include Excluded Assets.

1.108 **Purchaser** means the Person(s) designated as the purchaser or buyer of the Purchased Assets pursuant to the APA.

1.109 **Qualified Bid** means a bid made by a Qualified Bidder for the Purchased Assets.

1.110 **Qualified Bidder** means any person or entity that satisfies the necessary criteria, as set forth in the Bidding Procedures Order, to be a bidder for the Purchased Assets at the Auction.

1.111 **Reduced Refund** has the meaning set forth in section 3.2.6 of this Plan.

1.112 ***Refunds*** has the meaning set forth in section 3.2.6 of this Plan.

1.113 ***Rejection Damages Claims*** means any Claim arising from, or relating to, the rejection of an executory contract (including, without limitation, a Residency Agreement) or unexpired lease pursuant to section 365(a) of the Bankruptcy Code by the Debtor, as limited, in the case of a rejected unexpired lease, by section 502(b)(6) of the Bankruptcy Code.

1.114 ***Related Persons*** means, with respect to any Person, such Person's predecessors, successors, assigns and present and former affiliates (whether by operation of law or otherwise) and each of their respective members, partners, equity holders, officers, directors, employees, representatives, advisors, attorneys, auditors, agents, and professionals, in each case acting in such capacity, and any Person claiming by or through any of them.

1.115 ***Released Parties*** means (i) the Debtor, (ii) the Manager in any capacity, (iii) FSC in any capacity, (iv) the Issuer in any capacity, (v) the Master Bond Trustee in any capacity, (vi) the Bank in any capacity, (vii) Sovereign Bank in any capacity, (viii) HSH Nordbank AG, New York Branch in any capacity, (ix) RBS Citizens, N.A. in any capacity, (x) KBC Bank N.V., Acting Through its New York Branch in any capacity, (xi) MB Financial Bank in any capacity, (xii) National Consumer Cooperative Bank in any capacity, (xiii) the Fixed Rate Bond Trustee in any capacity, (xiv) the Majority Fixed Rate Holders in any capacity, (xv) the Variable Rate Bond Trustee in any capacity, (xvi) the DIP Lender, (xvii) the Creditors' Committee and its members and (xviii) the current and former officers, directors, members, managers, employees, attorneys and advisors, each in their respective capacities as such, of each of the foregoing.

1.116 ***Releasing Parties*** means all Persons who have held, hold or may hold Claims or Interests that have been released, discharged or are subject to exculpation pursuant to this Plan.

1.117 ***Residency Agreement*** means each type of residency agreement entered into by and between a current or past resident and the Debtor whereby, *inter alia*, such resident agrees to pay to the Debtor a residence deposit (if applicable) and a related monthly service fee, which for the avoidance of doubt includes an Assisted Living Establishment Contract, a 95% Refundable Life Care Plan, 90% Refundable Life Care Plan, a 50% Refundable Life Care Plan, 100-Month Amortizing Life Care Plan, 50-Month Amortizing Life Care Plan and a Rental Plan, and shall also include each agreement between a current resident and the Debtor in respect of a parking space at The Clare.

1.118 ***Resident Claim*** means a Claim arising under or pursuant to a Residency Agreement, but does not include a Resident Care Claim.

1.119 ***Resident Care Claim*** means any Cause of Action by any current or former resident of the Retirement Community against the Debtor or any liability to any current or former resident of the Retirement Community arising out of or related to services or care provided to such resident on or prior to the Closing, whether such Cause of Action is known or unknown, asserted or not yet asserted, which such Resident Care Claims, for the avoidance of doubt, are not being assumed by the Stalking Horse Bidder under the Stalking Horse Agreement.

1.120 **Resident Deposits** means all resident entrance fees and deposits pursuant to a Residency Agreement (or other applicable agreements) for the Project received by the Debtor after the Petition Date, plus the resident entrance fees and deposits in the approximate amount of Seven Hundred Thirty Thousand Dollars (\$730,000.00) as of the Petition Date presently held in a separate account (including any separate escrow account) at JPMorgan Chase Bank, N.A.

1.121 **Resident Modifications** means the modifications to the Residency Agreements as set forth in Exhibit 1 attached hereto.

1.122 **Retirement Community** means the Debtor's community which is a full service facility offering residents a full lifecycle of services during their retirement years from independent living to skilled nursing care, known as The Clare at Water Tower, located at 55 East Pearson Street in Chicago, Illinois.

1.123 **Sale Proceeds** means any and all proceeds received or to be received by the Debtor pursuant to the APA in connection with the Asset Sale.

1.124 **Segregated Account** has the meaning set forth in section 3.2.6 of this Plan.

1.125 **Schedules** means the schedules of assets and liabilities and the statements of financial affairs filed by the Debtor pursuant to Bankruptcy Code section 521, Bankruptcy Rule 1007, and the Official Bankruptcy Forms of the Bankruptcy Rules as such schedules and statements have been or may be supplemented or amended from time to time through the Confirmation Date.

1.126 **Shared Collateral** has the meaning set forth in the Intercreditor Agreement.

1.127 **Secured Claim** means a Claim of a Creditor that is secured by property of the Estate, to the extent of the value of the Creditor's interest in the Estate's interest in such property, as provided in Bankruptcy Code section 506(a). Secured Claim also means a Claim of a creditor that is subject to setoff under Bankruptcy Code section 553, to the extent of the amount subject to setoff, as provided in Bankruptcy Code section 506(a).

1.128 **Secured Tax Claim** means any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under Bankruptcy Code section 507(a)(8) (determined irrespective of any time limitations therein), and including any related Secured Claim for penalties.

1.129 **Subordinated Claim** means a Claim subordinated under Bankruptcy Code Section 510.

1.130 **Stalking Horse Agreement** means that certain Purchase and Sale Agreement, dated as of March 9, 2012 by and between The Clare and the Stalking Horse Bidder, as may be amended, modified or supplemented from time to time.

1.131 ***Stalking Horse Bid*** means that certain bid made by the Stalking Horse Bidder as reflected in the Stalking Horse Agreement.

1.132 ***Stalking Horse Bidder*** means Chicago Senior Care, LLC.

1.133 ***Successful Bid*** means the Successful Bidder's bid for the Purchased Assets.

1.134 ***Successful Bidder*** means a Qualified Bidder that has been determined by the Debtor to represent the highest and best bid for the Purchased Assets following the Auction.

1.135 ***Third-Party Trade Claims*** means General Unsecured Claims other than Unsecured Deficiency Claims of Holders of Class 3 and Class 4 Claims or Claims of FSC and FSCSC.

1.136 ***Third-Party Releases*** means the releases and exculpations being given to the non-Debtor Released Parties under and pursuant to this Plan.

1.137 ***Transferred Residency Agreements*** means each Residency Agreement as to which the applicable resident has agreed to the modifications set forth in Exhibit 1 hereto.

1.138 ***Trustee Fees*** means all fees and charges assessed against the Estate of the Debtor under 28 U.S.C. § 1930 of the United States Code.

1.139 ***Unsecured Claim*** means a Claim that is not secured by property of the Estate or otherwise entitled to treatment as a secured Claim under Bankruptcy Code section 506, is not an Administrative Expense Claim, Secured Claim, Priority Claim or a Priority Tax Claim, and is not otherwise entitled to priority under Bankruptcy Code sections 503 or 507.

1.140 ***Unsecured Deficiency Claim*** means any portion of a Claim to the extent that the value of the Estate's interest in any property securing the Claim is less than the amount of the Claim, or to the extent that the amount of any such Claim subject to setoff is less than the amount of such Claim, as determined pursuant to Bankruptcy Code section 506(a).

1.141 ***Variable Rate Bond Trustee*** means Bank of New York Mellon Trust Company, N.A., not individually but as series trustee for the Variable Rate Bonds.

1.142 ***Variable Rate Bonds*** means The Clare's Variable Rate Bonds of Series 2005D and 2005E, outstanding as of the Effective Date in the approximate aggregate principal amount of One Hundred Thirty-Seven Million Six Hundred and Five Thousand and One Hundred Thirty-Six Dollars (\$137,605,136.00).

1.143 ***Variable Rate Bondholder Claim*** means any and all Claims in respect of, arising out of or relating to the Variable Rate Bonds, whether under or pursuant to the Bond Documents or otherwise.

1.144 ***Voting Record Date*** means the Expiration Time (as defined in the Disclosure Statement), as such date may be extended from time to time.

1.145 ***Wind-Down Budget*** means the budget, including, without limitation, reflecting amounts necessary to fund the Administrative and Priority Claims Reserve, for payment of expenses incurred by the Debtor, the Estate and the Plan Administrator from and after the Effective Date, in a form and substance acceptable to the Master Bond Trustee, Bank, and the Fixed Rate Bond Trustee, which is to be filed with the Bankruptcy Court within ten (10) days prior to the Confirmation Hearing.

B. Interpretation: Application of Definitions and Rules of Construction.

Unless otherwise specified, all section or exhibit references in this Plan are to the respective section in, or exhibit to, this Plan, as the same may be amended, waived, or modified from time to time. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to this Plan as a whole and not to any particular section, subsection, or clause contained therein. A term used herein that is not defined herein shall have the meaning assigned to that term in the Bankruptcy Code. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to this Plan. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Unless otherwise provided, any reference in this Plan to an existing document, exhibit or schedule means such document, exhibit or schedule as it may have been amended, restated, revised, supplemented or otherwise modified. If a time or date is specified for any payments or other Distribution under this Plan, it shall mean on or as soon as reasonably practicable thereafter. Further, where appropriate from a contextual reading of a term, each term includes the singular and plural form of the term regardless of how the term is stated and each stated pronoun is gender neutral.

