

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

)	Chapter 11
In re:)	
)	Case No. 11-48903
Clare Oaks,)	
)	
Debtor.)	Hon. Pamela S. Hollis
)	
)	

PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE
BANKRUPTCY CODE FILED BY WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS MASTER TRUSTEE AND SOVEREIGN BANK, N.A.

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**PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
FILED BY WELLS FARGO BANK, NATIONAL ASSOCIATION, AS MASTER
TRUSTEE AND SOVEREIGN BANK, N.A.**

Pursuant to chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, Wells Fargo Bank, National Association, as Master Trustee and Sovereign Bank, N.A., creditors and parties-in-interest in the above-captioned chapter 11 bankruptcy case of the Debtor, Clare Oaks, hereby propose the following plan of reorganization.

ARTICLE I.

DEFINED TERMS AND RULES OF INTERPRETATION

A. *Defined Terms*

Unless context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. “*2012 Supplemental Master Trust Indenture*” means the amended and restated Master Trust Indenture, dated as of the Effective Date, and as may be amended or supplemented from time to time.

2. “*Administrative Claim Bar Date*” means the last date established by the Bankruptcy Court for a Holder of an Administrative Claim to file a request with the Bankruptcy Court for payment of such Administrative Expense in the manner indicated in Article II of the Plan.

3. “*Administrative Claims*” means Claims that have been timely filed before the Administrative Claim Bar Date (except as otherwise provided by a separate order of the Bankruptcy Court), for costs and expenses of administration under sections 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the business of the Debtor (such as wages, salaries or commissions for services and payments for goods and other services and leased premises); and (b) all fees and charges assessed against the Estate under chapter 123 of title 28 United States Code, 28 U.S.C. §§ 1911-1930, but excluding Professional Fee Claims.

4. “*Allowed*” means, with respect to any Claim, except as otherwise provided herein: (a) a Claim that has been scheduled by the Debtor in its schedules of liabilities as other than disputed, contingent or unliquidated, unless a Proof of Claim has been timely filed, and as to which the Debtor or other parties-in-interest have not Filed an objection by the Claims Objection Bar Date; (b) a Claim that has been allowed by a Final Order; (c) a Claim that is allowed:

(i) in any stipulation of the amount and nature of a Claim executed prior to the Effective Date and approved by the Bankruptcy Court; or (ii) in any stipulation with the Reorganized Debtor of the amount and nature of a Claim executed on or after the Effective Date; (d) a Claim that is Allowed pursuant to the terms hereof; or (e) a Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been Filed by the Claims Objection Bar Date.

5. “*Avoidance Actions*” means any and all avoidance, recovery, subordination or other actions or remedies that may be brought on behalf of the Debtor, the Reorganized Debtor or its Estate under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, actions or remedies under sections 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 of the Bankruptcy Code.

6. “*Bank*” means Sovereign Bank, N.A.

7. “*Bankruptcy Code*” means title I of the Bankruptcy Reform Act of 1978, as amended from time to time, as set forth in Articles 101 *et seq.* of title 11 of the United States Code, and applicable portions of titles 18 and 28 of the United States Code.

8. “*Bankruptcy Court*” means the United States District Court for the Northern District of Illinois, having jurisdiction over the Chapter 11 Case and, to the extent of any reference made pursuant to Article 157 of title 28 of the United States Code and/or the General Order of the District Court pursuant to Article 151 of title 28 of the United States Code, the United States Bankruptcy Court for the Northern District of Illinois.

9. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, promulgated under 28 U.S.C. § 2075, the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Northern District of Illinois, the Local Rules of Civil Practice and Procedure of the United States District Court for the Northern District of Illinois, and general orders and chambers procedures of the Bankruptcy Court, each as applicable to the Chapter 11 Case and as amended from time to time.

10. “*Bond Documents*” means, collectively, the Master Trust Indenture dated as of July 1, 2006 between Clare Oaks and the Master Trustee, the two Bond Trust Indentures each dated as of July 1, 2006 between the Illinois Finance Authority and the Bond Trustee, each as supplemented and amended from time to time, and each and every loan agreement, mortgage, security agreement, letter of credit, letter of credit agreement, document, agreement or instrument executed or delivered in connection therewith.

11. “*Bond Trustee*” means Wells Fargo Bank, National Association, as bond trustee pursuant to two separate Bond Trust Indentures, each dated as of July 1, 2006 and between the Illinois Finance Authority and Wells Fargo Bank, National Association, each as supplemented and amended from time to time.

12. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as that term is defined in Bankruptcy Rule 9006(a)).

13. “*Bylaws*” mean the bylaws of the Debtor, as may be amended from time to time.

14. “*Cash*” means legal tender of the United States of America or the equivalent thereof; provided, however, other than as set forth in the Series 2012 Supplemental Bond Documents, no distribution to be made in Cash under this Plan shall be comprised of any funds held by the Master Trustee or Bond Trustee under the Bond Documents.

15. “*Causes of Action*” means all claims, actions, causes of action, choses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, remedies, rights of set off, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims and crossclaims (including, without limitation, all claims and any avoidance, recovery, subordination or other actions against insiders and/or any other Entities under the Bankruptcy Code, including Avoidance Actions) of the Debtor, the Debtor in Possession, the Reorganized Debtor and/or the Estate (including, without limitation, those actions set forth in the Plan Supplement) that are or may be pending on the Effective Date against any Entity, based in law or equity, including, without limitation, under the Bankruptcy Code, whether direct, indirect, derivative or otherwise and whether asserted or unasserted as of the Effective Date.

16. “*Chapter 11 Case*” means the bankruptcy case commenced when the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code on the Petition Date, which is being administered under case number 11-48903 in the Bankruptcy Court.

17. “*Claim*” means a “claim” (as that term is defined in section 101(5) of the Bankruptcy Code) against the Debtor.

18. “*Claims Objection Bar Date*” means the bar date for objecting to Claims against the Debtor, which shall be six (6) months after the Effective Date; provided, however, that the Reorganized Debtor may seek additional extensions of this date from the Bankruptcy Court for cause shown.

19. “*Claims Register*” means the official register of Claims maintained by the Notice, Claims and Solicitation Agent.

20. “*Clare Oaks Campus*” means the licensed life care facility comprised of 154 residential apartments and 10 cottage units (located in 5 duplex buildings), a licensed assisted living facility comprised of 33 units, 16 of which are memory care units, and a long term care facility consisting of 120 licensed skilled nursing beds and located in Bartlett, Illinois owned and operated by the Debtor.

21. “*Class*” means a category of Holders of Claims as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code.

22. “*Committee*” means the official committee of unsecured creditors for the Chapter 11 Case appointed pursuant to section 1102 of the Bankruptcy Code, on December 19, 2011 [Docket No. 63].

23. “*Confirmation Date*” means the date on which the Confirmation Order is entered by the Bankruptcy Court.

24. “*Confirmation Order*” means the order of the Bankruptcy Court in form and substance acceptable to the Plan Sponsors, confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

25. “*Cure*” means the payment of Cash by the Debtor, or the distribution of other property (as the Plan Sponsors or the Reorganized Debtor and the counterparty to the executory contract or unexpired lease may agree or the Bankruptcy Court may order), as necessary to (a) cure a monetary default under an executory contract or unexpired lease of the Debtor and (b) permit the Debtor to assume such executory contract or unexpired lease under sections 365 and 1123 of the Bankruptcy Code.

26. “*Cure Bar Date*” means the date as established by the Bankruptcy Court.

27. “*Debtor*” or “*Debtor in Possession*” means Clare Oaks prior to the Effective Date.

28. “*DIP Loan Claim*” means any Claim derived from or based upon the DIP Loan.

29. “*DIP Loan*” means the Senior Secured Super-Priority Debtor-in-Possession Loan Agreement, dated December 14, 2011, between Senior Care Development, LLC and Clare Oaks, as Debtor, approved by entry of order of the Bankruptcy Court dated December 15, 2011 [Docket No. 82] [Interim] and January 24, 2012 [Docket No. 144] [Final].

30. “*Disclosure Statement*” means the *Disclosure Statement for the Plan of Reorganization under Chapter 11 of the Bankruptcy Code Filed By Sovereign Bank, N.A., and Wells Fargo Bank National Association, as Master Trustee*, dated _____, 2012 [Docket No. ____], prepared and distributed in accordance with the Bankruptcy Code, Bankruptcy Rules and any other applicable law, and approved by the Bankruptcy Court in the Disclosure Statement Order, as it is amended, supplemented or modified from time to time.

31. “*Disclosure Statement Order*” means that certain order approving the Disclosure Statement dated [____], 2012 [Docket. No. ____].

32. “*Disputed Claim*” means any Claim that is not yet an Allowed Claim.

33. “*Disputed Claim Reserve*” means the reserve fund created pursuant to Article V.B.1 of the Plan.

34. “*Distributions*” means the distributions of Cash and securities to be made in accordance with the Plan.

35. “*Distribution Record Date*” means the record date for determining the entitlement of Holders of Claims to receive Distributions under the Plan on account of Allowed Claims. The Distribution Record Date shall be two Business Days after the Confirmation Date.

36. “*Effective Date*” means the date that is the first Business Day after the entry of the Confirmation Order on which: (a) no stay of the Confirmation Order is in effect; and (b) all conditions specified in Article VIII.B have been satisfied or waived.

37. “*Entity*” means an “entity” as that term is defined in section 101(15) of the Bankruptcy Code.

38. “*Estate*” means the estate of the Debtor created on the Petition Date by section 541 of the Bankruptcy Code.

39. “*Exculpated Parties*” means, collectively, the Committee and the individual members thereof acting in their capacity as Committee members, the Bank, the Master Trustee, the Bond Trustee, the Steering Committee and the individual members thereof acting in their capacity as Steering Committee members, and each of their respective Representatives.

40. “*File*” or “*Filed*” means, with respect to any pleading, entered on the docket of the Chapter 11 Case and properly served in accordance with the Bankruptcy Rules or with respect to a Claim, a Claim for which a Proof of Claim has been properly and timely filed in accordance with the deadlines established by the Bankruptcy Court for filing this Proofs of Claim.

41. “*Final Order*” means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for a writ of certiorari or move for reargument or rehearing has expired and no such appeal, petition, or motion has been timely Filed, or as to which any appeal, petition, or motion that has been Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or has otherwise been dismissed.

42. “*General Unsecured Claims*” means Claims against the Debtor that are not Secured Claims, Administrative Claims, Priority Tax Claims, or Professional Fee Claims.

43. “*Ground Lease*” means that certain Ground Lease, dated July 1, 2006, between the Landlord and the Debtor, as amended, modified and/or supplemented from time to time.

44. “*Holder*” means any Entity holding a Claim against the Debtor.

45. “*Illinois Finance Authority*” means a body politic and corporate created and existing under and by virtue of the Illinois Finance Authority Act of the State of Illinois, as from time to time amended.

46. “*Impaired*” means, with respect to a Claim, or Class of Claims, “impaired” within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code.

47. “*Initial Class 4 Distribution*” shall have the meaning set forth in Article III.B.4.

48. “*Initial Distribution Date*” means the date on which the Reorganized Debtor shall make its initial Distribution, which shall be a date selected by the Reorganized Debtor as soon as reasonably practicable after the Effective Date.

49. “*Insurance Policies*” means, collectively, all of the Debtor’s insurance policies.

50. “*Issuer*” means the Illinois Finance Authority.

51. “*Landlord*” means the Sisters of St. Joseph of the Third Order of St. Francis, Inc.

52. “*Lien*” shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

53. “*Management Agreement*” means that certain Management Agreement entered into by and between _____ and the Debtor, dated _____ (as amended, supplemented or modified from time to time).

54. “*Master Trust Indenture*” means that certain Master Trust Indenture dated as of July 1, 2006, between the Debtor and the Master Trustee, as supplemented and amended from time to time, including the 2012 Supplemental Master Trust Indenture.

55. “*Master Trustee*” means Wells Fargo Bank, National Association, as master trustee pursuant to the Master Trust Indenture, as amended and supplemented pursuant to the 2012 Supplemental Master Trust Indenture.

56. “*Member*” means one having membership rights, whether or not designated as a member, in the Debtor in accordance with the charter documents and Bylaws, including those professed members of the Landlord who from time to time are elected and serving as the members of the Central Board of the

Congregation, pursuant to the Constitution of the Congregation (each as defined in the Bylaws).

57. “*Membership Interest*” means any right, power or other interest of any Member of the Debtor, including, without limitation, any interest as a Member arising under the Articles of Incorporation and/or Bylaws of the Debtor, as amended from time to time.

58. “*New Board*” means the board of directors of the Reorganized Debtor to be disclosed in the Plan Supplement.

59. “*Notice, Claims and Solicitation Agent*” means the Garden City Group, Inc. retained as the Debtor’s notice, claims and solicitation agent.

60. “*Opt-In Resident*” means a resident or prospective resident who exercises the option under an Option Agreement to continue living at the Clare Oaks Campus.

61. “*Opt-Out Resident*” means a resident or prospective resident who exercise the option to receive the return of funds under an Option Agreement and leave the Clare Oaks Campus.

62. “*Option Agreement*” means an Option Agreement or any similar agreements between the Debtor and each resident or prospective resident, setting forth the terms and conditions for the return of the Option Deposits of such residents or prospective residents.

63. “*Option Deposits*” has the meaning set forth in the Option Agreements.

64. “*Other Secured Claim*” means a Secured Claim that is not a Secured DIP Loan Claim or a Secured Bond Claim.

65. “*Petition Date*” means December 5, 2011.

66. “*Plan*” means this plan under chapter 11 of the Bankruptcy Code, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules or herewith, as the case may be, and the Plan Supplement, which is incorporated herein by reference.

67. “*Plan Sponsors*” means the Master Trustee and the Bank.

68. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules and exhibits to the Plan, including but not limited to the Series 2012 Supplemental Bond Documents, in form and substance acceptable to the Plan Sponsors and Steering Committee.

69. “*Potential Fee Savings*” shall have the meaning set forth in Article III.B.4.

70. “*Priority Tax Claims*” means Claims of governmental units of the kind specified in section 507(a)(8) of the Bankruptcy Code.

71. “*Projections*” means the cash flow projections set forth in Exhibit A to the Restructuring Term Sheet.

72. “*Pro Rata*” means the ratio of the amount of an individual Claim in any particular Class of Claims to the aggregate amount of all Claims in such Class that have not yet been disallowed.

73. “*Professional*” means any person or Entity employed in the Chapter 11 Case pursuant to a Final Order in accordance with sections 327, 328 or 1103 of the Bankruptcy Code, and to be compensated for services rendered prior to and including the Effective Date pursuant to sections 327, 328, 329, 330 or 331 of the Bankruptcy Code.

74. “*Professional Fee Bar Date*” shall have the meaning set forth in Article II.B.

75. “*Professional Fee Budget*” means the budget of anticipated fees and expenses of Estate Professionals as set forth on **Exhibit C** to this Plan.

76. “*Professional Fee Claim*” means any Claim of a Professional for fees and expenses to the extent payable under the DIP Loan.

77. “*Proof of Claim*” means a proof of Claim Filed against the Debtor in the Chapter 11 Case.

78. “*Quarterly Distribution Date*” means the first Business Day after the end of each quarterly calendar period (*i.e.*, March 31, June 30, September 30 and December 31 of each calendar year).

79. “*Real Estate*” means the real property subject to the Ground Lease and all improvements thereon.

80. “*Real Estate Option Deadline*” shall have the meaning set forth in Article IV.H.

81. “*Real Estate Purchase Term Sheet*” means that certain document at **Exhibit B** to this Plan.

82. “*Releasees*” means, collectively, the Committee and the individual members thereof acting in their capacity as Committee members, the Bank, the Master Trustee, the Bond Trustee, the Steering Committee and the individual members thereof acting in their capacity as Steering Committee members, and each of their respective Representatives.

83. “*Reorganized Debtor*” means the Debtor or any successor thereto, by merger, affiliation, consolidation or otherwise, on or after the Effective Date.

84. “*Representatives*” means, with regard to an Entity or the Committee, officers, directors, members, employees, advisors, attorneys, professionals, accountants, investment bankers, financial advisors, consultants, agents and other representatives (including their respective officers, directors, employees, members and professionals).

85. “*Residence & Care Agreement*” means those certain residence and care agreements entered into by and between the residents of the Clare Oaks Campus and the Debtor and any additional documents relating thereto, including but not limited to any Option Agreement.

86. “*Restructuring Term Sheet*” means that certain document at **Exhibit A** to this Plan.

87. “*Schedules*” mean the schedules of assets and liabilities, schedules of executory contracts and statements of financial affairs, as may be amended from time to time, filed with the Bankruptcy Court by the Debtor pursuant to section 521 of the Bankruptcy Code.

88. “*Secured*” means when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor’s interest in the Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) otherwise Allowed pursuant to the Plan as a Secured Claim.

89. “*Senior Secured Bond Claim*” means any Secured Claim arising or asserted under the Bond Documents.

90. “*Series 2006 Bonds*” means those securities issued in the original aggregate principal amount of \$112,725,000 issued for the benefit of Clare Oaks by the Issuer pursuant to the Bond Documents.

91. “*Series 2006 Bond Deficiency Claim*” means the amount of all Claims relating to the Series 2006 Bonds that are not treated as Senior Secured Bond Claims under Article III.B.2.

92. “*Series 2012 Bonds*” means in the aggregate, the Series 2012A Bonds, the Series 2012B Bonds, and the Series 2012C Bonds.

93. “*Series 2012A Bonds*” means those securities, notes or other forms of indebtedness issued pursuant to the 2012 Supplemental Master Trust Indenture, to provide exit funding to the Reorganized Debtor as set forth in Article IV.G.

94. “*Series 2012A-3 Obligation*” shall have the meaning set forth in Article IV.G.

95. “*Series 2012B Bonds*” means those securities to be issued pursuant to the 2012 Supplemental Master Trust Indenture to the Holders of Claims in Class II of the Plan defined in Article III.B.2.

96. “*Series 2012C Bonds*” means those securities to be issued pursuant to the 2012 Supplemental Master Trust Indenture to the Holders of Claims in Class II of the Plan defined in Article III.B.2.

97. “*Series 2012 Supplemental Bond Documents*” means, collectively, the 2012 Supplemental Master Trust Indenture, the bond indentures governing the issuance of the Series 2012B Bonds and Series 2012C Bonds and each and every loan agreement, mortgage, security agreement, document, agreement or instrument to be executed or delivered in connection therewith.

98. “*Steering Committee*” means the members of an informal steering committee comprised of bondholders the with whom Master Trustee has been working in connection with the Debtor and the Chapter 11 Case.

99. “*Unimpaired*” means, with respect to a Claim or Class of Claims, not “impaired” within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code.

100. “*Voting Deadline*” means the date established by the Bankruptcy Court for casting ballots concerning confirmation of the Plan.

B. *Rules of Interpretation*

1. For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neutral gender shall include the masculine, feminine and the neutral gender; (b) any reference herein to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) the words “herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

2. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed hereunder.

3. All references herein to monetary figures shall refer to currency of the United States of America.

C. *Exhibits*

The Plan Supplement shall be Filed at the time specified in the Disclosure Statement Order and shall include, among other things: (i) a list of executory contracts to be assumed or rejected (in addition to those noted in this Plan); (ii) a list of Causes of Action; (iii) the bylaws of the Reorganized Debtor; (iv) the charter of the Reorganized Debtor; (iv) the identity and background information of the members of the New Board; and (v) the Series 2012 Supplemental Bond Documents. The Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal hours of operation of the Bankruptcy Court. Holders of Claims may also obtain a copy of such exhibits, once filed, by calling the Notice, Claims and Solicitation Agent at (866) 975-7534 or by a written request sent to the following address:

Garden City Group, Inc.
190 South LaSalle Street
Suite 1520
Chicago, IL 60603

ARTICLE II.

ADMINISTRATIVE AND PRIORITY CLAIMS

A. *Administrative Claims*

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, the Reorganized Debtor shall pay each Holder of an Allowed Administrative Claim the full unpaid amount of such Allowed Administrative Claim in Cash: (i) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (ii) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter; (iii) at such later time as may be agreed upon by such Holder and the Reorganized Debtor; or (iv) at such time and upon such terms as are set forth in a Final Order.

B. *Professional Fee Claims*

Professionals or other Persons asserting a Professional Fee Claim for services rendered before the Effective Date must file and serve on the Debtor, the Reorganized Debtor, the Master Trustee, the Bank, the Committee and such other Persons who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court an application for final allowance of such Professional Fee Claim no later than 60 days after the Effective Date (the “**Professional Fee Bar Date**”).

C. *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 Article II. Unless otherwise agreed by the holder of an Allowed Priority Tax Claim, any Person holding an Allowed Priority Tax Claim will receive, as determined by the Plan Sponsor or the Reorganized Debtor in its or their sole discretion and in full satisfaction of such Claim: (i) payment in Cash in full on the later of the Effective Date or the date such Claim becomes an Allowed Claim; or (ii) Cash over a period not exceeding five (5) years after the Petition Date, with interest at a rate equal to three and one quarter percent (3.25%) per year, payable monthly, in periodic payments, having the value of such Claim as of the Effective Date. The Debtor has estimated that there will be approximately \$0 in Priority Tax Claims.

D. *Payment of Statutory Fees*

All fees payable pursuant to Article 1930 of title 28 of the United States Code assessed against the Debtor's estate shall be paid in full by the Reorganized Debtor as they become due and owing.

ARTICLE III.

**CLASSIFICATION AND TREATMENT OF CLAIMS
AND MEMBERSHIP INTERESTS**

A. *Summary*

1. This Plan constitutes a chapter 11 plan for the Debtor. Except for Administrative Claims and Priority Tax Claims, all Claims against and Membership Interests in the Debtor are placed in Classes. In accordance with section 1123(a)(1) of the Bankruptcy Code, the Debtor has not classified Administrative Claims and Priority Tax Claims, as described in Article II.

2. The table in Article III.A.3 below summarizes the classification of Claims against and Membership Interests in the Debtor for all purposes under this Plan, including voting, confirmation and Distributions. The Plan deems a Claim or Membership Interest to be classified in a particular Class only to the extent that the Claim or Membership Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Membership Interest qualifies within the description of such different Class. A Claim or Membership Interest is in a particular Class, other than for voting purposes, only to the extent that any such Claim or Membership Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

3. *Summary of Classification and Treatment of Classified Claims and Membership Interests*

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
1	Secured DIP Loan Claim	Unimpaired	No (deemed to accept)
2	Senior Secured Bond Claims	Impaired	Yes
3	Other Secured Claims	Unimpaired	No (deemed to accept)
4	General Unsecured Claims	Impaired	Yes
5	Membership Interests	TBD	TBD

B. *Classification and Treatment of Claims*

1. *Class 1—Secured DIP Loan Claim*

(a) *Classification*: Class 1 consists of the Secured DIP Loan Claim.

(b) *Impairment and Voting*: Class 1 is Unimpaired by the Plan. The Holder of the Secured DIP Loan Claim is presumed to accept and therefore is not entitled to vote to accept or reject the Plan.

(c) *Treatment*: Except to the extent that the Holder of the Secured DIP Loan Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of the Secured DIP Loan Claim, the Secured DIP Loan Claim shall be paid in full in Cash on the Effective Date. The Secured DIP Loan Claim is estimated to be no more than \$6.0 million on the Effective Date.

2. *Class 2—Senior Secured Bond Claims*

(a) *Classification*: Class 2 consists of the Senior Secured Bond Claims and includes all Claims of the holders of the Series 2006 Bonds, which Claims shall be deemed Allowed Secured Claims pursuant to this Plan in the aggregate principal amount of (i) \$75,000,000, plus (ii) unpaid fees and expenses of the Master Trustee and the Bank as of the Effective Date.

(b) *Impairment and Voting*: Class 2 is impaired by the Plan. Each Holder of a Senior Secured Bond Claim except for the Master Trustee and the Bond Trustees is entitled to vote to accept or reject the Plan.

(c) *Treatment*: Upon the terms and subject to the conditions set forth in this Plan, Plan Supplement, and as set forth in the Series 2012 Supplemental Bond Documents, on the Effective Date, in full and final satisfaction and discharge of and in exchange for each Allowed Senior Secured Bond Claim, each holder of an outstanding Series 2006 Bond will receive the following treatment¹:

¹ Capitalized terms in Article II.B.2 but not otherwise defined herein shall have the meaning ascribed to them in the Restructuring Term Sheet.