SECTION 2. TREATMENT OF ADMINISTRATIVE CLAIMS, COMPENSATION AND REIMBURSEMENT CLAIMS, PRIORITY TAX CLAIMS, TRUSTEE FEES AND DIP CLAIMS

2.1 ***Administrative Expense Claims.*** Except to the extent that a Holder of an Allowed Administrative Expense Claim agrees with the Debtor or the Plan Administrator to a different treatment or has been paid by the Debtor prior to the Effective Date from the Sale Proceeds or otherwise, each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in Cash (a) on the Effective Date or as soon thereafter as is reasonably practicable or, if not then due, when such Allowed Administrative Expense Claim is due or as soon thereafter as is reasonably practicable, (b) if an Administrative Expense Claim is Allowed after the Effective Date, on the date such Administrative Expense Claim is Allowed or as soon thereafter as is reasonably practicable or, if not then due, when such Allowed Administrative Expense Claim is due, (c) at such time and upon such terms as may be agreed upon by such Holder and the Debtor or the Plan Administrator, as the case may be, or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court; ***provided, however,*** that Administrative Expense Claims and Assumed Liabilities (as defined in the APA) that have been assumed by the Purchaser pursuant to the APA shall not be an obligation of the Debtor; ***provided further*** that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor, as debtor in possession, or liabilities arising under obligations incurred by the Debtor, as debtor in possession, in accordance with the Wind-Down Budget and to the extent such obligations have not been assumed by the Purchaser, shall be paid by the Debtor or

the Plan Administrator, as applicable, in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

The Holder of an Administrative Expense Claim, other than (i) a Compensation and Reimbursement Claim, (ii) a liability incurred but not yet due and payable in the ordinary course of business by a Debtor until after the thirtieth (30th) day after the Effective Date, (iii) an Administrative Expense Claim that has been Allowed on or before the Effective Date, (iv) an expense or liability incurred in the ordinary course of business on or after the Effective Date, or (v) fees of the United States Trustee arising under 28 U.S.C. § 1930, must file with the Bankruptcy Court and serve on the Debtor, the Plan Administrator and the Office of the United States Trustee, a request for payment of such Administrative Expense Claim so as to be received on or before the Administrative Expense Claim Bar Date. Failure to file and serve such request for payment timely and properly shall result in the Administrative Expense Claim being forever barred and discharged.

2.2 Compensation and Reimbursement Claims. All parties seeking payment of Compensation and Reimbursement Claims (i) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is forty-five (45) days after the Effective Date, (ii) shall be paid in full in such amounts as are allowed by the Bankruptcy Court (a) upon the later of (i) the Effective Date, and (ii) the date upon which the order relating to any such Allowed Compensation and Reimbursement Claim is entered, or (b) upon such other terms as may be mutually agreed upon between the Holder of such an Allowed Compensation and Reimbursement Claim and the Debtor or Plan Administrator, as the case may be. The Debtor is authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Confirmation Date and until the Effective Date in the ordinary course and without the need for Bankruptcy Court approval, subject to the requirement that invoices evidencing the amount sought will be distributed to those parties set forth in the Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals (Dkt. No. 187) and payment shall be governed by such order, except for the provisions related to the 35% holdback, which shall not be applicable.

2.3 Priority Tax Claims. In accordance with Bankruptcy Code section 1123(a)(1), Priority Tax Claims have not been classified and are treated as described in this Section 2 of this Plan. Allowed Priority Tax Claims, including but not limited to, any delinquent amounts and costs, if any, relating to Purchased Assets, shall be paid by the Debtor, except to the extent that such Priority Tax Claims have been assumed by the Purchaser pursuant to the APA. Unless otherwise agreed by the Holders of the Allowed Priority Tax Claims, any Person holding an Allowed Priority Tax Claim will receive, as determined by the Plan Administrator in its sole discretion and in full satisfaction of such Claim: (a) payment in Cash in full on the later of the Effective Date or the date such Claim becomes an Allowed Claim; or (b) Cash over a period not exceeding five (5) years after date of assessment of such Claim, with interest at a rate equal to the applicable statutory rate, payable monthly, in periodic payments, having the value of such Claim as of the Effective Date.

2.4 ***Trustee Fees.*** Trustee Fees include all fees and charges assessed against the Debtor under chapter 1930 of title 28, United States Code. All Trustee Fees will be paid in full in Cash by the Debtor or Plan Administrator, as the case may be, as they become due and owing.

2.5 ***DIP Claims.*** Except to the extent that a Holder of an Allowed DIP Claim agrees otherwise in a signed writing, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed DIP Claim, each such Allowed DIP Claim shall be paid in full in Cash on or before the Effective Date. Notwithstanding anything else in this Plan, specifically including but not limited to section 8.1 of this Plan, this Plan shall not become effective unless and until (i) the Debtor and the DIP Lender have completed the claim reconciliation required by section 6.1 of this Plan and (ii) each and every Allowed DIP Claim has been paid in full in Cash.

SECTION 3. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

3.1 ***Classification and Specification of Treatment of Claims.*** All Claims, except those described in Section 2, are placed in the following Classes of Claims, pursuant to Bankruptcy Code section 1123(a)(1), which section specifies the treatment of such Classes of Claims and of their impaired or unimpaired status, pursuant to Bankruptcy Code sections 1123(a)(2) and 1123(a)(3). A Claim is classified in a particular Class only to the extent that the Claim qualifies within the description of the Class and is classified in a different Class to the extent that the Claim qualifies within the description of that different Class. A Claim is in a particular Class only to the extent that the Claim is an Allowed Claim in that Class and has not been paid, released, withdrawn, waived or otherwise satisfied under this Plan. Unless this Plan expressly provides otherwise, when a Class includes a subclass, each subclass is a separate Class for all purposes under the Bankruptcy Code, including, without limitation, voting and distribution.

Subject to all other applicable provisions of this Plan (including its distribution provisions), classified Claims shall receive the treatment set forth below. This Plan will not provide any Distributions on account of a Claim to the extent that such Claim has been disallowed, released, withdrawn, waived, or otherwise satisfied or paid as of the Effective Date, including, without limitation, payments by third parties. Except as specifically provided in this Plan, this Plan will not provide any Distributions on account of a Claim, the payment of which has been assumed by a third party, including the Purchaser.

3.2 *Classes of Claims.*

Class	Claim	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	Secured Tax Claims	Unimpaired	Deemed to Accept
3	Variable Rate Bondholder Claims	Impaired	Entitled to Vote
4	Fixed Rate Bondholder Claims	Impaired	Entitled to Vote
5	Other Secured Claims	Unimpaired	Deemed to Accept
6	Resident Claims	Impaired	Entitled to Vote
7	General Unsecured Claims	Impaired	Entitled to Vote
8	Subordinated 510(b) Claims	Impaired	Deemed to Reject
9	Interests	Impaired	Deemed to Reject

3.2.1 *Class 1 – Other Priority Claims.* This Class consists of all Allowed Other Priority Claims that are specified as having priority in Bankruptcy Code section 507(a), if any such Claims still exist as of the Effective Date. Each Allowed Claim in this Class shall be in a separate subclass. Unless otherwise agreed by the Holder of any Claim in this Class, each Allowed Claim under Bankruptcy Code section 507(a), which has not been satisfied as of the Effective Date, in full and final satisfaction and discharge of and in exchange for each Allowed Other Priority Claim, will receive (i) deferred Cash payments of a value, as of the Effective Date, equal to the Holder's Allowed Other Priority Claim or (ii) payment in Cash in full on the later of: (a) the third (3rd) Business Day after the Effective Date or as soon as reasonably practicable thereafter as determined by the Debtor or the Plan Administrator, as applicable; and (b) the date on which there is a Final Order allowing such Claim.

Class 1 is an unimpaired Class, and Holders of Class 1 Claims are not entitled to vote.

3.2.2 *Class 2 – Secured Tax Claims.* On the Effective Date or as soon thereafter as is reasonably practicable, and only to the extent that any such Allowed Secured Tax Claim has not been paid in full prior to the Effective Date from the Sale Proceeds or otherwise, each Holder of an Allowed Secured Tax Claim shall receive, at the option of the Debtor or the Plan Administrator, (i) the proceeds of the sale or disposition of the collateral securing such Allowed Secured Tax Claim to the extent of the value of the Holder's secured interest in the Allowed Secured Tax Claim, (ii) such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Secured Tax Claim is entitled, or (iii) such other Distribution as necessary to satisfy the requirements of the Bankruptcy Code. In the event the Debtor or the Plan Administrator treat a Claim under clause (i) of this Section, the Liens securing such Allowed Secured Tax Claim shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person. The Debtor and the Plan Administrator specifically reserve the right to challenge the validity, nature, and perfection of, and to avoid pursuant to the provisions of the Bankruptcy Code and other applicable law, any purported Liens relating to the Secured Tax Claims.

Class 2 is an unimpaired Class, and Holders of Class 2 Claims are not entitled to vote.

3.2.3 Class 3 – Variable Rate Bondholder Claims. This Class consists of all Variable Rate Bondholder Claims, which shall be Allowed on the Effective Date in the aggregate amount of \$137,605,136. The Master Bond Trustee shall be entitled to receive from the Sale Proceeds and not to exceed the outstanding Allowed Variable Rate Bondholder Claims, for the benefit of all Holders of Variable Rate Bonds, (a) an amount equal to the Intercreditor Imbalance *plus* (b) 60% of (i) the remaining Sale Proceeds and (ii) the proceeds of any other Shared Collateral, in accordance with the terms of the Master Indenture and the Intercreditor Agreement, after reserving all amounts set forth in the Wind-Down Budget for the payment of Compensation and Reimbursement Claims Allowed as of the Effective Date, Priority Tax Claims Allowed as of the Effective Date, Trustee Fee Claims Allowed as of the Effective Date, DIP Claims Allowed as of the Effective Date, Other Priority Claims Allowed as of the Effective Date, Secured Tax Claims Allowed as of the Effective Date, the Administrative and Priority Claims Reserve Amount, the Plan Expenses Reserve Amount and the Bondholder Contribution. The Master Bond Trustee shall also be entitled to receive, for the benefit of all Holders of Variable Rate Bonds, 60% of (a) the Issuer Escrow Fund Distribution and (b) the Medicare Indemnity Escrow Fund Distribution.

As of the Effective Date, the Master Bond Trustee and the Variable Rate Bond Trustee shall be deemed to have applied all cash and cash equivalents held by each in debt service reserve accounts and any other accounts and funds established under the applicable Bond Documents exclusively for the holders of the Variable Rate Bonds to reduce the aggregate amount of Allowed Variable Rate Bondholder Claims. The Master Bond Trustee and the Variable Rate Bond Trustee shall be authorized to apply those funds in accordance with the applicable Bond Documents. Any portion of the Variable Rate Bondholder Claims not indefeasibly satisfied in full in Cash by the foregoing distributions shall be an Allowed Unsecured Deficiency Claim.

Class 3 is an impaired Class, and Holders of Allowed Class 3 Claims who are the beneficial holders of such Class 3 Claims are entitled to vote.