<p>Issue of Series 2012B Bonds</p>	<p>The Series 2006 Bondholders shall exchange their existing Series 2006 Bonds for a ratable share of Series 2012B Bonds.</p> <p>The Series 2012B Bonds shall be issued as current interest paying bonds with an aggregate principal amount of approximately \$40 million of Series 2012B Bonds at the Effective Date.</p> <p>The Series 2012B Bonds shall bear interest at 4% during years 1 through 15, and increasing to 6% thereafter, payable semiannually, maturing in 40 years (subject to any limitation imposed by applicable tax law regarding tax-exempt debt), with interest only payments for years 1 through 15 and then principal amortizing beginning in the 16th year following the Effective Date, all as set forth in the Projections.</p> <p>The Series 2012B Bonds will be secured by a second priority lien on the assets of the Reorganized Debtor pari passu with the Series 2012C Bonds until such time as the Series 2012A Bonds are repaid in full. At such time, the Series 2012B Bonds shall be secured by a first priority lien on the Reorganized Debtor's assets, pari passu with the Series 2012C Bonds. The Series 2012B Bonds will be secured through the issuance of a Series 2012B Obligation under the 2012 Supplemental Master Trust Indenture.</p>
<p>Issue of Series 2012C Bonds</p>	<p>Holders of Series 2006 Bonds shall also exchange their existing Series 2006 Bonds for a ratable share of Series 2006C Bonds, consisting of Series 2012C-1 Bonds, Series 2012C-2 Bonds and Series 2012C-3 Bonds.</p> <p>The Series 2012C Bonds shall be issued as capital appreciation bonds in the following three tranches with an aggregate initial principal amount of approximately \$35 million on the Effective Date:</p> <ul style="list-style-type: none"> (i) <u>Series 2012C-1 Bonds</u>: Original aggregate principal amount of approximately \$25 million, compounding semi-annually at a 2% yield through final maturity at 40 years from the Effective Date; (ii) <u>Series 2012C-2 Bonds</u>: Original aggregate principal amount of approximately \$5 million, compounding semi-annually at a 2% yield through year 7 from the Effective Date, at which time the payment terms relating to the Series 2012C-2 Bonds will be identical to the payment terms of the Series 2012B Bonds, to the extent certain conditions precedent are satisfied (as described below); and (iii) <u>Series 2012C-3 Bonds</u>: Original aggregate principal amount of approximately \$5 million, with compounding semi-annually at a 2% yield through year 11 from the Effective Date, at which time the payment terms relating to the Series 2012C-2 Bonds will be identical to the payment terms of the Series 2012B Bonds, to the extent certain conditions precedent are satisfied (as described below). These conditions may be satisfied after years 7 and 13, respectively, and in such case the dates will be extended for the amended treatment. <p>The Series 2012C Bonds will be secured by a lien on the Reorganized Debtor's assets, pari passu with the Series 2012B Bonds.</p> <p>Payment of the Series 2012C Bonds shall be made semi-annually from, but only to the extent of, Excess Cash in accordance with the Distribution Waterfall; provided, however, upon the conversion date of the Series 2012C-2 Bonds and the Series 2012C-3 Bonds, respectively, such Series 2012C-2 Bonds and Series 2012C-3 Bonds shall bear interest at rates identical to the interest rates on the Series 2012B Bonds and amortize as</p>

	<p>set forth in the Projections.</p> <p>Any refunding of the Series 2012B Bonds shall require as a condition precedent to such refunding, a simultaneous refunding of the Series 2012C Bonds (unless waived by holders of a majority in aggregate principal amount of the Series 2012C Bonds).</p> <p>Any balance outstanding on the Series 2012C Bonds at final maturity shall be due and payable in full.</p>
<p>Modification of Terms Relating to Series 2012C-2 and Series 2012C-3 Bonds</p>	<p>The Series 2012 Supplemental Bond Documents will provide that upon satisfaction of the following conditions precedent, the terms and conditions of the Series 2012C-2 Bonds and 2012C-3 Bonds shall automatically reflect the terms and conditions (including payment terms) of the Series 2012B Bonds:</p> <p>(i) a certificate of the Reorganized Debtor demonstrating that, after giving effect to the conversion, the Debt Service Coverage Ratio for the preceding 12 months for which financial statements are available was not less than 1.20; and</p> <p>(ii) an Opinion of Bond Counsel to the effect that such conversion will not adversely affect the validity of the Series 2012A Bonds or the Series 2012B Bonds or any exemption from federal income taxation to which such Series 2012A Bonds or Series 2012B Bonds would otherwise be entitled.</p>
<p>Distribution Waterfall</p>	<p>All independent living unit Entrance Fees shall be deposited with the Master Trustee in the Entrance Fees Fund including those escrowed entrance fee deposits which may be released in accordance with the terms of the underlying Option Agreements. Such amounts, along with all other funds available to Reorganized Debtor at such time (including, without limitation, any proceeds of the Series 2012A Bonds) shall be used to pay all professional fees and expenses incurred in connection with the Plan (including, without limitation, any costs associated with obtaining opinions from bond counsel), and to pay any resident refunds required to be satisfied under the Residence and Care Agreements.</p> <p>Thereafter, all post-Effective Date Entrance Fees and other Revenues of the Reorganized Debtor shall be deposited by the Reorganized Debtor in the Entrance Fees Fund or in the Revenue Fund held by the Series 2012 Trustee, as applicable; provided, however, Revenues with respect to any government payor shall be deposited into an account in the name of Reorganized Debtor, and such Revenues shall be swept into the Revenue Fund on a monthly basis.</p> <p>Subject to the next two sentences, amounts on deposit in the Revenue Fund shall be made available to Reorganized Debtor on an as requested basis to satisfy ongoing operations and management costs and expenses of Reorganized Debtor, including, without limitation, any management fees, budgeted capital expenditures relating to the Clare Oaks Campus, refunds required under the terms of the Residence and Care Agreements and replenishment of any Unrestricted Reserve Amount (collectively, the “<i>Operating Expenses</i>”). If an Event of Default shall occur, then the monthly amounts on deposit in the Revenue Fund available for withdrawal to satisfy Operating Expenses shall be made available to the Reorganized Debtor in an amount not to exceed the amounts set forth in an operating budget established in the same manner as presently contemplated by Section 5.14 of the 2012 Supplemental Master Trust Indenture.</p> <p>On the first day of each calendar month after the Effective Date, monies in the Revenue Fund shall be distributed in the following order of priority (the “<i>Distribution Waterfall</i>”):</p>

	<ul style="list-style-type: none">• First, a transfer to the Reorganized Debtor's Operating Account in the amount certified by the Reorganized Debtor (in a certificate setting forth in reasonable detail the projected application of the amount so certified) as necessary to pay anticipated Operating Expenses for the upcoming month (taking into account any unapplied amount withdrawn for such purpose in a prior month); provided, however, this amount shall be in addition to the Unrestricted Reserve Amount;• Second, to pay interest and any scheduled principal due on the Series 2012A Bonds;• Third, to pay interest and any scheduled principal payments due on the Series 2012B Bonds;• Fourth, (A) to replenish any deficiency in the Series 2012A DSRF to restore the amount therein to equal six months' debt service on the Series 2012A Debt and (B) to replenish any deficiency in the Series 2012B DSRF to restore the amount therein to the Series 2012 DSRF Requirement;• Fifth, to transfer to the Reorganized Debtor's Operating Account up to an additional five (5) Days Cash on Hand per year, subject to the Unrestricted Reserve Cap; <i>provided, however</i>, that during year 1 and 2 after the Effective Date, the Debtor may replenish any deficiency in the Operating Account up to the Unrestricted Reserve Cap.• Sixth (A) to transfer up to five (5) Days Cash on Hand per year to replenish any deficiency in the Operating Reserve Fund to restore the amount therein to equal 25 Days Cash on Hand; and (B) if any such funds remain after such replenishment, to fund up to \$250,000 on an annual basis to the R&R Fund, subject to the R&R Cap; <i>provided, however</i>, that during years 1 and 2 after the Effective Date, the Debtor may replenish any deficiency in the Operating Reserve Fund to equal 25 Days Cash on Hand; and• Seventh, to the Bond Fund any amounts remaining after application of paragraphs first through sixth above (such remaining amount being the "<i>Excess Cash</i>") which amount shall be applied semiannually to payment of the Series 2012C Bonds.
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- Additional terms and conditions with respect to the treatment of the Senior Secured Bond Claim is set forth in the Restructuring Term Sheet attached to this Plan as Exhibit A, and as set forth in the Series 2012 Supplemental Bond Documents.
- In connection with the transactions described in this Plan, the Issuer, as the issuer of the Series 2006 Bonds and the Series 2012 Bonds, shall retain counsel, and Jones Day shall act as bond counsel for the bond exchange transaction. Pursuant to the Series 2012 Supplemental Bond Documents, the Reorganized Debtor is required to pay the reasonable fees and expenses of the Issuer (including the fees and expenses of its counsel) and bond counsel at the time of the closing of the issuance of the Series 2012 Bonds. Accordingly, on or prior to the Effective Date, the Debtor will pay the unpaid reasonable fees and expenses of the Issuer due under the Series

2012 Supplemental Bond Documents and the fees and expenses of bond counsel in Cash.

3. Class 3—Other Secured Claims

(a) *Classification:* Each holder of an Other Secured Claim shall be treated as a separate class for all purposes under this Plan, and each Holder of an Allowed Other Secured Claim shall receive the treatment set forth below. To the extent, if any, that the value of the collateral securing an Other Secured Claim is less than the total amount of such Claim, the difference shall be treated as a General Unsecured Claim. The Plan Sponsors specifically reserve all rights 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 and security interests securing any Other Secured Claim. The Debtor estimates that the Allowed Class 3 Claims will be \$0 on the Effective Date.

(b) *Impairment and Voting:* Class 3 is unimpaired by the plan. The Holders of any Allowed Other Secured Claims are presumed to accept and therefore are not entitled to vote to accept or reject the Plan.

(c) *Treatment:* Except to the extent that a holder of an Allowed Other Secured Claim and the Plan Sponsors agree to a different treatment, at the sole option of the Plan Sponsors, in full satisfaction, settlement, release, and discharge of and in exchange for such Claim, (i) each Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the Holder of an Allowed Other Secured Claim to demand or to receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, (ii) each Holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim on the later of the Initial Distribution Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable, or (iii) each Holder of an Allowed Other Secured Claim shall receive the collateral securing its Allowed Other Secured Claim on the later of the Initial Distribution Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable.

4. Class 4—General Unsecured Claims

(a) *Classification:* Class 4 consists of all General Unsecured Claims.

(b) *Impairment and Voting:* Class 4 is Impaired by the Plan. Each Holder of a General Unsecured Claim is entitled to vote to accept or reject the Plan.

(c) *Treatment:* Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, in full satisfaction, discharge, settlement, release, and compromise of and in exchange for each General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive on the Initial Distribution Date, or as soon as practicable thereafter, its Pro Rata Distribution of

\$50,000 (the “**Initial Class 4 Distribution**”). The Plan Sponsors and the Reorganized Debtor reserve their rights to dispute the validity of any General Unsecured Claim, whether or not objected to prior to the Effective Date. The Debtor has estimated that the Allowed Class 4 Claims will not exceed \$1 million on the Effective Date. In addition to the foregoing, fifty percent (50%) of any savings related to Professional Fee Claims actually incurred and Filed for approval by the Professional Fee Bar Date (the “**Potential Fee Savings**”), shall be payable to the Holders of Allowed Class 4 Claims on a pro rata basis.

In effectuation of the subordination agreement between the Landlord and the Master Trustee, any Distribution that would be made to the Landlord on account of any indebtedness owed by the Debtor to the Landlord (other than amounts payable in connection with the Debtor’s assumption of the Ground Lease) shall be Distributed to the Master Trustee.

In consideration of the Allowed Senior Secured Bond Claim and treatment of same under Class 2 above, the Holders of Allowed Senior Secured Bond Claim shall not receive a distribution under Class 4 on account of any Series 2006 Bond Deficiency Claim relating to the Initial Class 4 Distribution or the Distribution relating to the Potential Fee Savings.

5. Class 5—Membership Interests

- (a) *Classification*: Class 5 consists of all Membership Interests in the Debtor.
- (b) *Impairment and Voting*: TBD
- (c) *Treatment*: TBD.

C. Acceptance or Rejection of the Plan

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.

2. Presumed Acceptance of the Plan. Classes 1 and 3 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. Presumed Rejection of the Plan. TBD.

4. Voting Class. Classes 2 and 4 are impaired under this Plan, and holders of Class 2 Series 2006 Bond Claims and Class 4 General Unsecured

Claim as of the Voting Record Date are entitled to vote to accept or reject this Plan.

ARTICLE IV.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. *Funding for the Plan*

The Plan will be funded from Cash on hand of the Reorganized Debtor, including Cash derived from business operations and to the extent necessary from proceeds of the DIP Loan, proceeds of sale of a portion of the Series 2012 Bonds, and from Distribution of the remainder of the Series 2012 Bonds.

B. *Corporate Existence*

Except as otherwise provided in the Plan or Plan Supplement, the Reorganized Debtor shall continue to exist after the Effective Date as a separate corporate Entity with all the powers of an Illinois not-for-profit corporation and pursuant to the certificate of incorporation, charter and bylaws in effect prior to the Effective Date.

C. *Directors/Officers/Membership Interests of the Debtor on the Effective Date*

The Plan Sponsors shall file five (5) days prior to the objection deadline on confirmation of the Plan, a Plan Supplement, identifying the names and qualifications of persons that will act as directors and officers of the Reorganized Debtor as of the Effective Date. In addition, the Plan Sponsors shall file prior to any hearing on the adequacy of the Disclosure Statement, a Plan Supplement discussing the corporate governance structure of the Reorganized Debtor as of the Effective Date, including treatment of Membership Interests under the Plan.

D. *Board Representation*

1. On the Effective Date, the New Board shall be deemed appointed.
2. The member(s) of the New Board shall be disclosed in the Plan Supplement prior to the Confirmation Date in accordance with section 1129(a)(5) of the Bankruptcy Code.
3. The New Board shall be responsible for all activities of the Reorganized Debtor and shall oversee the administration and implementation of the Plan.

E. *Exchange of Securities*

On the Effective Date, subject to the receipt of the consideration provided for in Article III.B.2 above, the Series 2006 Bonds be deemed automatically exchanged for Series 2012B Bonds and Series 2012C Bonds as set forth in Article III.B.2 above.

F. *Final Draw on DIP Loan*

On or before the Effective Date, the Debtor shall draw all available amounts under the DIP Loan and shall use the proceeds thereof to pay all Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Professional Fee Claims.

G. *Issuance of Series 2012A Bonds*

On the Effective Date, the Issuer will issue the Series 2012A Bonds under the Series 2012 Supplemental Bond Documents, which shall have the following terms and which shall be Distributed in the following manner:

1. Series 2012A Bonds

(a) A portion of the Series 2012 Bonds, denominated the “Series 2012A Bonds”, shall be issued in an aggregate original principal amount not to exceed \$15,000,000, in one or more series of tranches of bonds, notes or other form of indebtedness. To the greatest extent possible, the Series 2012A Bonds shall be issued as tax-exempt debt under the Internal Revenue Code and regulations promulgated thereunder. To the extent of the Fee Simple Acquisition, a portion of the Series 2012A Bonds in the amount of \$3,000,000 shall be issued to the Landlord pursuant to the terms of the Direct Note Obligation (the “**Series 2012A-3 Obligation**”).

(b) A portion of the proceeds of sale of the Series 2012A Bonds shall be used to pay the Allowed Secured DIP Loan Claim.

(c) To the extent the Landlord accepts the Real Estate Purchase Term Sheet prior to the Real Estate Option Deadline, no more than \$4,500,000 to fund the Debtor’s purchase of the Real Estate.

(d) No more than \$1,500,000 of the proceeds of sale of the Series 2012A Bonds shall be used by the Reorganized Debtor for capital expenses relating to the Clare Oaks Campus as more fully described on Exhibit A hereto.

(e) No more than \$1,700,000 of the proceeds of sale of the Series 2012A Bonds shall be used by the Reorganized Debtor to establish the Unrestricted Reserve Fund (as defined in the Restructuring Term Sheet) as more fully described on Exhibit A hereto.

(f) No more than \$1,350,000 of the proceeds of sale of the Series 2012A Bonds shall be used by the Reorganized Debtor to establish the Operating Reserve Fund.

(g) No more than an aggregate amount equal to six months’ debt service on the Series 2012A Bonds (estimated to be approximately \$800,000), shall be deposited by the Reorganized Debtor to the debt service reserve fund for the Series 2012A Bonds.

(h) A portion of the proceeds of the sale of the Series 2012A Bonds shall be used to pay miscellaneous transaction costs associated with the Restructuring Transaction, including, but not limited to, the fees and expenses of the Debtor’s, the Issuer’s, the Trustee’s and the Bank’s professionals.

(i) The Series 2012A Bonds shall bear interest at (i) 7% per annum with respect to Series 2012 of Bonds held by the Steering Committee and Bank, and (ii) 4.5% per annum with respect to Series 2012 of Bonds held by the Landlord, in each case, payable semi-annually, amortized over 15 years from the Effective Date.

The Series 2012A Bonds will be senior to the Series 2012B Bonds and the Series 2012C Bonds in repayment and security; *provided, however*, that the Series 2012A Bonds would have no right to payment from the Series 2012B DSRF or any other funds held or controlled by the Master Trustee solely for the benefit of the Series 2012B Bonds or the Series 2012C Bonds.

Additional terms and conditions with respect to the issuance of the Series 2012A Bonds is set forth in the Restructuring Term Sheet attached to this Plan as Exhibit A, and as set forth in the Series 2012 Supplemental Bond Documents.

H. *Option Related to Real Estate/Ground Lease*

On or before five (5) Business Days prior to the Voting Deadline (the “**Real Estate Option Deadline**”), the Landlord shall be required to elect one of the following options:

- (i) The assumption of the Ground Lease by the Reorganized Debtor with no changes to the terms and conditions of the Ground Lease, or
- (ii) The agreement by the Landlord to sell the Real Estate to the Reorganized Debtor under the terms set forth in the Real Estate Purchase Term Sheet.

To the extent Landlord fails to designate its option prior to the Real Estate Option Deadline, the Ground Lease shall be deemed assumed as of the Effective Date. In such event, the Ground Lease shall continue to be governed by the terms of Section 4.17(i) of the Master Trust Indenture.

I. *Section 1145 Exemption*

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of any securities pursuant to the Plan and any and all settlement agreements incorporated herein shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act of 1933, 15 U.S.C. § 77a – 77aa, to the maximum extent permitted thereunder and any other applicable law requiring registration prior to the offering, issuance, distribution or sale of securities.

J. *Restructuring Transactions*

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtor may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Plan, the restructuring transaction more fully described in the Restructuring Term Sheet attached to this Plan as Exhibit A, and the Series 2012 Supplemental Bond Documents, including: (1) the execution and delivery of all such agreements, indentures, and instruments as maybe necessary to effectuate the issuance of the Series 2012 Bonds; (2) the execution and delivery of appropriate instruments of transfer,

assignment, assumption or delegation of any property, right, liability, duty or obligation on terms consistent with the terms of the Plan; (3) the filing of appropriate certificates of incorporation, charter, merger or consolidation with the appropriate governmental authorities pursuant to applicable law; and (4) all other actions that the Reorganized Debtor determines are necessary or appropriate.

K. *Corporate Action*

Each of the matters provided for by the Plan (including Plan Supplements) involving the corporate structure of the Debtor or corporate, financing or related actions to be taken by or required of the Reorganized Debtor shall, as of the Effective Date, be deemed to have occurred and be effective as provided in the Plan (except to the extent otherwise indicated), and shall be authorized, approved, and, to the extent taken prior to the Effective Date, ratified as of the Effective Date in all respects without any requirement of further action by Holders of Claims or Membership Interests, the directors of the Debtor or any other Entity. Without limiting the foregoing, such actions may include: (1) the adoption and (as applicable) filing of amended and restated certificate of incorporation, charter, bylaws and other governance documents; the appointment of officers and (as applicable) directors for the Reorganized Debtor and (2) issuance of the Series 2012 Bonds and all related documents and instruments (as applicable). The Reorganized Debtor shall enter into such agreements and amend their corporate governance documents to the extent necessary to implement the terms and conditions of the Plan.

L. *Effectuating Documents; Further Transactions*

On and after the Effective Date, the Reorganized Debtor, and the officers and members of the New Board thereof, are authorized to and may issue, execute, deliver, file or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtor, without the need for any approvals, authorizations, or consents except for those expressly required pursuant to the Plan.

M. *Exemption from Certain Transfer Taxes and Recording Fees*

Pursuant to section 1146(a) of the Bankruptcy Code, any transfer from the Debtor to the Reorganized Debtor or to any Entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (1) the issuance, distribution, transfer, or exchange of any debt, securities, or other interest in the Debtor or the Reorganized Debtor; (2) the creation, modification, consolidation, or recording of any mortgage, deed of trust or other security interest, or the securing of additional indebtedness by such or other means; (3) the making, assignment, or recording of any lease or sublease; or (4) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall forego the collection of

any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

N. *Senior Management*

The Plan Sponsors shall file five (5) days prior to the objection deadline on confirmation of the Plan, a Plan Supplement, identifying the names and qualifications of persons that will act as senior management of the Debtor as of the Effective Date in accordance with section 1129(a)(5) of the Bankruptcy Code.

O. *Committee*

As of the Effective Date, the Committee shall dissolve, and its members shall be released and discharged from all further authority, duties, responsibilities and obligations relating to and arising from the Chapter 11 Case. The retention and employment of the Professionals retained by the Committee shall terminate as of the Effective Date, *provided, however*, that the Committee shall exist, and its Professionals shall be retained, after such date solely with respect to applications Filed pursuant to sections 330 and 331 of the Bankruptcy Code.

P. *Vesting of Assets in the Reorganized Debtor*

Except as otherwise provided in this Plan or in any agreement, instrument or other document relating thereto, on and after the Effective Date pursuant to section 1141 of the Bankruptcy Code, all property of the Estate and any property acquired by the Debtor pursuant hereto shall vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances. Except as may be provided in this Plan or the Confirmation Order, on and after the Effective Date, the Reorganized Debtor may use, acquire or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

ARTICLE V.

PROVISIONS GOVERNING DISTRIBUTIONS

A. *Initial Distribution Date*

On the Initial Distribution Date or as soon thereafter as is reasonably practicable, the Reorganized Debtor shall make the Distributions required to be made under the Plan.

B. *Disputed Claim Reserve*

1. *Establishment of Disputed Claim Reserve*

On the Initial Distribution Date, and after making all Distributions required to be made on such date under the Plan, the Reorganized Debtor shall establish a separate Disputed Claim Reserve for Disputed Claims, which Disputed Claim Reserve shall be administered by the Reorganized Debtor. The Reorganized Debtor shall reserve Cash sufficient to provide Holders of Disputed Claims the treatment such Holders would be entitled to receive under the Plan if all

such Disputed Claims were to become Allowed Claims (or such lesser amount as may be estimated by the Bankruptcy Court in accordance with hereof).

2. Maintenance of Disputed Claim Reserve

The Reorganized Debtor shall hold Cash in the Disputed Claim Reserve in trust for the benefit of the Holders of Claims ultimately determined to be Allowed. The Reorganized Debtor shall, in its sole discretion, distribute such amounts (net of any expenses, including any taxes relating thereto), as provided herein, as such Disputed Claims are resolved by a Final Order, and such amounts will be distributable in respect of such Disputed Claims as such amounts would have been distributable had the Disputed Claims been Allowed Claims as of the Effective Date.

C. Quarterly Distributions

On each Quarterly Distribution Date or as soon thereafter as is reasonably practicable, the Reorganized Debtor shall make the Distributions required to be made under the Plan on such date. Any Distribution that is not made on the Initial Distribution Date or on any other date specified herein because the Claim that would have been entitled to receive that Distribution is not an Allowed Claim on such date, shall be held by the Reorganized Debtor as applicable, in the Disputed Claim Reserve pursuant to Article V.B.2 and Distributed on the first Quarterly Distribution Date after such Claim is Allowed. No interest shall accrue or be paid on the unpaid amount of any Distribution paid on a Quarterly Distribution Date in accordance with this Article V.C.

D. Record Date for Distributions

Except as otherwise provided in a Final Order of the Bankruptcy Court or as otherwise stipulated by the Debtor or Reorganized Debtor, as applicable, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the Holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Distribution Record Date. The Reorganized Debtor shall have no obligation to recognize any transfer of any Claim occurring after the Distribution Record Date. In making any Distribution with respect to any Claim, the Reorganized Debtor shall be entitled instead to recognize and deal with, for all purposes hereunder, only the Entity that is listed on the Proof of Claim Filed with respect thereto or on the Schedules as the Holder thereof as of the close of business on the Distribution Record Date and upon such other evidence or record of transfer or assignment that are known to the Reorganized Debtor as applicable, as of the Distribution Record Date.

E. Delivery of Distributions

1. General Provisions; Undeliverable Distributions

Subject to Bankruptcy Rule 9010 and except as otherwise provided herein, Distributions to the Holders of Allowed Claims shall be made by the Reorganized Debtor

Except as otherwise provided in this Plan, distributions to holders of Allowed Claims shall be made to holders of record as of the Distribution Record Date by the Reorganized Debtor. Distributions to holders of Allowed Claims will be made at (i) the address of each Holder as set

forth in the Schedules, unless superseded by the address set forth on Proofs of Claim Filed by such Holder or (ii) the last known address of such Holder if no Proof of Claim is Filed, except that, in the case of holders of Senior Secured Bond Claim, distributions will be made by means of book entry exchange through the facilities of the DTC in accordance with the customary practices of the DTC, as and to the extent practicable; provided that distributions of Cash made pursuant to Article II hereof to the Bond Trustee shall be made as designated by the Bond Trustee, as applicable. Distributions under this Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment or like legal process, so that each holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in this Plan. Neither the Debtor, the Reorganized Debtor or their respective professionals shall incur any liability whatsoever on account of any distributions under this Plan except for gross negligence, willful misconduct or fraud.

If any Distribution is returned as undeliverable, the Reorganized Debtor may, in its discretion, make such efforts to determine the current address of the Holder of the Claim with respect to which the Distribution was made as the Reorganized Debtor deems appropriate, but no Distribution to any Holder shall be made unless and until the Reorganized Debtor has determined the then-current address of the Holder, at which time the Distribution to such Holder shall be made to the Holder (without interest). Amounts in respect of any undeliverable Distributions made by the Reorganized Debtor shall be returned to, and held in trust by, the Reorganized Debtor until the Distributions are claimed or are deemed to be unclaimed property under section 347(b) of the Bankruptcy Code and as is set forth below in Article V.E.2. The Reorganized Debtor shall have the discretion to determine how to make Distributions in the most efficient and cost-effective manner possible; *provided, however*, that its discretion may not be exercised in a manner inconsistent with any express requirements of the Plan.