3.2.4 Class 4 – Fixed Rate Bondholder Claims. This Class consists of all Fixed Rate Bondholder Claims, which shall be Allowed on the Effective Date in the aggregate amount of \$95,199,024. The Master Bond Trustee shall be entitled to receive from the Sale Proceeds and not to exceed the outstanding Allowed Fixed Rate Bondholder Claims, for the benefit of all Holders of Fixed Rate Bonds, 40% of (a) the Sale Proceeds (net of the Intercreditor Imbalance amount) and (b) the proceeds of any other Shared Collateral, in accordance with the terms of the Master Indenture and the Intercreditor Agreement, after reserving for all amounts set forth in the Wind-Down Budget for the payment of Compensation and Reimbursement Claims Allowed as of the Effective Date, Priority Tax Claims Allowed as of the Effective Date, Trustee Fee Claims Allowed as of the Effective Date, DIP Claims Allowed as of the Effective Date, Other Priority Claims Allowed as of the Effective Date, Secured Tax Claims Allowed as of the Effective Date, the Administrative and Priority Claims Reserve Amount, the Plan Expenses Reserve Amount and the Bondholder Contribution. The Master Bond Trustee shall also be

entitled to receive, for the benefit of all Holders of Fixed Rate Bonds, 40% of (a) the Issuer Escrow Fund Distribution and (b) the Medicare Indemnity Escrow Fund Distribution.

As of the Effective Date, the Master Bond Trustee and Fixed Bond Trustee shall be deemed to have applied all cash and cash equivalents held by each in debt service reserve accounts and any other accounts and funds established under the applicable Bond Documents exclusively for the holders of the Fixed Rate Bonds to reduce the aggregate amount of Allowed Fixed Rate Bondholder Claims. The Master Bond Trustee and Fixed Rate Bond Trustee shall be authorized to apply those funds in accordance with the applicable Bond Documents. Any portion of the Fixed Rate Bondholder Claims not indefeasibly satisfied in full in Cash by the foregoing distributions shall be an Allowed Unsecured Deficiency Claim.

Class 4 is an impaired Class, and Holders of Allowed Class 4 Claims who are the beneficial holders of such Class 4 Claims are entitled to vote.

3.2.5 Class 5 – Other Secured Claims. This Class consists of all Secured Claims other than DIP Claims, Variable Rate Bondholder Claims and Fixed Rate Bondholder Claims. Except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Other Secured Claim, on the later of the Effective Date and the date such Other Secured Claim becomes Allowed, or as soon as practicable thereafter, at the option of either the Debtor or the Plan Administrator, each Allowed Other Secured Claim shall receive (a) payment of such Allowed Other Secured Claim in full in Cash; (b) any and all collateral securing such Allowed Other Secured Claim; or (c) reinstatement of such Allowed Other Secured Claim with the legal, equitable and contractual rights to which the Holder of such Claim is entitled otherwise rendered unaltered in accordance with section 1124 of the Bankruptcy Code. The Debtor estimates that the Allowed Class 5 Claims will be \$0 on the Effective Date.

Class 5 is an unimpaired Class, and Holders of Class 5 Claims are not entitled to vote.

3.2.6 Class 6 – Resident Claims. This Class consists of all Resident Claims. Except to the extent that a Holder of an Allowed Resident Claim agrees to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Resident Claim, each Holder of a Resident Claim that votes to accept this Plan and thereby agrees to the Resident Modifications as set forth in **Exhibit 1** to this Plan shall have its Residency Agreement, as modified by the Resident Modifications, assumed by the Debtor and assigned to the Purchaser pursuant to the APA, subject to such resident executing a new Residency Agreement. The Resident Modifications will be effectuated pursuant to the proposed Residency Agreement amendment attached to the Disclosure Statement as Exhibit 4. Each Resident Claim of a Holder that does not agree to the Resident Modifications by voting to accept this Plan shall be deemed to be a Class 7 General Unsecured Claim and shall receive a distribution, if any, under Class 7. For the avoidance of doubt, any Resident that agrees to the Resident Modifications pursuant to this Section 3.2.6 will grant the releases and exculpations being given to the Released Parties under this Plan, including but not limited to with respect to their Resident Claims. Claims arising under Residency Agreements, as modified by the Resident

Modifications, will be assumed by the Purchaser. Other Resident Claims will not be assumed by the Purchaser.

As set forth in Sections 9.9 and 9.11 of this Plan and discussed in Article 6.H of the Disclosure Statement, as part of a global, comprehensive resolution of the issues facing the Debtor, the residents are required to release any and all Claims and Causes of Action against certain insiders of the Debtor (including its manager, FSCSC and FSC) as well as other third parties defined in this Plan as the Released Parties, as a condition to having their Residency Agreement assumed by the Purchaser. If a resident does not want to provide the releases to the Released Parties, such resident is required to reject this Plan. In such event, the resident's Residency Agreement will be rejected by operation of this Plan and such Residency Agreement will not be assigned to the Purchaser. In the event that a resident's Residency Agreement is rejected, the Purchaser will permit such resident to remain at The Clare (subject to entering into, and the terms of, a new Residency Agreement as discussed immediately below). Additionally, in that event, the resident will have a Class 7 General Unsecured Claim for any Claims arising under or pursuant to the Residency Agreement and with respect to which the Debtor does not anticipate making any Distribution. Unlike the Holders of Resident Claims, the Holders of other Claims against the Debtor will have the right to opt out of providing such third party releases.

As set forth in Exhibit 1 to this Plan, the Residency Modifications are as follows:

REFUNDS:

1. All refunds of Resident Deposits owed to current or past residents ("**Legacy Residents**") under the Residency Agreements ("**Refunds**") shall be paid upon both (a) the re-occupancy of the Legacy Residents' apartment, and (b) the receipt in full (of the then current agreed upon price) of a new entrance fee on that specific unit.
2. New entrance fees received on previously occupied units shall be placed into a segregated account (separate from the Segregated Account defined below) until such time as the Refund, if any, is paid to the Legacy Residents for such unit.
3. The Refund for a particular unit will be paid from the proceeds of the new entrance fee received for that unit, and if necessary, any shortfall will be funded, at the option of the Buyer, from either (i) cash on hand, or (ii) the Segregated Account (as defined below).
4. The Successful Bidder agrees to not enter into a rental contract for a unit that has a Refund owed to a Legacy Resident.
5. In addition to the refund rights set forth in Section 1, each Legacy Resident who left the Retirement Community on or before March 9, 2012 will have the option to receive (i) a refund equal to 75% of their contractual Refund to be paid on the fifth anniversary of the

Closing or (ii) a refund equal to 50% of their contractual Refund to be paid on the second anniversary of the Closing. This option only can be elected by a qualified Legacy Resident within ninety (90) days following the Closing.

6. In addition to the refund rights set forth in Section 1, each Legacy Resident who is a current resident of the Retirement Community as of March 9, 2012 that continues to reside at the Retirement Community for at least a period of two years after the Closing will be qualified for an option to receive a refund equal to 75% of their contractual Refund to be paid three (3) years after such resident leaves the Retirement Community. Provided, however, in event of the death of such resident during such two year period if there is one resident occupying a unit or in the event of the death of any surviving resident during such two year period if there were two resident occupying a unit at one time, such resident's estate shall have the same option with repayment of their reduced Refund to be paid on the fifth anniversary of the Closing. This option only can be elected by a qualified Legacy Resident within ninety (90) days following the Closing.
7. For avoidance of doubt, in the event a qualified Legacy Resident exercises its option under Section 5 or Section 6, as applicable, and the conditions set forth in Section 1 above are met prior to payment of a reduced refund, then such qualified Legacy Resident shall receive 100% of their contractual Refund.

FIRST GENERATION ENTRANCE FEES:

1. Twenty percent of first generation entrance fees for units sold after the Closing Date will be deposited into a segregated account until the balance in such account is equal to the lesser of \$2,500,000 and 20% of the aggregate amount of Refunds due to Legacy Residents (the "***Segregated Account***"). Funds in the Segregated Account are to be used only to fund the difference, if any, between a Refund due to a Legacy Resident and the new entrance fee received for the unit as to which such Refund is owed.

The Debtor will serve a cure notice on each resident (the "***Cure Notice***"), setting forth the amount, if any, determined by the Debtor to be necessary to be paid to cure any existing default under such resident's Residency Agreement (the "***Cure Amount***"). The Cure Notice will contain, among other things, the deadline by which such resident must object to the Cure Amount listed in the Cure Notice and the procedures for resolution of such objections.

The Residency Agreements for those current residents who elect not to agree to the Resident Modifications will be rejected by the Debtor and not be assumed by the Purchaser. For those residents, the Purchaser will offer new Residency Agreements for such residents to continue to reside at the Retirement Community on the same terms and conditions as new residents of the Purchaser, excluding the payment of any entrance fee and the refund of any entrance fee. The refund claims of these residents will be General Unsecured Claims against the Debtor and treated in accordance with this Plan and not assumed by the Purchaser.

Notwithstanding anything contained in this Plan to the contrary, each resident that is not deemed to have timely voted in favor of this Plan will be deemed to be a Holder of a Class 6 Claim in respect of his/her Resident Claims (rather than a Holder of a Class 7 Claim) as long as such resident (i) delivers to the Debtor a properly executed residency agreement amendment substantially similar to the Resident Modifications prior to the Closing, and (ii) agrees to be bound by the Third-Party Releases.

Class 6 is an impaired Class, and Holders of Class 6 Claims are entitled to vote.

3.2.7 Class 7 – General Unsecured Claims. This Class consists of all Allowed General Unsecured Claims, including, without limitation, Allowed General Unsecured Claims arising from the rejection of executory contracts and unexpired leases and any Unsecured Deficiency Claims. Unless otherwise agreed by the Holder of any Allowed Claim in this Class, (a) each Holder of an Allowed General Unsecured Claim shall be entitled to receive: (i) such Holder's Pro Rata Share of any Sale Proceeds, if any, available after the full payment and satisfaction of Allowed Claims in Classes 1 through 5 (other than any Claim constituting an Unsecured Deficiency Claim) and Compensation and Reimbursement Claims Allowed as of the Effective Date, Priority Tax Claims Allowed as of the Effective Date, Trustee Fee Claims Allowed as of the Effective Date, DIP Claims Allowed as of the Effective Date, the Administrative and Priority Claims Reserve Amount, the Plan Expenses Reserve Amount and all expenses in amounts provided in the Wind-Down Budget; and (ii) such Holder's Pro Rata Share of any net recoveries from Avoidance and Other Actions; and (b) solely in the event that the Third-Party Releases are approved pursuant to a Final Order, each Holder of an Allowed Third-Party Trade Claim will receive their Pro Rata Share of the Plan Contribution Amount. The Holders of Allowed Class 3 and Class 4 Claims shall retain their Unsecured Deficiency Claims but shall waive any Distribution thereon to the extent that such Distribution consists of the proceeds of the Plan Contribution Amount. FSC and FSCSC shall retain their Allowed Class 7 Claims but shall waive any Distribution thereon to the extent that such Distribution consists of the proceeds of the Plan Contribution Amount. Distributions to each Holder of an Allowed General Unsecured Claim shall be made on the later of: (x) the third (3rd) Business Day after the Effective Date or as soon as reasonably practicable thereafter as determined by the Plan Administrator; and (y) the date on which there is a Final Order allowing such Claim. The Debtor estimates that the Allowed Class 7 Claims will not receive any distribution under this Plan (above the Plan Contribution Amount to the extent Class 7 is entitled to receive same) unless the Debtor is able to increase the purchase price for its Assets at the Auction from \$29.5 million, the price set forth in the Stalking Horse Agreement, to over \$229 million, the amount owed under the Bonds and which is senior in priority to any distribution on account of an Allowed Class 7 Claim. Nevertheless, because it is currently not known whether there will be any distribution available for Class 7, this Plan provides that Holders of Class 7 Claims will be allowed to vote on this Plan.