2. Unclaimed Property

Except with respect to property not Distributed because it is being held in the Disputed Claim Reserve, Distributions that are not claimed by the expiration of one year from the Initial Distribution Date or Quarterly Distribution Date applicable to such Distribution, shall be deemed to be unclaimed property under section 347(b) of the Bankruptcy Code and shall vest or revert in the Reorganized Debtor, and the Claims with respect to which those Distributions are made shall be automatically canceled. After the expiration of such one-year period, the Claim of any Entity to those Distributions shall be discharged and forever barred. Nothing contained in the Plan shall require the Reorganized Debtor to attempt to locate any Holder of an Allowed Claim. Except as otherwise provided herein, all funds or other property that vests or reverts in the Reorganized Debtor pursuant to this Article shall be distributed by the Reorganized Debtor in accordance with the provisions of the Plan.

F. Surrender of Canceled Instruments and Securities

1. Generally

Except as set forth in Article V.G hereof, as a condition precedent to receiving any Distribution hereunder on account of an Allowed Claim evidenced by instruments, securities or other documentation exchanged pursuant to Article IV hereof, the Holder of such Claim shall tender such instrument, security or other documentation evidencing such Claim to the

Reorganized Debtor or to the applicable Bond Trustee.

2. Failure to Surrender Exchanged Instruments

If any Holder of an Allowed Claim evidenced by instruments, securities or other documentation exchanged pursuant to Article IV hereof, fails to surrender such instrument, security or other documentation or comply with the provisions of Article V.F.1 hereof within one year after the Effective Date, its Claim for a Distribution under the Plan on account of such instrument, security, or other documentation shall be discharged, and such Holder shall be forever barred from asserting such Claim against the Reorganized Debtor or its property. In such case, any property held on account of such Claim shall be disposed of pursuant to the provisions set forth in Article V.E.2 hereof.

G. *Lost, Stolen, Mutilated or Destroyed Instrument or Security*

Any Holder of an Allowed Claim evidenced by instruments, securities or other documentation canceled pursuant to Article IV hereof that has been lost, stolen, mutilated or destroyed, shall, in lieu of surrendering such instrument, security or documentation deliver to the Reorganized Debtor (a) an affidavit of loss reasonably satisfactory to the Reorganized Debtor setting forth the unavailability of such instrument, security, or other documentation and (b) such additional security or indemnity as may reasonably be requested by the Reorganized Debtor to hold the Reorganized Debtor harmless from any damages, liabilities, or costs incurred in treating such Entity as a Holder of an Allowed Claim. Upon compliance with this Article V.G by a Holder of an Allowed Claim evidenced by such instrument, security or other documentation, such Holder shall, for all purposes under the Plan, be deemed to have surrendered such instrument, security or other documentation.

H. *Manner of Cash Payments Under the Plan*

Cash payments made pursuant to the Plan shall be in United States dollars by checks drawn on a domestic bank selected by the Reorganized Debtor or by wire transfer from a domestic bank, at the option of the Reorganized Debtor.

I. *Time Bar to Cash Payments by Check*

Checks issued by the Reorganized Debtor on account of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for the reissuance of any check that becomes null and void pursuant to this Article V.I shall be made directly to the Reorganized Debtor by the Holder of the Allowed Claim to whom the check was originally issued. Any claim in respect of such voided check shall be made in writing on or before the later of the first anniversary of the Initial Distribution Date or Quarterly Distribution Date on which such check was issued. After that date, all Claims in respect of void checks shall be discharged and forever barred and the proceeds of those checks shall revert in and become the property of the Reorganized Debtor as unclaimed property in accordance with section 347(b) of the Bankruptcy Code and be distributed as provided in Article V.E.2.

J. *Limitations on Funding of Disputed Claim Reserve*

Except as expressly set forth in the Plan, neither the Debtor nor the Reorganized Debtor shall have any duty to fund the Disputed Claim Reserve.

K. *Compliance with Tax Requirements*

In connection with making Distributions under the Plan, to the extent applicable, the Reorganized Debtor shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. The Reorganized Debtor may withhold the entire Distribution due to any Holder of an Allowed Claim until such time as such Holder provides the necessary information to comply with any withholding requirements of any governmental unit. Any property so withheld will then be paid by the Reorganized Debtor to the appropriate authority. If the Holder of an Allowed Claim fails to provide the information necessary to comply with any withholding requirements of any governmental unit within six (6) months from the date of first notification to the Holder of the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then such Holder's Distribution shall be treated as an undeliverable Distribution in accordance with Article V.E.

L. *No Payments of Fractional Dollars*

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional dollars shall be made pursuant to the Plan. Whenever any payment of a fraction of a dollar under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding down of such fraction to the nearest whole dollar.

M. *Interest on Claims*

Except as specifically provided for in the Plan or the Confirmation Order, interest shall not accrue on Claims and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim. Interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a final Distribution is made thereon if and after that Disputed Claim becomes an Allowed Claim. Except as expressly provided herein or in a Final Order of the Bankruptcy Court, no prepetition Claim shall be Allowed to the extent that it is for postpetition interest or other similar charges.

N. *No Distribution in Excess of Allowed Amount of Claim*

Notwithstanding anything to the contrary contained in the Plan, no Holder of an Allowed Claim shall receive in respect of that Claim any Distribution in excess of the Allowed amount of that Claim.

O. *Setoff and Recoupment*

The Reorganized Debtor may, but shall not be required to, set off against, or recoup from, any Claim and the Distributions to be made pursuant to the Plan in respect thereof, any Claims or defenses of any nature whatsoever that the Debtor, the Estate or the Reorganized Debtor may have against the Holder of such Claim, but neither the failure to do so nor the allowance of any

Claim under the Plan shall constitute a waiver or release by the Debtor, the Estate, or the Reorganized Debtor of any right of setoff or recoupment that any of them may have against the Holder of any Claim.

ARTICLE VI.

DISPUTED CLAIMS

A. *No Distribution Pending Allowance*

1. *Distributions on Disputed Claims*

Except as otherwise provided in the Plan, a Final Order, or as agreed to by the relevant parties and subject to the establishment of the Disputed Claim Reserve, Distributions under the Plan on account of Disputed Claims that become Allowed after the Effective Date shall be made as soon as reasonably practicable after such Disputed Claims become Allowed Claims.

2. *No Partial Payments*

Notwithstanding any provision otherwise in the Plan and except as otherwise agreed by the Reorganized Debtor: (a) no partial payments and no partial distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order; and (b) any Entity that holds both an Allowed Claim and a Disputed Claim shall not receive any distribution on the Allowed Claim (except to the extent such Allowed Claim is expressly Allowed pursuant to the Plan) unless and until all objections to the Disputed Claim have been resolved by settlement or Final Order and such Claims have been Allowed.

B. *Resolution of Disputed Claims*

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtor shall have the right to the exclusion of all others (except as to the Professionals' applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, File, prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court, objections to Claims, and to administer and adjust the Claims Register to, among other things, reflect any such settlements, compromises and withdrawals, without any further notice to or action, order or approval by the Bankruptcy Court. The costs of pursuing the objections to Claims shall be borne by the Reorganized Debtor.

C. *Objection Deadline*

All objections to Disputed Claims shall be Filed and served upon the Holders of each such Claim on or before the Claims Objection Bar Date, unless otherwise ordered by Bankruptcy Court after notice and a hearing.

D. *Disallowance of Claims*

Except as otherwise agreed, any and all Proofs of Claim Filed after the applicable Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further

notice or action, order or approval of the Bankruptcy Court, and Holders of such Claims may not receive any Distributions on account of such Claims, unless on or before the Confirmation Date the Bankruptcy Court has entered an order deeming such Claim to be timely filed.

ARTICLE VII.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. *Assumption and Rejection of Executory Contracts and Unexpired Leases*

1. On the Effective Date, to the extent the Landlord does not accept the terms subject to the Real Estate Purchase Term Sheet prior to the Real Estate Option Deadline, the Debtor shall assume the Ground Lease.

2. On the Effective Date, the Debtor shall assume all Residence & Care Agreements and the obligations and rights under the Option Agreements, including all obligations arising thereunder, including the repayment of entrance deposits.

3. On the Effective Date, the Debtor shall assume the Management Agreement.

4. On the Effective Date, the Debtor shall assume the Insurance Policies.

5. Any executory contracts and unexpired leases that are listed in the Plan Supplement as executory contracts or unexpired leases to be assumed, or are to be assumed pursuant to the terms set out in this Plan, shall be deemed assumed by the Debtor as of immediately prior to the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such assumptions pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

6. Any executory contracts and unexpired leases that are listed in the Plan Supplement as executory contracts or unexpired leases to be rejected, or are to be rejected pursuant to the terms set out in this Plan, shall be deemed rejected by the Debtor as of immediately prior to the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

7. Any executory contracts and unexpired leases that have not expired by their own terms on or prior to the Effective Date, which the Debtors have not assumed or rejected during the pendency of the Chapter 11 Cases, which are not listed in the Plan Supplement as executory contracts or unexpired leases to be rejected, and that are not the subject of a motion to reject pending as of the Effective Date, shall be deemed assumed by the Debtors on the Effective Date. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such assumptions or rejections, as applicable, pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

8. The Plan shall constitute a motion to assume or to reject any executory contracts and unexpired leases as such are listed and identified in the Plan or the Plan Supplement. Any objections to the proposed assumption or rejection of a contract must be filed by no later than the deadline for filing rejection damages claims, as is set forth in Article VII.B. Any counterparty to an executory contract or unexpired lease that fails to object timely to the proposed assumption or rejection of any executory contract or unexpired lease will be deemed to have consented to such treatment.

B. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Claims created by the rejection of executory contracts and unexpired leases pursuant to Article VII.A of the Plan, or the expiration or termination of any executory contract or unexpired lease prior to the Effective Date, must be filed with the Bankruptcy Court and served on the Reorganized Debtor no later than thirty (30) days after the Effective Date. Any Claims arising from the rejection of an executory contract or unexpired lease pursuant to Article VII.A for which Proofs of Claim are not timely filed within that time period will be forever barred from assertion against the Debtor, the Reorganized Debtor, the Estate, its successors and assigns, and its assets and properties, unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Article IX.F. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be treated as General Unsecured Claims under the Plan and shall be subject to the provisions of Article III of the Plan.

C. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any provisions or terms of the Debtor's executory contracts or unexpired leases to be assumed pursuant to the Plan that are, or may be, alleged to be in default, shall be satisfied solely by Cure or by a waiver of Cure agreed upon between the Reorganized Debtor and applicable counterparty. Except with respect to executory contracts or unexpired leases in which the Reorganized Debtor and the applicable counterparties have stipulated in writing to payment of Cure, all requests for payment of Cure must be Filed with the Notice, Claims and Solicitation Agent [on or before the Cure Bar Date]. Any request for payment of Cure that is not timely Filed shall be disallowed automatically and forever barred from assertion and shall not be enforceable against the Reorganized Debtor, without the need for any objection by the Reorganized Debtor or further notice to or action, order, or approval of the Bankruptcy Court, and any such Claim for Cure shall be deemed fully satisfied, released, and discharged, notwithstanding anything included in the Schedules or in any Proof of Claim to the contrary; provided, however, that nothing shall prevent the Reorganized Debtor from paying any Cure despite the failure of the relevant counterparty to File such request for payment of such Cure. The Reorganized Debtor also may settle any Cure Claim without further notice to or action, order, or approval of the Bankruptcy Court.

If the Reorganized Debtor, as applicable, objects to any request for Cure or any other matter related to assumption, the Bankruptcy Court shall determine the Allowed amount of such Cure Claim and any related issues. If there is a dispute regarding such Cure, the ability of the Reorganized Debtor or any assignee to provide "adequate assurance of future performance" within the meaning of section 365 of the Bankruptcy Code, or any other matter pertaining to

assumption, then Cure shall occur as soon as reasonably practicable after entry of a Final Order resolving such dispute, approving such assumption, or as may be agreed upon by the Reorganized Debtor and the counterparty to the executory contract or unexpired lease.

Assumption of any executory contract or unexpired lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or 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.

D. *Reservation of Rights*

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtor or the Reorganized Debtor that any such contract or lease is in fact an executory contract or unexpired lease or that the Reorganized 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 Reorganized Debtor, 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.

ARTICLE VIII.

CONDITIONS PRECEDENT TO CONFIRMATION AND OCCURRENCE OF THE EFFECTIVE DATE

A. *Conditions to Confirmation:*

The following are conditions precedent to Confirmation that must be satisfied or waived in accordance with Article VIII.C:

1. The Bankruptcy Court shall have approved the Disclosure Statement as containing adequate information with respect to the Plan within the meaning of section 1125 of the Bankruptcy Code.
2. All objections to confirmation of the Plan are either withdrawn, resolved or overruled.
3. The most current version of the Plan Supplement and all of the schedules, documents, and exhibits contained therein shall have been Filed.

B. *Conditions Precedent to the Effective Date*

The following are conditions precedent to the Effective Date that must be satisfied or waived in accordance with Article VIII.C:

1. Entry of the Confirmation Order containing findings of fact and conclusions of law satisfactory to the Plan Sponsors; and

2. The Series 2012 Bonds shall be issued by the Illinois Finance Authority and available for Distribution pursuant to the Series 2012 Supplemental Bond Documents.

3. In connection with issuance of the Series 2012 Bonds, the Debtor will obtain (i) an opinion of bond counsel with respect to the allocation of the use of proceeds of the Series 2012A Bonds such that, in the opinion of bond counsel, interest on the maximum portion of the Series 2012A Bonds will be excludable from gross income for federal income taxes, and (ii) an opinion of bond counsel that the interest on the Series 2012B Bonds and Series 2012C Bonds will be excluded from gross income for federal tax purposes.

C. *Waiver of Conditions Precedent*

The Plan Sponsors may waive the occurrence of or modify any condition precedent in this Article VIII. Any such written waiver of a condition precedent set forth in this Article may be effected at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan. The failure of the Plan Sponsors to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

ARTICLE IX.

DISCHARGE, RELEASE, INJUNCTIVE AND RELATED PROVISIONS

A. *Discharge of Claims*

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Claims and Causes of Action of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against the Debtor, Reorganized Debtor or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, 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: (1) a Proof of Claim based upon such Claim, debt, or right is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim based upon such Claim, debt or right is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim has accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims subject to the Effective Date occurring, except as otherwise expressly provided in the Plan. Notwithstanding anything to the contrary contained herein, the Liens held by the Master Trustee in all of the collateral described in the Master Trust Indenture, including the 2012 Supplemental Master Trust Indenture, shall survive the confirmation and effectiveness of the Plan unaltered and such Liens shall be maintained by the Master Trustee.

B. *Releases of Certain Third Parties by the Debtor*

Notwithstanding anything contained in the Plan to the contrary, on the Effective Date and effective as of the Effective Date, the Debtor on behalf of itself and the Estate, for the good and valuable consideration provided by each of the Releasees, hereby provides a full release to the Releasees (and each such Releasee so released shall be deemed released by the Debtor) and their respective properties from any and all Causes of Action and any other debts, obligations, rights, suits, damages, actions, derivative claims, remedies and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of the Effective Date, in law, at equity, whether for tort, contract, violations of federal or state securities laws, or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way to the Debtor, including, without limitation, those that the Debtor or Reorganized Debtor would have been legally entitled to assert or that any Holder of a Claim against or Membership Interest in the Debtor or other Entity would have been legally entitled to assert for or on behalf of the Debtor, the Reorganized Debtor or the Estate and further including those in any way related to the Chapter 11 Case or the Plan; *provided, however*, that the foregoing provisions shall have no effect on the liability of any Releasee that results from any act or omission that is determined in a Final Order to be solely due to such Releasee's own gross negligence or willful misconduct.

C. *Exculpation*

Notwithstanding anything contained in the Plan to the contrary, the Exculpated Parties shall neither have nor incur any liability to any Entity for any and all claims and Causes of Action arising on or after the Petition Date, including any act taken or omitted to be taken in connection with, or related to, formulating, negotiating, preparing, disseminating, implementing, administering, confirming or consummating the Plan, the Disclosure Statement, or any other contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken after the Petition Date or omitted to be taken in connection with or in contemplation of the transactions occurring in the Chapter 11 Case; *provided, however*, that the foregoing provisions shall have no effect on the liability of any Exculpated Party that results from any act or omission that is determined in a Final Order to be solely due to such Exculpated Party's own gross negligence or willful misconduct.

D. *No Release of Co-Obligor or Joint Tortfeasor*

No provision of this Plan, including without limitation, any release or exculpation provision, shall modify, release, or otherwise limit the liability of any Entity other than the Releasees and the Exculpated Parties, including without limitation, any Entity that is a co-obligor, guarantor or joint tortfeasor of a Releasee or Exculpated Party or that otherwise is liable under theories of vicarious or other derivative liability.

E. *Preservation of Rights of Action*

1. *Vesting of Causes of Action*

(a) Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that

the Debtor may hold against any Entity shall vest upon the Effective Date in the Reorganized Debtor.

(b) Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, the Reorganized Debtor shall have the exclusive right to institute, prosecute, abandon, settle or compromise any Causes of Action, in accordance with the terms of the Plan and without further order of the Bankruptcy Court, in any court or other tribunal, including, without limitation, in an adversary proceeding filed in the Chapter 11 Case. Without limiting the generality of the foregoing, upon the Effective Date, the Reorganized Debtor shall be deemed substituted for the Debtor in any pending adversary proceedings to which the Debtor is a party.

2. Preservation of All Causes of Action Not Expressly Settled or Released

(a) Unless a Cause of Action against a Holder of a Claim or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including the Confirmation Order), the Reorganized Debtor expressly reserves such Cause of Action for later adjudication by the Reorganized Debtor (including, without limitation, Causes of Action not specifically identified or described in the Plan Supplement or elsewhere or of which the Debtor or Reorganized Debtor may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtor or Reorganized Debtor at this time or facts or circumstances which may change or be different from those the Debtor or Reorganized Debtor now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after the entry of the Confirmation Order or Effective Date based on the Disclosure Statement, Plan or Confirmation Order, except where such Causes of Action have been released in the Plan (including, without limitation, and for the avoidance of doubt, the releases contained in 0) or any other Final Order (including the Confirmation Order). In addition, the Reorganized Debtor expressly reserves the right to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

F. *Release and Injunction*

1. Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan from and after the Effective Date, all Entities are permanently enjoined from commencing or continuing in any manner against the Debtor, the Reorganized Debtor, the Releasees, their successors and assigns, and their assets and properties, as the case may be, any suit, action or other proceeding, on account of or respecting any Claim, demand, liability, obligation, debt, right, Cause of Action, interest or remedy released or to be released, exculpated, or to be exculpated, pursuant to the Plan or the Confirmation Order.

2. Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, from and after the Effective Date, all Entities shall be precluded from asserting against the Debtor, the Reorganized Debtor, or their successors and assigns and their assets and properties, any other Claims based upon any documents, instruments, or any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

3. Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, the rights afforded in the Plan and the treatment of all Claims in the Plan shall be in exchange for and in complete satisfaction of Claims of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtor or Reorganized Debtor or any of their assets or properties. On the Effective Date, all such Claims against the Debtor shall be satisfied and released in full.

4. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN THE PLAN OR IN OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL PARTIES AND ENTITIES ARE PERMANENTLY ENJOINED, ON AND AFTER THE EFFECTIVE DATE, ON ACCOUNT OF ANY CLAIM AGAINST THE DEBTOR THAT IS SATISFIED AND RELEASED HEREBY, FROM:

(a) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTOR, THE REORGANIZED DEBTOR THEIR SUCCESSORS AND ASSIGNS AND THEIR ASSETS AND PROPERTIES;

(b) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST THE DEBTOR, THE REORGANIZED DEBTOR THEIR SUCCESSORS AND ASSIGNS AND THEIR ASSETS AND PROPERTIES;

(c) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST THE DEBTOR, THE REORGANIZED DEBTOR OR THE PROPERTY OR ESTATE OF THE DEBTOR OR REORGANIZED DEBTOR;

(d) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTOR OR AGAINST THE PROPERTY OR ESTATE OF THE DEBTOR OR REORGANIZED DEBTOR, EXCEPT TO THE EXTENT A RIGHT TO SETOFF OR SUBROGATION IS ASSERTED WITH RESPECT TO A TIMELY FILED PROOF OF CLAIM; OR

(e) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND IN RESPECT OF ANY CLAIM AGAINST THE DEBTOR OR CAUSE OF ACTION THAT IS RELEASED OR SETTLED HEREUNDER.

G. *Releases of Liens*

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against property of the Estate shall be fully released and discharged and all of the right, title and interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interest shall revert to the Reorganized Debtor. Notwithstanding anything to the contrary contained herein, the Liens held by the Master Trustee in all of the collateral described in the Master Trust Indenture, including the 2012 Supplemental Master Trust Indenture, shall survive the confirmation and effectiveness of the Plan unaltered and such Liens shall be maintained by the Master Trustee.

ARTICLE X.

RETENTION OF JURISDICTION

Notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Debtor and the Reorganized Debtor and the Plan as is legally permissible, including, without limitation, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims;

2. grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date, *provided, however*, that all Professional Fee Claims shall be subject to the cap set forth in the Professional Fee Budget;

3. resolve any matters related to the assumption, assignment or rejection of any executory contract or unexpired lease to which the Debtor or Reorganized Debtor, as applicable is party or with respect to which the Debtor or Reorganized Debtor, as applicable, may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to any amendment to the Plan after the Effective Date pursuant to Article XI.A adding executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be assumed;

4. ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

5. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications

involving the Debtor that may be pending on the Effective Date or instituted by the Reorganized Debtor after the Effective Date, *provided, however*, that the Reorganized Debtor shall reserve the right to commence actions in all appropriate jurisdictions;

6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all other contracts, instruments, releases, indentures and other agreements or documents adopted in connection with the Plan, Plan Supplement or the Disclosure Statement;

7. resolve any cases, controversies, suits or disputes that may arise in connection with the Effective Date, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

8. issue injunctions, enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the Effective Date or enforcement of the Plan, except as otherwise provided in the Plan;

9. enforce Article IX.A, **Error! Reference source not found.**, Article IX.C and Article IX.E;

10. enforce the injunction set forth in Article IX.F;

11. resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in Article IX, and enter such orders as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;

12. enter and implement such orders as necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;

13. resolve any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document adopted in connection with the Plan or the Disclosure Statement; and

14. enter an order and/or the decree contemplated in section 350 of the Bankruptcy Code and Bankruptcy Rule 3022 concluding the Chapter 11 Case.

ARTICLE XI.

MISCELLANEOUS PROVISIONS

A. *Modification of Plan*

Subject to the limitations contained in the Plan: (1) the Plan Sponsors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the

Plan Sponsors, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

B. *Revocation of Plan*

The Plan Sponsors reserve the right to withdraw the Plan prior to the entry of the Confirmation Order, and to file subsequent chapter 11 plans. If the Plan Sponsors withdraws the Plan, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant hereto shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any claims by or against, or any Membership Interests in, the Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtor or any other Entity; or (c) constitute an admission of any sort by the Debtor or any other Entity.

C. *Successors and Assigns*

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

D. *Governing Law*

Except to the extent that the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois, without giving effect to the principles of conflict of laws thereof.

E. *Reservation of Rights*

Except as expressly set forth herein, the Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order and the occurrence of the Effective Date. Neither the filing of the Plan, any statement or provision contained herein, nor the taking of any action by the Plan Sponsors or any Entity with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of: (i) the Debtor with respect to the Holders of Claims or Membership Interests or other parties-in-interest; or (ii) any Holder of a Claim or other party-in-interest prior to the Effective Date.

F. *Section 1146 Exemption*

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment.

G. *Section 1125(e) Good Faith Compliance*

The Plan Sponsors, the Committee and the individual members thereof acting in their capacity as Committee members, the Bank, the Master Trustee, the Bond Trustee, the Steering Committee and the individual members thereof acting in their capacity as Steering Committee members, and each of their respective Representatives, shall be deemed to have acted in “good faith” under section 1125(e) of the Bankruptcy Code.

H. *Further Assurances*

The Debtor, the Reorganized Debtor, all Holders of Claims receiving Distributions hereunder 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 the Plan or the Confirmation Order.

I. *Service of Documents*

Any pleading, notice or other document required by the Plan to be served on or delivered to the Debtor shall be sent by first class U.S. mail, postage prepaid as follows:

To the Plan Sponsors:

John Robert Weiss
DUANE MORRIS LLP
190 South LaSalle Street
Suite 3700
Chicago, IL 60603
Telephone: (312) 499-0148
Facsimile: (312) 277-6994
JRWeiss@duanemorris.com

- and -

Daniel S. Bleck, Esq.
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Boston, Massachusetts 02111
Telephone: (617) 542-6000
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dsbleck@mintz.com
awalker@mintz.com

J. Filing of Additional Documents

On or before the Effective Date, the Plan Sponsors or Reorganized Debtor, as applicable, may file with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

Chicago, Illinois

Dated: August 9 , 2012

/s/ John Robert Weiss

Duane Morris LLP

John Robert Weiss

190 South LaSalle Street, Suite 3700

Chicago, IL 60603-3433

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*Attorneys for Wells Fargo Bank,
National Association, as Master Trustee*

EXHIBIT A
RESTRUCTURING TERM SHEET

RESTRUCTURING TERM SHEET

This Restructuring Term Sheet (this “*Restructuring Term Sheet*”) is an exhibit to, and material part of, the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Filed by Wells Fargo Bank, National Association, as Master Trustee and Sovereign Bank, N.A. (the “*Plan*”). Capitalized terms not otherwise defined herein shall have the meanings given to them in the Plan.

The restructuring transaction contemplates, among other things, an exchange of the outstanding Series 2006 Bonds in the aggregate principal amount of approximately \$95,810,000 for new Series 2012B Bonds and Series 2012C Bonds (as such terms are hereinafter defined), pursuant to the terms and conditions of Plan and the Series 2012 Supplemental Bond Documents.

The Plan Sponsors continue to discuss the terms of Plan, and in particular this Restructuring Term Sheet with the Debtor, Landlord and the Committee. The Plan Sponsors remain hopeful that the Restructuring Term Sheet will be acceptable to all parties in interest. To the extent the restructuring contemplates any modification to the corporate structure and/or governance of the Debtor, the Plan Sponsors will file a Plan Supplement regarding same on or before any hearing on the adequacy of the Disclosure Statement.