Class 7 is an impaired Class, and Holders of Allowed Class 7 Claims are entitled to vote.

3.2.8 Class 8 – Subordinated 510(b) Claims. Each Holder of a Subordinated 510(b) Claim will not receive any Distribution on account of such Subordinated

510(b) Claim, and each such Holder of a Subordinated 510(b) Claim shall not receive or retain an Interest in the Debtor, the Estate, or other property or Interests of the Debtor or Plan Administrator on account of such Subordinated 510(b) Claim.

Class 8 is an impaired Class, and Holders of Class 8 Claims will receive no distribution and are not entitled to vote.

3.2.9 Class 9 – Interests. Each Holder of an Interest in Debtor will not receive any Distribution on account of such Interest. Each such Interest shall not receive or retain an Interest in the Debtor, the Estate, or other property or interests of the Debtor on account of such Interests.

Class 9 is an impaired Class, and Holders of Class 9 Claims will receive no distribution and are not entitled to vote.

3.3 Acceptance or Rejection of this Plan.

3.3.1 Acceptance by an Impaired Class. In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an impaired Class of Claims shall have accepted this Plan if this Plan is accepted by the Holders of at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one-half ($\frac{1}{2}$) in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject this Plan.

3.3.2 Presumed Acceptance of this Plan. Classes 1, 2 and 5 are unimpaired under this Plan and are, therefore, conclusively presumed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

3.3.3 Presumed Rejection of this Plan. Classes 8 and 9 are not entitled to receive or retain any property under this Plan and are, therefore, conclusively presumed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code.

3.3.4 Voting Class. Classes 3, 4, 6 and 7 are impaired under this Plan, and Holders of Variable Rate Bondholder Claims, Fixed Rate Bondholder Claims, Resident Claims and General Unsecured Claims as of the Voting Record Date are entitled to vote to accept or reject this Plan.

SECTION 4. MEANS FOR IMPLEMENTATION OF PLAN

4.1 Implementation. This Plan will be implemented by the Plan Administrator in a manner consistent with the terms and conditions set forth in this Plan and the Confirmation Order.

4.2 Funding for the Plan. This Plan will be funded from the proceeds of the Asset Sale, including, but not limited to, Sale Proceeds, and all other remaining assets of the Debtor.

4.3 Asset Sale. In accordance with the Bidding Procedures Motion filed substantially contemporaneously herewith, the Debtor seeks authority to conduct the Auction to

identify the highest and best offer for the purchase of the Purchased Assets. Immediately prior to the conclusion of the Auction, the Debtor would: (a) review each bid made at the Auction, as compared to the Stalking Horse Bid, on the basis of financial and contractual terms and such factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the sale; (b) determine the Successful Bid; and (c) notify the Stalking Horse Bidder and all potential bidders at the Auction, prior to its conclusion, of the name of the Successful Bidder. After determining the Successful Bid, the Debtor would determine, in its reasonable business judgment, which qualified bid is the Next Best Bid. If the Successful Bidder does not close the Asset Sale by the date agreed to by the Debtor and the Successful Bidder, then the Debtor would be authorized to close with the Next Best Bidder, without a further court order. The party that submits the Next Best Bid would be required to close the Asset Sale with the Debtor pursuant to the APA to the extent the Successful Bid fails to close.

4.4 *Corporate Action.*

4.4.1 *Dissolution of the Debtor.* On the Effective Date and upon the Debtor, the Plan Administrator or the Disbursing Agent (the “**Disbursing Agent**”) making the Effective Date Distributions, the Debtor shall have no further duties or responsibilities in connection with implementation of this Plan, the members of the board of directors or managers of the Debtor shall be deemed to have resigned, and the Debtor shall be deemed dissolved for all purposes without the necessity for any other or further action to be taken by or on behalf of the Debtor.

4.4.2 *Treatment of Existing Liens and Collateral Documents.* On the Effective Date, all agreements and other documents evidencing (i) any Claim or rights of any Holder of a Claim against the Debtor, including any Bond Documents evidencing such Claims, or (ii) any Interest in the Debtor (collectively, “**Collateral Documents**”), shall be deemed inoperative and unenforceable as against the Debtor, *provided, however*, that any Lien or security interest that was attached to the Debtor’s Assets as of the Petition Date shall be deemed to attach to the Sale Proceeds or the proceeds of any such other Assets, as applicable, to the same extent and with the same validity and priority that such Liens and security interests enjoyed on the Petition Date, subject to the Liens and Claims of the DIP Lender under the DIP Loan Agreement or any orders of the Bankruptcy Court. The Holders of, or parties to, Collateral Documents shall have no rights vis-à-vis the Debtor arising from or relating to such agreements and documents or the cancellation thereof, except any rights provided pursuant to this Plan.

4.5 *Plan Transactions.* On the Effective Date or as soon thereafter as is reasonably practicable, the Debtor and the Plan Administrator may take any and all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate this Plan (the “**Plan Transactions**”), including, but not limited to, (i) the execution and delivery of appropriate agreements or other documents of financing, merger, consolidation, restructuring, conversion, disposition, transfer, or dissolution containing terms that are consistent with the terms of this Plan and that satisfy the requirements of applicable law, (ii) the execution and delivery of any appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt, duty or obligation on terms consistent with this Plan, (iii) the filing of appropriate documents with the

appropriate governmental authorities pursuant to applicable law, and (iv) any and all other actions that the Debtor or Plan Administrator determine are necessary or appropriate.

4.6 ***Effectuating Documents and Further Transactions.*** Upon entry of the Confirmation Order, the Debtor and the Plan Administrator shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, consents, certificates, resolutions, programs, and other agreements and/or documents, and take such acts and actions as may be reasonable, necessary, or appropriate to effectuate, implement, consummate, and/or further evidence the terms and conditions of this Plan and any transactions described in or contemplated by this Plan. The Debtor or Plan Administrator, as applicable, and all Holders of Claims or Interests receiving Distributions pursuant to this Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents, and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan.

4.7 ***Authority to Act.*** Prior to, on, or after the Effective Date (as appropriate), all matters expressly provided for under this Plan that would otherwise require approval of the officers, directors, partners, managers, members, or other owners of the Debtor shall be deemed to have occurred and shall be in effect prior to, on, or after the Effective Date (as applicable) pursuant to the law of the State of Illinois, without any further vote, consent, approval, authorization, or other action by such officers, directors, partners, managers, members, or other owners of the Debtor or notice to, order of, or hearing before, the Bankruptcy Court.

4.8 ***Plan Administrator***

4.8.1 ***Appointment of the Plan Administrator.*** The Confirmation Order shall provide for the appointment of the Plan Administrator. The Plan Administrator shall be responsible for the liquidation of the Debtor's remaining Assets, administration of the Plan and the wind-down of the Debtor and its Estate post-Effective Date. The Debtor shall file a notice of appointment of the Plan Administrator and the Plan Administrator's hourly rate on or before the Confirmation Hearing. The Plan Administrator shall be a third-party non-affiliate of the Debtor with sufficient expertise and experience liquidating a Chapter 11 case. The compensation of the Plan Administrator shall be at the Plan Administrator's customary hourly rate. The Plan Administrator shall be deemed the Estate's representative in accordance with Bankruptcy Code section 1123 and shall have all powers, authority and responsibilities specified in this Plan, including, without limitation, the powers of a trustee under Bankruptcy Code sections 704 and 1106.

4.8.2 ***Powers and Duties of the Plan Administrator.*** The Plan Administrator will act for the Debtor in a fiduciary capacity as applicable to a board of directors and shall be responsible for the liquidation of the Debtor's remaining Assets, administration of the Plan and wind-down of the Debtor and its Estate post-Effective Date, subject to the provisions of this Plan. The powers and duties of the Plan Administrator shall include:

- (a) the power to invest Cash in accordance with Bankruptcy Code section 345, and withdraw and make distributions of Cash to Holders of Allowed Claims and pay taxes and other obligations owed by the Debtor or incurred by the Plan Administrator in

connection with the wind-down of the Estate, from Available Cash in accordance with this Plan;

- (b) the power to engage attorneys, consultants, agents, employees and all professional persons, to assist the Plan Administrator with respect to the Plan Administrator's responsibilities;
- (c) the authority to pay the fees and expenses of the attorneys, consultants, agents, employees and professional persons engaged by the Plan Administrator and to pay all other expenses for winding down the affairs of the Debtor in accordance with the Wind-Down Budget;
- (d) the power to dispose of, and deliver title to others of, or otherwise realize the maximum value of all the remaining Assets;
- (e) the power to object to, compromise (subject to the approval of the Bankruptcy Court) and settle (subject to the approval of the Bankruptcy Court) Claims;
- (f) the authority to act on behalf of the Debtor in all adversary proceedings and contested matters (including, without limitation, any Avoidance and Other Actions), then pending or that can be commenced in the Bankruptcy Court and in all actions and proceedings pending or commenced elsewhere, and to settle (subject to the approval of the Bankruptcy Court), retain, dispute or enforce any claim and otherwise pursue actions involving Assets of the Debtor that could arise or be asserted at any time under the Bankruptcy Code, unless otherwise waived or relinquished in this Plan;
- (g) the power to implement and/or enforce all provisions of this Plan; and
- (h) such other powers as may be vested in or assumed by the Plan Administrator pursuant to this Plan or Bankruptcy Court order or as may be necessary and proper to carry out the provisions of this Plan.