A. Terms of Restructuring

Exit Financing

Certain members of the Steering Committee and/or the Bank and the Landlord (to the extent of a Fee Simple Acquisition (defined below)) will provide exit financing to Clare Oaks in an aggregate amount not to exceed \$15.0 million in Series 2012A Bonds, which funds, together with other available Trustee-held funds and funds of Clare Oaks, shall be used to (i) repay the DIP financing with Senior Care Development, LLC, (ii) to the extent of a Fee Simple Acquisition, to fund the \$4.5 million purchase price of the Real Estate, subject to the other terms and conditions contained in the Real Estate Purchase Term Sheet, including issuance of the Series 2012A-3 Obligation, (iii) fund not more than \$1.5 million of capital expenditures related to the Clare Oaks Facilities, (iv) establish an operating reserve fund (the “*Operating Reserve Fund*”), which will be funded on the Effective Date (as hereinafter defined) as described under “*Application of Clare Oaks Cash on Hand*” below, (v) establish a debt service reserve fund or funds for the Series 2012A Bonds in an aggregate amount equal to six months’ debt service on the Series 2012A Bonds (collectively, the “*Series 2012A DSRF*”), (vi) establish a debt service reserve fund for the Series 2012B Bonds (the “*Series 2012B DSRF*”), which will be funded on the Effective Date as described under “*Application of Trustee-Held Funds*” below, and (vii) pay miscellaneous transaction costs associated with the restructuring transaction, including, but not limited to, the fees and expenses of Clare Oak’s, the Issuer’s, and Plan Sponsors’ professionals.

The Series 2012A Bonds will be secured by a senior first priority lien on the assets of Clare Oaks through the issuance of a Series 2012 Obligation

under the 2012 Supplemental Master Trust Indenture.

The Series 2012A Bonds shall accrue interest at rates not to exceed:

(a) In the context of a Fee Simple Acquisition, (i) 7% per annum with respect to Series 2012A Bonds held by the Steering Committee or the Bank and (ii) to the extent of a Fee Simple Acquisition, 4.5% per annum with respect to Series 2012A Bonds held by the Landlord, in each case commencing on the Effective Date, amortized over 15 years as set forth and projected under the cash flow projections (the “*Projections*”) attached hereto as *Exhibit A*;

(b) In the context of a Ground Lease Assumption (defined below), 8% per annum, amortized over 13 years, commencing on the Effective Date of the Plan, as set forth in the Projections.

In connection with issuance of the Series 2012A Bonds, Clare Oaks will seek an opinion of bond counsel with respect to the allocation of the use of proceeds of the Series 2012A Bonds such that, in the opinion of bond counsel, interest on the maximum portion of the Series 2012A Bonds will be excludable from gross income for federal income taxes.

**Application of
Trustee-Held
Funds**

All amounts held by the Trustee with respect to the Series 2006 Bonds shall be transferred to the new Series 2012B DSRF (the “*Series 2012B DSRF Requirement*”); *provided, however*, that to the extent the amount held in the Series 2012B DSRF is less than one year’s debt service for the next succeeding bond year, such deficiency must be funded prior to such succeeding bond year in accordance with the Distribution Waterfall (as defined herein) (e.g., if annual debt service on the Series 2012B Bonds is \$2 million in year 15, but is required to be \$3.9 million in year 16, the amount in the Series 2012B DSRF must be increased by the end of year 15 to equal annual debt service on the Series 2012B Bonds in year 16). The Series 2012B DSRF shall not become an asset of Clare Oaks, but shall remain funds held by the Trustee for the benefit of the holders of the Series 2012B Bonds.

**Application of
Clare Oaks Cash
on Hand**

Clare Oaks shall apply all available cash on hand on the Effective Date (i) to fund the Unrestricted Reserve Amount (as defined herein) in an amount equal to approximately 31 Days Cash on Hand (defined below) (approximately \$1.7 million), (ii) to fund the Operating Reserve Fund (as defined herein) in an amount equal to approximately 27 Days Cash on Hand (approximately \$1.45 million) and (iii) to pay certain other costs as described under “*Exit Financing*” above.

**Issue of Series
2012B Bonds**

The Series 2012B Bonds shall be issued as current interest paying bonds with an aggregate principal amount of approximately \$40 million of Series 2012B Bonds at the Effective Date. As of the Effective Date, the Series 2006 Bondholders shall exchange their existing Series 2006 Bonds for a ratable share of Series 2012B Bonds.

The Series 2012B Bonds shall bear interest at 4% during years 1 through 15, and increasing to 6% thereafter, payable semiannually, maturing in 40 years (subject to any limitation imposed by applicable tax law regarding tax-exempt debt), with interest only payments for years 1 through 15 and then principal amortizing beginning in the 16th year following the Effective Date, all as set forth in the Projections.

The Series 2012B Bonds will be secured by a second priority lien on the assets of Clare Oaks *pari passu* with the Series 2012C Bonds until such time as the Series 2012A Bonds are repaid in full. At such time, the Series 2012B Bonds shall be secured by a first priority lien on the Clare Oaks assets, *pari passu* with the Series 2012C Bonds. The Series 2012B Bonds will be secured through the issuance of a Series 2012B Obligation under the 2012 Supplemental Master Trust Indenture.

**Issue of Series
2012C Bonds**

The Series 2012C Bonds shall be issued as capital appreciation bonds in the following 3 tranches with an aggregate initial principal amount of approximately \$35 million on the Effective Date:

- (i) Series 2012C-1 Bonds: Original aggregate principal amount of approximately \$25 million, compounding semi-annually at a 2% yield through final maturity at 40 years from the Effective Date;
- (ii) Series 2012C-2 Bonds: Original aggregate principal amount of approximately \$5 million, compounding semi-annually at a 2% yield through year 6 from the Effective Date, upon which time the payment terms relating to the Series 2012C-2 Bonds will be identical to the payment terms of the Series 2012B Bonds, to the extent certain conditions precedent are satisfied (as described below); and
- (iii) Series 2012C-3 Bonds: Original aggregate principal amount of approximately \$5 million, with compounding semi-annually at a 2% yield through year 11 from the Effective Date, upon which time the payment terms relating to the Series 2012C-2 Bonds will be identical to the payment terms of the Series 2012B Bonds, to the extent certain conditions precedent are satisfied (as described below under Modification of Terms Relating to Series 2012C-1 and Series 2012C-2 Bonds); provided, however, the parties acknowledge and agree that these conditions may be satisfied after years 6 and 11, respectively, and in such case the dates will be extended for the amended treatment.

As of the Effective Date, the Series 2006 Bondholders shall exchange their existing Series 2006 Bonds for a ratable share of Series 2012C-1 Bonds, Series 2012C-2 Bonds and Series 2012C-3 Bonds, respectively

For the avoidance of doubt, the Series 2012C-1 Bonds, Series 2012C-2

Bonds and the Series 2012C-3 Bonds shall be referred to collectively as the "Series 2012C Bonds."

The Series 2012C Bonds will be secured by a lien on the assets of Clare Oaks, *pari passu* with the Series 2012B Bonds.

Payment of the Series 2012C Bonds shall be made semi-annually from, but only to the extent of, Excess Cash (defined below) in accordance with the Distribution Waterfall; provided, however, upon the conversion date of the Series 2012C-2 Bonds and the Series 2012C-3 Bonds, respectively, such Series 2012C-2 Bonds and Series 2012C-3 Bonds shall bear interest at rates identical to the interest rates on the Series 2012B Bonds and amortize as set forth in the Projections.

Any refunding of the Series 2012B Bonds shall require as a condition precedent to such refunding, a simultaneous refunding of the Series 2012C Bonds.

Any balance outstanding on the Series 2012C Bonds at final maturity shall be due and payable in full.

Modification of Terms Relating to Series 2012C-2 and Series 2012C-3 Bonds

The Bond Trust Indenture pursuant to which the Series 2012C-2 Bonds and the Series 2012C-3 Bonds will provide that upon satisfaction of the following conditions precedent, the terms and conditions of the Series 2012C-2 Bonds and 2012C-3 Bonds shall automatically reflect the terms and conditions (including payment terms) of the Series 2012B Bonds: the Master Trustee receives the following:

(i) a certificate of Clare Oaks demonstrating that, after giving effect to the conversion, the Debt Service Coverage Ratio for the preceding 12 months for which financial statements are available was not less than 1.20; and

(ii) an Opinion of Bond Counsel to the effect that such conversion will not adversely affect the validity of the Series 2012A Bonds or the Series 2012 Bonds or any exemption from federal income taxation to which such Series 2012A Bonds or Series 2012 Bonds would otherwise be entitled.

Rights of Series 2012A Bondholders

The Series 2012A Bonds will be senior to the Series 2012B Bonds and the Series 2012C Bonds in repayment and security (except that the Series 2012A Bonds would have no right to payment from the Series 2012B DSRF or any other funds held or controlled by the Series 2012 Bond Trustee solely for the benefit of the Series 2012B Bonds and the Series 2012C Bonds). The Series 2012B Bonds will be (i) senior in payment to the Series 2012C Bonds prior to modification of the terms of the Series 2012C-2 Bonds and the Series 2012C-3 Bonds and (ii) equally and ratably secured with the Series 2012C Bonds. The respective rights of the

holders of the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds as to security and payment will be reflected in the 2012 Supplemental Master Trust Indenture.

Management Contract

TBD

Acquisition of Fee Simple Interest or, alternatively, Ground Lease Assumption

To the extent the Landlord exercises the option under Article IV.H(i) of the Plan on or before the Real Estate Option Deadline, the Debtor shall purchase the Real Estate for a purchase price not to exceed \$4.5 million to be financed as described under “Exit Financing” above and as set forth in the Projections and subject to the other terms and conditions contained in the Real Estate Purchase Term Sheet, and upon such other terms and conditions as are acceptable to the Landlord and the Plan Sponsors, in each case in the reasonable exercise of its discretion (the “*Fee Simple Acquisition*”).

To the extent the Debtor does not obtain sufficient funding within the Series 2012A Bonds, or the Bank, the Trustee and the Steering Committee determine in their sole discretion that they no longer desire to pursue the Fee Simple Acquisition, the Debtor shall assume the Ground Lease within the Plan as of the Effective Date (the “*Ground Lease Assumption*”).

Operating Account

Clare Oaks shall hold and maintain an operating account (the “*Operating Account*”), which shall be subject to the lien of the Master Trustee under the 2012 Supplemental Master Trust Indenture pursuant to a deposit account control agreement with the depository bank that is reasonably acceptable to the Master Trustee. The Operating Account shall contain no more than 32 Days Cash on Hand as an unrestricted reserve amount funded as of the Effective Date (the “*Unrestricted Reserve Amount*”). The Unrestricted Reserve Amount may be increased by up to an additional five (5) Days Cash on Hand per year in accordance with the Distribution Waterfall; provided, however, that the Unrestricted Reserve Amount may not exceed 125 Days Cash on Hand (the “*Unrestricted Reserve Cap*”).

Entrance Fees Fund

Clare Oaks shall maintain the existing Entrance Fees Fund under the 2012 Supplemental Master Trust Indenture. All initial and turnover Entrance Fees of Clare Oaks shall be required to be deposited in the Entrance Fees Fund, including any Escrowed Entrance Fee Deposits (to the extent authorized to be released) which shall be deposited in the Entrance Fees Fund upon the Effective Date.

Entrance Fees will only be transferred from the Entrance Fees Fund after any applicable rescission rights under the Residency Agreements have expired and net of payment of any refunds required by the Residency Agreements due at that time.

Following the passage of any rescission right of a resident and payment

of any applicable refund, Entrance Fee amounts will be transferred to the Revenue Fund and shall be available to flow through the Distribution Waterfall (as defined herein).

Revenue Fund

The 2012 Supplemental Master Trust Indenture shall establish a Revenue Fund with the Master Trustee, subject to the lien of the 2012 Supplemental Master Trust Indenture, pursuant to which all revenues or other income of Clare Oaks, including Entrance Fees pursuant to the above conditions under the Entrance Fees Fund (the “*Revenues*”), shall be deposited into a revenue fund (the “*Revenue Fund*”). Funds from the Revenue Fund shall be withdrawn pursuant to the Distribution Waterfall below.

Operating Reserve Fund

Clare Oaks shall maintain the existing Operating Reserve Fund with the Master Trustee, subject to the lien of the 2012 Supplemental Master Trust Indenture. The Operating Reserve Fund shall be funded such that Clare Oaks shall have no greater than 27 Days Cash on Hand¹ as of the Effective Date.

Repair and Replacement Fund

The 2012 Supplemental Master Trust Indenture shall establish an R&R Fund with the Master Trustee, subject to the lien of the 2012 Supplemental Master Trust Indenture. On the Effective Date, an amount of not more than \$1.5 million of proceeds from the issuance of Series 2012A Bonds shall be deposited into the R&R Fund. As provided above, if Clare Oaks has achieved 125 Days Cash on Hand in the Operating Account and if there shall be no Event of Default, then Revenues that would otherwise be transferred to the Operating Account (i.e., no more than 5 Days Cash on Hand) will be deposited into the R&R Fund.