4.8.3 Employment of Professionals. The Plan Administrator is authorized, without further order of the Bankruptcy Court, to employ such Persons, including Professionals, as the Plan Administrator may deem necessary to enable it to perform its functions hereunder. Such Persons shall be compensated and reimbursed for their reasonable and necessary fees and out-of-pocket expenses on a monthly basis from the Debtor's Estate in accordance with the Wind-Down Budget without further notice, hearing or approval of the Bankruptcy Court.

4.8.4 ***Avoidance and Other Actions.*** On and after the Effective Date, the Plan Administrator shall have the exclusive right to commence and to continue the prosecution of all Avoidance and Other Actions. Except as otherwise set forth in this Plan, all Avoidance and Other Actions shall survive confirmation and the commencement and/or prosecution of Avoidance and Other Actions shall not be barred or limited by any estoppel, whether judicial, equitable or otherwise.

4.8.5 ***Plan Expenses.*** The Plan Administrator may, in the ordinary course of business and without the necessity for any application to, or approval of, the Bankruptcy Court, pay any accrued but unpaid Plan Expenses. All Plan Expenses shall be charged against and paid from the Debtor's Estate in accordance with the Wind-Down Budget.

4.8.6 ***Resignation, Death or Removal of the Plan Administrator.*** The Plan Administrator may resign at any time upon not less than thirty (30) days' written notice to the Debtor. The Plan Administrator may be removed at any time for cause upon application to the Court on five (5) days' written notice to the Plan Administrator. In the event of resignation, removal, death or incapacity of the Plan Administrator and thereupon the successor Plan Administrator, without further act, shall become fully vested with all of the rights, powers, duties and obligations of his or her predecessor. No successor Plan Administrator hereunder shall in any event have any liability or responsibility for the acts or omissions of any of his or her predecessors.

4.8.7 ***No Agency Relationship.*** The Plan Administrator shall not be deemed to be the agent of any of the Holders of Claims in connection with the funds held or distributed pursuant to this Plan. The Plan Administrator shall not be liable for any mistake of fact or law or error in judgment or any act or omission of any kind unless it constitutes gross negligence or willful misconduct or breach of fiduciary duty on the part of the Plan Administrator. The Plan Administrator shall be indemnified and held harmless, including the cost of defending such claims and attorneys' fees in seeking indemnification, by the Estate against any and all claims arising out of his duties under the Plan, except to the extent his actions constituted gross negligence or willful misconduct or breach of fiduciary duty. The Plan Administrator may conclusively rely, and shall be fully protected personally in acting upon any statement, instrument, opinion, report, notice, request, consent, order, or other instrument or document which he believes to be genuine and to have been signed or presented by the proper party or parties. The Plan Administrator may rely upon information previously generated by the Debtor and such additional information provided to him by former employees of the Debtor.

4.8.8 ***Plan Administrator's Bond.*** The Plan Administrator shall obtain a bond in an amount equal to 110% of available Cash.

4.9 ***Administrative and Priority Claims Reserve; Proceeds of Avoidance and Other Actions.*** On the Effective Date, the Plan Administrator shall establish the Administrative and Priority Claims Reserve with the Administrative and Priority Claims Reserve Amount, funded from the Sale Proceeds, which funds shall vest with the Plan Administrator free and clear of all liens, Claims, encumbrances, charges and other interests. Funds in the Administrative and Priority Claims Reserve shall be used by the Plan Administrator only for the payment of Administrative Expense Claims Allowed after the Effective Date, Compensation and

Reimbursement Claims Allowed after the Effective Date, Priority Tax Claims Allowed after the Effective Date, Trustee Fee Claims Allowed after the Effective Date, DIP Claims Allowed after the Effective Date, Other Priority Claims Allowed after the Effective Date, Secured Tax Claims Allowed after the Effective Date and Other Secured Claims Allowed after the Effective Date, to the extent that the foregoing Claims have not been paid in full on or prior to the Effective Date. To the extent any funds remain in the Administrative and Priority Claims Reserve after all of the foregoing Claims have been paid or otherwise satisfied in full, together with any excess funds allocated under the Wind-down Budget and determined by the Plan Administrator not to be required, such funds shall be distributed by the Plan Administrator to the following Classes in the following order of priority in accordance with this Plan:

- (a) Class 3 and Class 4 on a 60/40 basis until such Allowed Variable Rate Bondholder Claims and Allowed Fixed Rate Bondholder Claims (in each case, other than Unsecured Deficiency Claims) are paid in full; and then
- (b) Class 7 until such Allowed General Unsecured Claims are paid in full.

Any net recoveries from Avoidance and Other Actions shall be distributed pro rata to the Holders of Allowed Class 7 General Unsecured Claims (including, without limitation, Unsecured Deficiency Claims).

SECTION 5. DISTRIBUTIONS

5.1 ***Distribution Record Date.*** As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtor, or its agents, shall be deemed closed, and there shall be no further changes in the record Holders of any of the Claims or Interests. The Debtor or the Plan Administrator shall have no obligation to recognize any ownership transfer of the Claims or Interests occurring on or after the Distribution Record Date. The Debtor, the Plan Administrator, or any party responsible for making Distributions shall be entitled to recognize and deal for all purposes hereunder only with those record Holders stated on the transfer ledgers as of the close of business on the Distribution Record Date, to the extent applicable.

5.2 ***Date of Distributions.*** Except as otherwise provided herein, any Distributions and deliveries to be made hereunder with respect to Claims that are Allowed as of the Effective Date shall be made on the Effective Date or as soon thereafter as is reasonably practicable. Except as otherwise provided herein, any Distributions and deliveries to be made hereunder with respect to Claims that are Allowed after the Effective Date shall be made as soon as is reasonably practicable after the date on which such Claim becomes Allowed. Distributions made after the Effective Date to Holders of Allowed Claims shall be deemed to have been made on the Effective Date and, except as otherwise provided in this Plan, no interest shall accrue or be payable with respect to such Claims or any distribution related thereto. In the event that any payment or act under this Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be

completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

5.3 ***Postpetition Interest on Claims.*** Postpetition interest shall not accrue or be paid on any Claims against the Debtor other than a DIP Claim, and no Holder of any such Claim against the Debtor shall be entitled to payment or Distributions on account of interest accruing on or after the Petition Date.

5.4 ***Disbursing Agent.*** All Distributions hereunder shall be made by the Debtor, the Plan Administrator, or their named successor or assign, as Disbursing Agent, on or after the Effective Date or as otherwise provided herein. For the avoidance of doubt, the Debtor, or such other entity designated by the Debtor, shall act as Disbursing Agent with respect to all Effective Date Distributions. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Disbursing Agent.

5.5 ***Powers of Disbursing Agent.*** The Disbursing Agent may (i) effect all actions and execute all agreements, instruments, and other documents necessary to carry out the provisions of this Plan, (ii) make all Distributions contemplated hereby, and (iii) perform such other duties as may be required of the Disbursing Agent pursuant to this Plan.

5.6 ***Surrender Instruments.*** Pursuant to Bankruptcy Code section 1143, as a condition precedent to receiving any Distribution under this Plan, each Holder of a certificated instrument or note must surrender such instrument or note held by it to the Disbursing Agent or its designee. Any Holder of such instrument or note that fails to (i) surrender the instrument or note or (ii) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent and furnish a bond in form, substance, and amount reasonably satisfactory to the Disbursing Agent before the third anniversary of the Confirmation Date shall be deemed to have forfeited all rights and claims and may not participate in any Distribution hereunder.

5.7 ***Delivery of Distributions.*** Subject to applicable Bankruptcy Rules, all Distributions to Holders of Allowed Claims shall be made to the Disbursing Agent who shall transmit such Distributions to the applicable Holders of Allowed Claims or their designees. If any Distribution to a Holder of an Allowed Claim is returned as undeliverable, the Disbursing Agent shall have no obligation to determine the correct current address of such Holder, and no Distribution to such Holder shall be made unless and until the Disbursing Agent is notified by the Holder of the current address of such Holder within ninety (90) days of such Distribution, at which time a Distribution shall be made to such Holder without interest; provided that such Distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of ninety (90) days from the Distribution. After such date, all unclaimed property or interest in property shall revert to the Plan Administrator to be distributed in accordance with the terms of the Plan, and the Claim of any other Holder to such property or interest in property shall be discharged and forever barred.

5.8 ***Manner of Payment.*** Any Distributions to be made by or on behalf of the Debtor pursuant to this Plan shall be made by checks drawn on accounts maintained by the

Debtor or the Plan Administrator, as applicable, or by wire transfer if circumstances justify, at the option of the Debtor or the Plan Administrator, as applicable.

5.9 ***Setoffs.*** The Debtor and the Plan Administrator, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable bankruptcy or nonbankruptcy law, with the approval of the Bankruptcy Court, or as may be agreed to by the Holder of a Claim or Interest, may, but shall not be required to, set off against any Allowed Claim or Interest and the Distributions to be made pursuant to this Plan on account of such Allowed Claim or Interest (before any Distribution is to be made on account of such Allowed Claim or Interest), any Claims of any nature whatsoever that the Debtor may have against the Holder of such Allowed Claim or Interest, ***provided, however***, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest hereunder shall constitute a waiver or release by the Debtor or the Plan Administrator of any such claim the Debtor may have against the Holder of such Claim or Interest.

5.10 ***Minimum Distributions.*** No payment of Cash in an amount of less than \$50.00 shall be required to be made on account of any Allowed Claim. Such undistributed amount may instead be used in accordance with this Plan. If the Cash available for the final Distribution is less than \$10,000, and the Plan Administrator, in his or her sole discretion, determines that it would cost more than \$10,000 to distribute such funds, the Plan Administrator may donate such funds to a non-profit charity of his or her choice, ***provided, however***, that the Plan Administrator is not an insider of such charity or otherwise affiliated with such charity in an official capacity.

5.11 ***Allocation of Distributions Between Principal and Interest.*** To the extent that any Allowed Claim entitled to a Distribution under this Plan includes both principal and accrued but unpaid interest, such Distribution shall be allocated to the principal amount (as determined for federal income tax purposes) of the Claim first, and then to accrued but unpaid interest.

5.12 ***Distributions Free and Clear.*** Except as otherwise provided in this Plan, any Distribution or transfer made under this Plan, including, without limitation, Distributions to any Holder of an Allowed Claim, shall be free and clear of any Liens, Claims, encumbrances, charges and other interests, and no other entity shall have any interest, whether legal, beneficial or otherwise, in property distributed or transferred pursuant to this Plan.

SECTION 6. PROCEDURES FOR DISPUTED CLAIMS

6.1 ***Allowance of Claims and Interests.*** Except as expressly provided herein, or in any order entered in the Chapter 11 Case prior to the Effective Date, including the Confirmation Order, no Claim or Interest shall be deemed Allowed unless and until such Claim or Interest is deemed Allowed under this Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Case allowing such Claim or Interest. Prior to and following the Effective Date, the Plan Administrator shall be vested with any and all rights and defenses the Debtor had with respect to any Claim or Interest immediately prior to the Effective Date. As of April 23, 2012, the DIP Lender shall have an Allowed DIP Claim in the principal amount of \$3.5 million, plus additional fees, interest and

other costs accruing under the DIP Loan Agreement, which amount shall be reconciled by the Debtor and the DIP Lender immediately preceding the Effective Date.

6.2 ***Objections to Claims.*** The Debtor and the Plan Administrator shall be entitled to file objections to all Claims and Interests that are otherwise not deemed Allowed Claims or Interests under this Plan or otherwise. Any objections to Claims shall be served and filed on or before the later of (i) one hundred eighty (180) days after the Effective Date or (ii) such later date as may be fixed by the Bankruptcy Court.

6.3 ***Estimation of Claims.*** Before or after the Effective Date, the Debtor or the Plan Administrator may (but are not required to) at any time request that the Bankruptcy Court estimate any Contingent Claim or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether an objection was previously filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any Contingent Claim or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Plan Administrator may pursue supplementary proceedings to object to the allowance of such Claim.

6.4 ***Distributions Relating to Disputed Claims.*** At such time as a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall distribute to the Holder of such Claim, such Holder's Pro Rata Share of the property distributable with respect to the Class in which such Claim belongs. To the extent that all or a portion of a Disputed Claim is disallowed, the Holder of such Claim shall not receive any Distribution on account of the portion of such Claim that is disallowed and any property withheld pending the resolution of such Claim shall be reallocated *pro rata* to the Holders of Allowed Claims in the same Class.

6.5 ***Distributions after Allowance.*** To the extent that a Disputed Claim becomes an Allowed Claim after the Effective Date, a Distribution shall be made to the Holder of such Allowed Claim in accordance with the provisions of this Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim the Distribution to which such Holder is entitled hereunder.

6.6 ***Preservations of Rights to Settle Claims.*** Except as otherwise expressly provided herein, including in Section 9.8 of this Plan (Releases), nothing contained in this Plan, the Plan Documents or in the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or causes of action that the Debtor may have or which the Plan Administrator may choose to assert on behalf of the Debtor's Estate under any provision of the Bankruptcy Code or any applicable nonbankruptcy law or rule, common law, equitable principle or other source of right or obligation, including, without limitation, (i) any and all Claims against any Person or Entity, to the extent such Person or Entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtor, its officers, directors,

or representatives, and (ii) the turnover of all property of the Debtor's Estate. This Section shall not apply to any claims released, waived, relinquished, exculpated, compromised, or settled under this Plan or pursuant to a Final Order, expressly including the Confirmation Order. Except as expressly provided in this Plan, nothing contained in this Plan, the Plan Documents or in the Confirmation Order shall be deemed to be a waiver or relinquishment of any claim, cause of action, right of setoff, or other legal or equitable defense. No Entity may rely on the absence of a specific reference in this Plan or the Disclosure Statement to any Cause of Action against it as any indication that the Debtor or the Plan Administrator, as applicable, will not pursue any and all available causes of action against them. The Debtor and the Plan Administrator expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in this Plan.

6.7 Disallowed Claims. All Claims held by Persons or Entities against whom or which the Debtor has commenced a proceeding asserting a Cause of Action under sections 542, 543, 544, 545, 547, 548, 549 and/or 550 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 548, 549 or 724(a) of the Bankruptcy Code shall be deemed disallowed Claims pursuant to section 502(d) of the Bankruptcy Code and Holders of such Claims shall not be entitled to vote to accept or reject this Plan. Claims deemed disallowed pursuant to this Section shall continue to be disallowed for all purposes until the Avoidance and Other Action against such party has been settled or resolved by Final Order and any sums due to the Debtor or the Plan Administrator from such party have been paid.

SECTION 7. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.1 General Treatment. All executory contracts and unexpired leases to which the Debtor is a party are hereby rejected as of the Effective Date except for an executory contract or unexpired lease that (i) previously has been assumed pursuant to Final Order of the Bankruptcy Court, (ii) is specifically designated as an executory contract or unexpired lease to be assumed in this Plan or in the APA, including, without limitation, all Transferred Contracts (as defined in the APA), or (iii) is the subject of a separate assumption motion filed by the Debtor under section 365 of the Bankruptcy Code prior to the Effective Date; **provided, however** that pursuant to this Plan (i) each Residency Agreement, and all obligations thereunder, will be either modified and assumed by the Debtor and assigned to the Purchaser in accordance with the APA or rejected by the Debtor, and (ii) the Lease will be assumed by the Debtor and assigned to the Purchaser in accordance with the APA.

Loyola has asserted various monetary and nonmonetary Defaults (as defined in the Lease) under the Lease. The Debtor reserves its right to contest such Defaults other than the Defaults listed on Exhibit 5 to the Disclosure Statement. To the extent any other Defaults are deemed to be valid, such Defaults and the Defaults listed on Exhibit 5 of the Disclosure Statement will be cured by the Debtor on or before assumption and assignment of the Lease. Additionally, the Successful Bidder will be required to provide Loyola with adequate assurance of future performance only to the extent and as may be required pursuant to section 365 of the Bankruptcy Code.

The Residency Agreements for those current residents who elect not to agree to the Resident Modifications will be rejected by the Debtor and not be assumed by the Purchaser. For those residents, the Purchaser will offer new Residency Agreements for such residents to continue to reside at the Retirement Community on the same terms and conditions as new residents of the Purchaser, excluding the payment of any entrance fee and the refund of any entrance fee. The refund claims of these residents will be General Unsecured Claims against the Debtor and treated in accordance with this Plan and not assumed by the Purchaser.

Except with respect to the assumption of Residency Agreements, assumption of any executory contract or unexpired lease pursuant to this Plan, the APA or otherwise shall result in the full, final, and complete release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults or provisions restricting the change in control of ownership interest composition or other bankruptcy-related defaults, arising under any assumed executory contract or unexpired lease at any time prior to the effective date of assumption. Assumption of the Residency Agreements are dealt with in Section 3.2.6 of this Plan. Any Claim listed in the Schedules and any Proofs of Claim filed with respect to any executory contract or unexpired lease that has been assumed prior to the Effective Date shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

7.2 Rejection Damages Claims. In the event that the rejection of an executory contract or unexpired lease by the Debtor pursuant to this Plan or the APA results in a Rejection Damages Claim in favor of a counterparty to such executory contract or unexpired lease, such Rejection Damages Claim, if not heretofore evidenced by a timely and properly filed Proof of Claim, shall be forever barred and shall not be enforceable against the Debtor or the Plan Administrator, or their respective properties or interests in property as agents, successors, or assigns, unless a Proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Debtor and the Plan Administrator on or before the date that is thirty (30) days after the Effective Date or such later rejection date that occurs as a result of a dispute concerning amounts necessary to cure any defaults. All Allowed Rejection Damages Claims shall be treated as General Unsecured Claims pursuant to the terms of this Plan.

7.3 Reservation of Rights. Neither the exclusion nor inclusion of any contract or lease in this Plan nor anything contained in this Plan, shall constitute an admission by the Debtor that such contract or lease is in fact an executory contract or unexpired lease or that the Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtor or Plan Administrator, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

SECTION 8. CONDITIONS PRECEDENT TO EFFECTIVE DATE

8.1 Conditions Precedent. The occurrence of the Effective Date of this Plan is subject to the following conditions precedent:

- (i) the Confirmation Order in form and substance satisfactory to the Debtor shall have been entered by the Bankruptcy Court and shall be a Final Order;
- (ii) Closing of the Asset Sale shall have occurred;
- (iii) all actions, documents, and agreements necessary to implement this Plan, including, without limitation, the Debtor's receipt of the Plan Contribution Amount solely in the event that the Third-Party Releases are approved pursuant to a Final Order and all actions, documents, and agreements necessary to implement any Plan Transactions, shall have been effected or executed;
- (iv) the Debtor shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents necessary to implement this Plan and any Plan Transactions and that are required by law, regulation, or order;
- (v) the absence of any pending or threatened government action or any law that has the effect of or actually does prevent consummation of any Plan Transactions; and
- (vi) there shall have been no modification or stay of the Confirmation Order or entry of other court order prohibiting transactions contemplated by this Plan from being consummated.

8.2 ***Waiver of Conditions.*** Unless otherwise specifically provided in this Plan, the conditions set forth in Section 8.1 of this Plan may be waived in whole or in part by the Debtor without notice to any other parties in interest or the Bankruptcy Court and without a hearing.

8.3 ***Effect of Failure of Conditions.*** If the conditions precedent specified in Section 8.1 hereof have not been satisfied or waived by the Debtor within one hundred twenty (120) days after the Confirmation Date, which period may be extended by the Debtor, then (i) the Confirmation Order shall be vacated, (ii) no Distributions under this Plan shall be made, (iii) the Debtor and all Holders of Claims and Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iv) all of the Debtor's obligations with respect to Claims and Interests shall remain unchanged and nothing contained herein shall be deemed to constitute a waiver or release of any Claims or Interests by or against the Debtor or any other Entity or to prejudice in any manner the rights of the Debtor or any other Entity in any further proceedings involving the Debtor or otherwise.

SECTION 9. EFFECT OF CONFIRMATION

9.1 ***Vesting of Assets.*** On the Effective Date, except as otherwise provided in this Plan, pursuant to sections 1141(b) and 1141(c) of the Bankruptcy Code, any and all remaining Assets of the Debtor (other than the Purchased Assets) shall vest in the Plan Administrator, subject to the rights and interests of the parties under this Plan.

9.2 ***Binding Effect.*** On the Effective Date, and effective as of the Effective Date, this Plan shall be binding upon the Debtor, the Bond Trustee, the Creditors' Committee, and all present and former Holders of Claims against and Interests in the Debtor and its respective Related Persons, regardless of whether any such Holder of a Claim or Interest has voted or failed to vote to accept or reject this Plan and regardless of whether any such Holder of a Claim or Interest is entitled to receive any Distribution under this Plan.

9.3 ***Discharge of Claims and Termination of Interests.*** To the fullest extent provided under section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in this Plan, the distributions, rights, and treatment that are provided in this Plan shall be in full and final satisfaction, settlement, release, and discharge, as of the Effective Date, of all Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Estate, the Debtor, or any of its assets or properties, regardless of whether any property shall have been distributed or retained pursuant to this Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim or Interest based upon such Claim, debt, right, or Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Interest based upon such Claim, debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of such a Claim or Interest has accepted this Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in this Plan.

9.4 ***Compromise and Settlement of Claims, Interests, and Controversies.*** Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided pursuant to this Plan, the provisions of this Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any Distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtor, its Estate, and Holders of Claims and Interests and is fair, equitable, and reasonable. After the Effective Date, the Plan Administrator, on behalf of the Debtor, may, and shall have the exclusive right to, compromise and settle any Claims and any Causes of Action against any other Person or Entity without notice to or approval from the

Bankruptcy Court, including, without limitation, any and all derivative actions pending or otherwise existing against the Debtor as of the Effective Date.

9.5 *Injunction.* Except as otherwise expressly provided in this Plan, the Confirmation Order or a separate order of the Bankruptcy Court, all Persons and Entities who have held, hold or may hold Claims against or Interests in the Debtor, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Interest, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtor on account of any such Claim or Interest, (c) creating, perfecting or enforcing any encumbrance of any kind against the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Interest, (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtor or against the property or interests in property of the Debtor or the Plan Administrator on account of any such Claim or Interest, and (e) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims and causes of action which are retained pursuant to this Plan. Such injunction shall extend to successors of the Debtor, including, without limitation, the Plan Administrator and its properties and interests in property.

9.6 *Term of Injunctions or Stays.* Except as otherwise provided in this Plan, to the extent permitted by applicable law and subject to the Bankruptcy Court's post-confirmation jurisdiction to modify the injunctions and stays under this Plan, (a) all injunctions with respect to or stays against an action against property of the Debtor's Estate arising under or entered during the Chapter 11 Case under sections 105 or 362 of the Bankruptcy Code, and in existence on the Confirmation Date, shall remain in full force and effect until such property is no longer property of the Debtor's Estate, and (b) all other injunctions and stays arising under or entered during the Chapter 11 Case under sections 105 or 362 of the Bankruptcy Code shall remain in full force and effect until the earliest of (i) the date that the Chapter 11 Case is closed pursuant to a Final Order of the Bankruptcy Court or (ii) the date that the Chapter 11 Case is dismissed pursuant to a Final Order of the Bankruptcy Court.

9.7 *Injunction Against Interference with Plan.* Upon the Bankruptcy Court's entry of the Confirmation Order, all Holders of Claims and Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the Debtor's, the Plan Administrator's and their respective affiliates, employees, advisors, officers and directors, agents, and other Related Persons implementation or consummation of this Plan.

9.8 *Debtor Releases.* ON THE EFFECTIVE DATE, THE DEBTOR SHALL ASK THE COURT TO RELEASE AND PERMANENTLY ENJOIN FROM ANY PROSECUTION OR ATTEMPTED PROSECUTION OF ANY AND ALL CLAIMS AND CAUSES OF ACTION, INCLUDING ANY AVOIDANCE AND OTHER ACTIONS, WHICH IT HAS OR MAY HAVE AGAINST ANY OF THE RELEASED PARTIES, AND ALL OF THEIR RESPECTIVE MEMBERS, OFFICERS, DIRECTORS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, EMPLOYEES, PARTNERS, AFFILIATES, REPRESENTATIVES, AND OTHER RELATED PERSONS, AND THEIR RESPECTIVE

PROPERTY IN CONNECTION WITH (I) THE PLAN, THE APA, THE DIP AGREEMENT, THE BOND DOCUMENTS AND ANY AGREEMENT RELATING TO ANY OF THE FOREGOING, AND (II) ANY ACTIONS TAKEN IN THE CHAPTER 11 CASE.

ADDITIONALLY, ON THE EFFECTIVE DATE, AND EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN OR IN THE CONFIRMATION ORDER, THE RELEASED PARTIES, AND ALL OF THEIR RESPECTIVE MEMBERS, OFFICERS, DIRECTORS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, EMPLOYEES, PARTNERS, AFFILIATES, REPRESENTATIVES, AND OTHER RELATED PERSONS AND THEIR RESPECTIVE PROPERTY SHALL BE RELEASED FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, CAUSES OF ACTION, AVOIDANCE AND OTHER ACTIONS AND LIABILITIES WHICH THE DEBTOR OR THE PLAN ADMINISTRATOR MAY BE ENTITLED TO ASSERT, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, OR OTHERWISE, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR THEREAFTER ARISING, BASED IN WHOLE OR IN PART UPON ANY, ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE, INCLUDING, BUT NOT LIMITED TO, THE NEGOTIATION, SOLICITATION, CONFIRMATION AND CONSUMMATION OF THIS PLAN; PROVIDED, HOWEVER, THAT NOTHING SHALL RELEASE ANY PERSON FROM ANY CLAIMS, OBLIGATIONS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES BASED UPON ANY ACT OR OMISSION IN CONNECTION WITH, RELATING TO, OR ARISING OUT OF, THE CHAPTER 11 CASE, THE SOLICITATION OF ACCEPTANCES OF THIS PLAN, THE PURSUIT OF CONFIRMATION OF THIS PLAN, THE CONSUMMATION OF THIS PLAN, THE ADMINISTRATION OF THIS PLAN, OR THE PROPERTY TO BE DISTRIBUTED UNDER THIS PLAN ARISING OUT OF SUCH PERSON'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

9.9 *Releases by Holders of Claims and Interests.* SUBJECT TO THE LIMITATION DISCUSSED BELOW, EACH HOLDER OF A CLAIM (WHETHER OR NOT ALLOWED) AGAINST, OR INTEREST IN, THE DEBTOR, AND EACH PERSON OR ENTITY PARTICIPATING IN EXCHANGES AND DISTRIBUTIONS UNDER OR PURSUANT TO THIS PLAN, FOR ITSELF AND ITS RESPECTIVE SUCCESSORS, ASSIGNS, TRANSFEREES, CURRENT AND FORMER OFFICERS, DIRECTORS, AGENTS AND EMPLOYEES, IN EACH CASE IN THEIR CAPACITY AS SUCH, SHALL BE DEEMED TO HAVE RELEASED ANY AND ALL CLAIMS AND CAUSES OF ACTION AGAINST THE RELEASED PARTIES AND ALL OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, ATTORNEYS, ADVISORS, PROFESSIONALS, AGENTS, OR OTHER RELATED PERSONS ARISING PRIOR TO THE EFFECTIVE DATE.

ADDITIONALLY, ON THE EFFECTIVE DATE, IN CONSIDERATION FOR THE OBLIGATIONS OF THE DEBTOR AND THE PLAN ADMINISTRATOR UNDER THIS PLAN AND THE DISTRIBUTIONS TO BE DELIVERED IN CONNECTION WITH THIS PLAN, ALL HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE

DEBTOR SHALL BE PERMANENTLY ENJOINED FROM BRINGING ANY ACTION AGAINST THE RELEASED PARTIES AND ALL OF THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, OTHER PROFESSIONALS, EMPLOYEES, PARTNERS, MEMBERS, SUBSIDIARIES, MANAGERS, AFFILIATES AND REPRESENTATIVES SERVING IN SUCH CAPACITY AS OF THE CONFIRMATION DATE, AND THEIR RESPECTIVE PROPERTY, IN RESPECT OF ANY CLAIMS, OBLIGATIONS, RIGHTS, CAUSES OF ACTION, DEMANDS, SUITS, PROCEEDINGS, AND LIABILITIES RELATED IN ANY WAY TO THE DEBTOR, THE CHAPTER 11 CASE, THIS PLAN OR THE DISCLOSURE STATEMENT; PROVIDED, HOWEVER, NOTHING IN THIS SECTION SHALL BE CONSTRUED TO RELEASE OR EXCULPATE ANY PERSON OR ENTITY FROM FRAUD, GROSS NEGLIGENCE, WILLFUL MISCONDUCT, CRIMINAL CONDUCT, UNAUTHORIZED USE OF CONFIDENTIAL INFORMATION THAT CAUSES DAMAGES OR FOR PERSONAL ULTRA VIRES ACTS.

9.10 *Exculpation.* None of the Released Parties, nor any of their respective members, officers, directors, employees, advisors, professionals, attorneys, agents, or other Related Persons or any of their successors and assigns, shall have or incur any liability to any Holder of a Claim or Interest, or other party in interest, or any of their respective members, officers, directors, employees, advisors, professionals, attorneys, agents, or other Related Persons or any of their successors and assigns, for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of this Plan, the consummation of this Plan or the administration of this Plan or the property to be distributed under this Plan, including without limitation, the negotiation and solicitation of this Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtor, the Plan Administrator, and each of their respective members, officers, directors, employees, advisors, professionals, attorneys, agents, and other Related Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan.

9.11 *Limitation on Releases and Exculpation under the Plan.* The Debtor believes that the releases and exculpations being given to the Released Parties under this Plan are supported by valuable consideration and are consistent with applicable law. Any Person who accepts this Plan, either by affirmative vote or by the acceptance of the Plan by the consolidated Class in which such Person is a member, shall be deemed to have given the releases to the fullest extent provided by law, unless such Holder of a Claim or Interest affirmatively opts out from granting such a release. For the avoidance of doubt, any Resident that agrees to the Resident Modifications pursuant to 3.2.6 of this Plan will grant the releases and exculpations being given to the Released Parties under this Plan, including but not limited to with respect to their Resident Claims. To the extent there is any objection to the propriety or scope of the releases or exculpations under this Plan, these issues will be addressed in connection with the Plan confirmation.

9.12 *Release of Liens.* Except as otherwise provided herein, or in any contract, instrument, release, or other agreement or document created pursuant to this Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged, *provided, however*, that any

Lien or security interest that was attached to the Debtor's Assets as of the Petition Date shall be deemed to attach to the Sale Proceeds or the proceeds of any such other Assets, as applicable, to the same extent and with the same validity and priority that such Liens and security interests enjoyed on the Petition Date.

9.13 ***Dissolution of Creditors' Committee.*** On the Effective Date, the Creditors' Committee shall have no further powers or duties and shall be dissolved for all purposes.

9.14 ***Retention of Causes of Action/Reservation of Rights.***

9.14.1 Except as otherwise expressly provided herein (including in Section 9.8 hereof), nothing contained in this Plan or in the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtor may have or may choose to assert on behalf of the Debtor's Estate under any provision of the Bankruptcy Code or any applicable nonbankruptcy law or rule, common law, equitable principle or other source of right or obligation, including, without limitation, (i) any and all Claims against any Person or Entity, to the extent such Person or Entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtor or its officers, directors, or representatives, (ii) the turnover of all property of the Debtor's Estate and (iii) any and all Avoidance and Other Actions.

9.14.2 Except as otherwise expressly provided in this Plan, nothing contained herein or in the Confirmation Order shall be deemed to be a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense. No Entity may rely on the absence of a specific reference in this Plan or the Disclosure Statement to any Cause of Action against it as any indication that the Debtor will not pursue any and all available Causes of Action against them. The Debtor expressly reserves all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in this Plan.

9.14.3 For the avoidance of doubt, unless expressly released pursuant to this Plan or the Confirmation Order in their capacities as such, Persons or Entities not specifically listed in this Plan are not released and the Debtor and the Plan Administrator, as applicable, expressly retain all Causes of Action of any kind whatsoever against all such Persons or Entities, including without limitation the categories of Causes of Action defined in this Plan. Failure to attribute any specific Cause of Action to a particular Person or Entity in this Plan shall not under any circumstance be interpreted to mean that such Cause of Action is not retained against such Person or Entity. All possible Causes of Action, including Causes of Action not listed in this Plan, are retained against all Persons or Entities not expressly released pursuant to this Plan or the Confirmation Order in their capacities as such.

9.15 ***Solicitation.*** As of and subject to the occurrence of the Confirmation Date: (i) the Debtor shall be deemed to have solicited acceptances of this Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including without limitation, sections 1125(a) and (e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with such solicitation, and (ii) the Debtor and its directors, officers, employees, their affiliates, agents, and

advisors shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the Plan Transactions and therefore are not, and on account of such offer, issuance, and solicitation will not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of this Plan.

9.16 ***Cancellation of Bond Documents.*** On the Effective Date, except to the extent otherwise expressly provided herein, all notes, interests, instruments, certificates, and other documents evidencing the Bond Documents shall be deemed inoperative and unenforceable as against the Debtor and Purchaser, and the Debtor and Purchaser shall not have any continuing obligations thereunder; ***provided, however,*** that (i) the Bond Documents shall continue in effect for purposes of allowing Holders of the Bonds to receive any Distributions under the Plan and (ii) the Bond Documents shall remain operative and enforceable with respect to any Person, other than the Debtor and Purchaser, which has rights and/or obligations thereunder.

SECTION 10. RETENTION OF JURISDICTION

On and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under, and related to the Chapter 11 Case for, among other things, the following purposes:

- (a) to hear and determine motions and/or applications for the assumption or rejection of executory contracts or unexpired leases and the allowance, classification, priority, compromise, estimation, or payment of Claims resulting therefrom;
- (b) to determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date;
- (c) to ensure that Distributions to Holders of Allowed Claims are accomplished as provided herein;
- (d) to consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim;
- (e) to enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;
- (f) to issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation, or enforcement of this Plan, the Confirmation Order, or any other order of the Bankruptcy Court;
- (g) to hear and determine any application to modify this Plan in accordance with applicable provisions of the Bankruptcy Code, to remedy any defect

or omission or reconcile any inconsistency in this Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

- (h) to hear and determine all applications under sections 328, 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;
- (i) to hear and determine all requests for payment of Administrative Expense Claims;
- (j) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan, the Confirmation Order, any transactions or payments contemplated hereby or under any agreement, instrument, or other document governing or relating to any of the foregoing;
- (k) to take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate this Plan or to maintain the integrity of this Plan following consummation;
- (l) to hear any disputes arising out of, and to enforce any order approving alternative dispute resolution procedures to resolve, personal injury, employment litigation, and similar claims pursuant to section 105(a) of the Bankruptcy Code;
- (m) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- (n) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code);
- (o) to hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;
- (p) to enter a final decree closing the Chapter 11 Case;
- (q) to recover all assets of the Debtor and property of the Debtor's Estate, wherever located; and
- (r) to hear and determine any rights, Claims, or Causes of Action held by or accruing to the Debtor pursuant to the Bankruptcy Code or any applicable federal statute or legal theory.

SECTION 11. MISCELLANEOUS PROVISIONS

11.1 ***Payment of Statutory Fees.*** All fees payable pursuant to section 1930 of title 28 of the United States Code that are due and payable as of the Effective Date shall be paid by the Plan Administrator on the Effective Date or as soon thereafter as is reasonably practicable. All such fees that become due and payable after the Effective Date shall be paid by the Plan Administrator with funds from the Plan Expenses Reserve when such fees become due and payable.

11.2 ***Substantial Consummation.*** On the Effective Date, this Plan shall be deemed to be substantially consummated within the meaning set forth in section 1101 and pursuant to section 1127(b) of the Bankruptcy Code.

11.3 ***Operations Between the Confirmation Date and the Closing of the Asset Sale.*** During the period from the Confirmation Date through and until the Closing of the Asset Sale, the Debtor shall continue to operate as debtor in possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect.

11.4 ***Exemption from Transfer Taxes.*** Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer or exchange of any security under, in furtherance of, or in connection with, this Plan or (b) the assignment or surrender of any lease or sublease, or the delivery of any instrument of transfer under, in furtherance of, or in connection with, this Plan, including, without limitation, any deed, asset purchase agreement, bill of sale, assignment, mortgage, deed of trust or similar document executed in connection with any disposition of assets contemplated by this Plan (including real and personal property), shall not be subject to any stamp tax, real estate transfer tax, recording tax, sales tax, personal property tax, mortgage tax, use tax, or other similar tax, or any Uniform Commercial Code filing or recording fee or similar or other government assessment, and the appropriate state or local government officials or agents shall forego the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment pursuant to section 1146(a) of the Bankruptcy Code.

11.5 ***Determination of Tax Liabilities.*** The Debtor or the Plan Administrator (as applicable) shall, pursuant to section 505(b) of the Bankruptcy Code, have the right to request an expedited determination of any unpaid liability of the Debtor's Estate and the Plan Administrator for any tax incurred during the administration of the Chapter 11 Case. As of the Effective Date, the Plan Administrator will be responsible for preparing and filing any tax forms or returns on behalf of the Debtor's Estate; ***provided, however,*** that the Plan Administrator shall not be responsible for preparing or filing any tax forms for Holders of Interests in the Debtor (which Interests shall be canceled pursuant to this Plan), but shall provide such Holders with any information reasonably required to prepare such forms.

11.6 ***Amendments.***

11.6.1 ***Modifications to Plan.*** This Plan may be amended, modified, or supplemented by the Debtor in the manner provided for by section 1127 of the Bankruptcy Code

or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code. In addition, after the Confirmation Date, the Debtor or the Plan Administrator may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in this Plan or the Confirmation Order with respect to such matters as may be necessary to carry out the purposes and effects of this Plan.

11.6.2 Other Amendments. The Debtor may make appropriate technical adjustments and modifications to this Plan prior to the Effective Date without further order or approval of the Bankruptcy Court.

11.7 Revocation or Withdrawal of the Plan. The Debtor reserves the right to revoke or withdraw this Plan prior to the Effective Date. Any such action may only be taken if it is in the exercise of the Debtor's fiduciary duty to its creditors. If the Debtor takes such action, this Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed to be a waiver or release of any Claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in further proceedings involving the Debtor.

11.8 Continuing Exclusivity of Debtor's Right to Propose Plan. The Debtor is currently operating within the exclusivity period under Bankruptcy Code section 1121. Accordingly, the Debtor retains, and the Debtor has, the exclusive right to amend or modify this Plan and to solicit acceptances of such amended or modified Plan.

11.9 Severability. If, prior to the entry of the Confirmation Order, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtor, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

11.10 Governing Law. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Illinois, without giving effect to the principles of conflicts of laws, shall govern the rights, obligations, construction, and implementation of this Plan and the transactions consummated or to be consummated in connection therewith.

11.11 Time. Bankruptcy Rule 9006 shall apply to all computations of time periods prescribed or allowed by this Plan unless otherwise set forth herein or provided by the Bankruptcy Court.

11.12 ***Binding Effect on Debtor, Holders and Successors and Assigns.*** Upon the occurrence of the Effective Date, the terms of this Plan shall be immediately effective and enforceable and deemed binding upon the Debtor and any and all Holders of Claims and Interests (irrespective of whether any such Holders of Claims and Interests failed to vote to accept or reject this Plan, voted to accept or reject this Plan, or are deemed to accept or reject this Plan), all Persons or Entities that are parties to or are subject to any settlements, compromises, releases, exculpations, discharges, and injunctions described in this Plan, each Person or Entity acquiring or retaining property under this Plan, and any and all non-Debtor parties to executory contracts and unexpired lease with the Debtor.

11.13 ***Entire Agreement.*** On the Effective Date, this Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into this Plan.

11.14 ***Section 1125(e) Good Faith Compliance.*** The Debtor and its Related Persons shall be deemed to have acted in good faith under section 1125(e) of the Bankruptcy Code.

11.15 ***Effective Notice.*** All notices, requests, and demands to or upon the Debtor in the Chapter 11 Case shall be in writing and, unless otherwise provided herein, shall be deemed to have been duly given or made when actually delivered or, if by facsimile transmission, when received and telephonically confirmed to the below recipients:

The Clare at Water Tower c/o Franciscan Sisters of Chicago Service Corporation Attn: Judy Amiano and Ron Tinsley 1055 West 175th Street, Suite 202 Homewood, Illinois 60430 Telephone: (800) 524-6126 Facsimile: (708) 647-6982	DLA PIPER LLP (US) Attn: Matthew M. Murphy, Esq. 203 North LaSalle Street Chicago, IL 60601 Telephone: (312) 368-4000 Facsimile: (312) 236-7516 with copies to: DLA PIPER LLP (US) Attn: Thomas R. Califano, Esq. George B. South III, Esq. 1251 Avenue of the Americas New York, New York 10020 Telephone: (212) 335-4500 Facsimile: (212) 335-4501
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[Signature page to follow]

Dated: April 23, 2012

Respectfully submitted,

The Clare at Water Tower

By: /s/ Judy Amiano
Name: Judy Amiano
Title: President/CEO