The maximum amount to be held in the R&R Funds may not exceed \$2 million (the “*R&R Cap*”).

Amounts on deposit in the R&R Fund may be used by the Debtor for the purpose of funding capital expenditures including capital expenditures for extraordinary purposes related to the health and safety of the residents. If a draw from the R&R Fund would result in more than \$250,000 having been drawn from such fund in any one calendar year or if any individual draw exceeds \$100,000 (as such amounts may be adjusted annually based upon a cost index as the parties may agree), then the Debtor shall provide the Master Trustee with seven (7) business days prior written notice of any such draw. After the expiration of such seven (7) day period, such draw shall be funded by the Master Trustee unless the Master Trustee has provided written

¹ The term “*Days Cash on Hand*” means the sum of the amount in the Operating Reserve Fund and unrestricted operating cash on hand (collectively, “*Total Available Cash*”) divided by average daily cash expenditures. Average daily cash expenditures is defined as reported expenses per Clare Oaks’ income statement (including any interest expenses) less depreciation and amortization (the “*Cash Operating Expenses*”) for the three (3) months preceding the measurement date multiplied by a multiple of four (4) and divided by 365 days. The Days Cash on Hand will be determined on a [quarterly] basis, however, Clare Oaks shall produce monthly reports thirty (30) days following each month with respect to the Operating Reserve Fund.

notice to the Debtor of its failure to consent during such seven (7) day period.

Bond Fund

Clare Oaks shall establish a Bond Fund (the “*Bond Fund*”) under the 2012 Supplemental Master Trust Indenture, subject to the lien of the Master Trustee. The Bond Fund will receive (i) the monthly payments of principal and interest due and payable on the Series 2012A Bonds and Series 2012B Bonds and (ii) all of the Excess Cash (as defined below) with such amounts then being distributed to the holders of the Series 2012C Bonds in accordance with the Distribution Waterfall below.

Distribution Waterfall

Upon the Effective Date, all independent living unit Entrance Fees shall be deposited with the Trustee in the Entrance Fees Fund including those Escrowed Entrance Fee Deposits which may be released in accordance with the terms of the underlying Option Agreements². Such amounts, along with all other funds available to Clare Oaks at such time (including, without limitation, any proceeds of the Series 2012A Bonds) shall be used to pay all professional fees and expenses incurred in connection with the restructuring transaction (including, without limitation, any costs associated with obtaining opinions from bond counsel), and to pay any resident refunds required to be satisfied under the Residency Agreements.

Thereafter, all post-Effective Date Entrance Fees and other Revenues of Clare Oaks shall be deposited by Clare Oaks in the Entrance Fees Fund or the Trustee in the Revenue Fund, as applicable; provided, however, Revenues with respect to any government payor shall be deposited into an account in the name of Clare Oaks, and such Revenues shall be swept into the Revenue Fund on a monthly basis.

Subject to the next two sentences, amounts on deposit in the Revenue Fund shall be made available to Clare Oaks on an as requested basis to satisfy ongoing operations and management costs and expenses of Clare Oaks, including, without limitation, any management fees, budgeted capital expenditures relating to the Clare Oaks Facilities, refunds required under the terms of the Residency Agreements and replenishment of any Unrestricted Reserve Amount (collectively, the “*Operating Expenses*”). If an Event of Default (as defined in the 2012 Supplemental Master Trust Indenture) shall occur, then the monthly amounts on deposit in the Revenue Fund available for withdrawal to satisfy Operating Expenses shall be made available to Clare Oaks in an amount not to exceed the amounts set forth in an operating budget established in the same manner as presently contemplated by Section 5.14 of the Indenture.

² “Option Agreement” means the Option Agreement or any similar agreement between the Debtor and any resident or prospective resident of the Facilities, setting forth the terms and conditions for the return of any option deposit of such resident or prospective resident.

On the first day of each calendar month, monies in the Revenue Fund shall be distributed in the following order of priority (the “**Distribution Waterfall**”):

- First, a transfer to Clare Oaks’ Operating Account in the amount certified by Clare Oaks (in a certificate setting forth in reasonable detail the projected application of the amount so certified) as necessary to pay anticipated Operating Expenses for the upcoming month (taking into account any unapplied amount withdrawn for such purpose in a prior month); provided, however, this amount shall be in addition to the Unrestricted Reserve Amount;
- Second, to pay interest and any scheduled principal payments due on the Series 2012A Bonds;
- Third, to pay interest and any scheduled principal payments due on the Series 2012B Bonds;
- Fourth, (A) to replenish any deficiency in the Series 2012A DSRF to restore the amount therein to equal six months’ debt service on the Series 2012A Bonds in accordance with the Bond Documents (defined below) and (B) to replenish any deficiency in the Series 2012B DSRF to restore the amount therein to the Series 2012 DSRF Requirement in accordance with the Bond Documents;
- Fifth, to transfer to Clare Oaks’ Operating Account up to an additional five (5) Days Cash on Hand per year, subject to the Unrestricted Reserve Cap; *provided, however*, that during years 1 and 2 after the Effective Date, Clare Oaks may replenish any deficiency in the Operating Account to equal the Unrestricted Reserve Amount;
- Sixth (A) to transfer up to five (5) Days Cash on Hand per year to replenish any deficiency in the Operating Reserve Fund to restore the amount therein to equal 25 Days Cash on Hand; and (B) if any such funds remain after such replenishment, to fund up to \$250,000 on an annual basis to the R&R Fund, subject to the R&R Cap; *provided, however*, that during years 1 and 2 after the Effective Date, the Debtor may replenish any deficiency in the Operating Reserve Fund to equal 25 Days Cash on Hand; and
- Seventh, to the Bond Fund any amounts remaining after application of paragraphs first through sixth above (such remaining amount being the “**Excess Cash**”) which amount shall be applied semiannually to payment of the Series 2012C Bonds.

Fees Related to Restructuring Transaction

Upon the Effective Date, Clare Oaks shall pay all estate costs of the restructuring transaction (including, without limitation, the fees and expenses of bond counsel, the Issuer and its professionals), as well as the costs of the restructuring transaction of the Plan Sponsors and their professionals, any costs associated with any regulatory filings and any other fees for negotiating, drafting and effecting the restructuring transaction).

Additional Documentary Matters

The Series 2012 Supplemental Bond Documents shall be prepared or, as applicable, amended and modified in a manner necessary to effect the Plan. The Series 2012 Supplemental Bond Documents and other agreements governing the Plan shall provide, *inter alia*, that Clare Oaks shall not (i) make any material modification to the Residency Agreements, (ii) enter into any specified transaction (as specified in the 2012 Supplemental Master Trust Indenture) except with the written consent of the holders of a majority in aggregate principal amount of the Series 2012A Bonds and the Series 2012B Bonds, or (iii) except as otherwise provided herein, incur any additional indebtedness for borrowed funds without the written consent of the holders of a majority in aggregate principal amount of the Series 2012A Bonds and the Series 2012B Bonds.

Covenants; General

The 2012 Supplemental Master Indenture shall reflect current, anticipated performance expectations. Except as provided below, measurement of non-payment covenant compliance shall be first made at the end of the first full quarter after the Effective Date (i.e., if Effective Date is October 31, 2012, the first covenant measurement will be for the quarter ending March 31, 2013), and quarterly thereafter.

Days Cash on Hand Covenant

The Master Indenture shall be revised to include as a covenant a Days Cash on Hand requirement of not less than the following:

Years after Effective Date	Days Cash on Hand Target
1	57
2	62
3	67
4	72
5	77
6	82
7	87
8	90

(each such requirement, the “*DCOH Target*”). While the Debtor shall provide reporting of Days Cash on Hand quarterly, commencing March 31, 2013, the Days Cash on Hand covenant will be tested semi-annually

on each June 30 and December 31, commencing June 30, 2013.

(i) If Days Cash on Hand falls below seven (7) days of the DCOH Target as of any testing date, then Clare Oaks shall terminate its current management agreement and enter into a new management agreement with a new management company, with the consent of the holders of not less than a majority of the outstanding aggregate principal amount of the Series 2012A Bonds and the Series 2012B Bonds, which consent shall not be unreasonably withheld; *provided, however*, that (a) Clare Oaks shall be required to replace the manager only once through the period ending June 30, 2017; and

(ii) If Days Cash on Hand falls below thirty (30) Days Cash on Hand as of any testing date, then such non-compliance will constitute an Event of Default under the 2012 Supplemental Master Trust Indenture.

**Independent Unit
Occupancy Levels
Covenant**

Clare Oaks shall achieve 90% of those occupancy levels of independent living (“*IL*”) units as set forth in the Projections (the “*IL Interim Target*”), to be tested quarterly. Clare Oaks shall achieve 90% occupancy of all IL units no later than 18 months after the Effective Date (the “*IL Target*”).

- (i) If Clare Oaks fails to meet either the IL Interim Target or the IL Target, then upon the first occurrence of such non-compliance, Clare Oaks shall be required to retain a management consultant reasonably acceptable to the holders of a majority of the principal amount of the Series 2012A Bonds and the Series 2012B Bonds and provide a report to the holders; and
- (ii) If Clare Oaks fails to meet either the IL Interim Target or the IL Target for two consecutive measurement periods, then such non-compliance will constitute an Event of Default under 2012 Supplemental Master Trust Indenture.

Failure to achieve the IL Interim Target or the IL Target as provided in (i) above shall not constitute an Event of Default if Clare Oaks retains a management consultant as provided in (i) above and follows the recommendations of such consultant to the extent feasible (as determined in the reasonable judgment of the governing board of Clare Oaks) and permitted by law, and the next required measurement period to be tested will be for the period as of the end of the third fiscal quarter following the measurement period in which Clare Oaks failed to meet the IL Interim Target or the IL Target, as applicable.

Operating Ratio

Clare Oaks shall maintain a required operating ratio to be based upon the Projections; provided, however, that such ratio will exclude non-cash

Covenant

revenue (e.g., amortization of Entrance Fees, any restricted contributions, etc.) and non-cash expenses (e.g., depreciation and amortization); provided, further, that such ratio will be established at 90% of Budget to be tested quarterly, commencing March 31, 2013.

- (i) If the operating ratio falls below 90% of Budget, then Clare Oaks shall be required to retain a management consultant reasonably acceptable to the holders of a majority of the principal amount of the Series 2012A Bonds and the Series 2012B Bonds and provide a report to the holders;
- (ii) If the operating ratio remains below 90% of Budget for two consecutive measurement periods, then such non-compliance will constitute an Event of Default under the 2012 Supplemental Master Trust Indenture; and
- (iii) The Plan Sponsors shall provide covenant ratios prior to any hearing on the adequacy of the Disclosure Statement.

**Debt Service
Coverage Ratio
Covenant**

Clare Oaks shall have and maintain a debt service coverage ratio of not less than 1.20x.

Such ratio shall be measured (i) on a rolling four quarter basis (annualized from the Effective Date), commencing March 31, 2013, through the fiscal quarter ending March 31, 2014, and (ii) on a semi-annual basis, commencing June 30, 2014, thereafter. This ratio will include net Entrance Fees (i.e., Entrance Fees, including initial Entrance Fees, received during such period minus Entrance Fees refunded during such period) in the numerator, will exclude capital expenditures during years 1 through 7 from the numerator and will include both the Series 2012A Bonds and Series 2012B Bonds in the denominator (and the Series 2012C-2 Bonds and the Series 2012C-3 Bonds following modification of the terms thereof). In addition, through the fiscal quarter ending June 30, 2015, Clare Oaks may include up to \$1.7 million from the Operating Account in the numerator in calculating such ratio.

- (i) If the debt service coverage ratio falls below 1.20x for any measurement period, then Clare Oaks shall be required to retain a management consultant reasonably acceptable to the holders of not less than a majority of the outstanding aggregate principal amount of the Series 2012A Bonds and the Series 2012B Bonds to provide a report to the Master Trustee; and
- (ii) If the debt service coverage ratio falls below 1.0x for (a) two consecutive measurement periods, commencing March 31, 2013, through the fiscal quarter ending June 30, 2014, or (b) any measurement period, commencing June 30, 2014 and

thereafter, then such non-compliance will constitute an Event of Default under the 2012 Supplemental Master Trust Indenture.

Failure to achieve the debt service coverage ratio requirement as provided in (i) above shall not constitute an Event of Default if Clare Oaks retains a management consultant and follows the recommendations of such consultant to the extent feasible (as determined in the reasonable judgment of the governing board of Clare Oaks) and permitted by law. Clare Oaks shall not be required to obtain a management consultant's report more than one time in any nine-month period.

**Trade Payables
Covenant**

Clare Oaks shall maintain its trade payables such that 90% of all trade payables will be less than 75 days past due and no trade payable shall be greater than 100 days past due unless being contested in good faith.

If Clare Oaks fails to maintain its trade payables requirement for any measurement period, then Clare Oaks shall be required to retain a management consultant reasonably acceptable to the holders of a majority of the principal amount of the Series 2012A Bonds and the Series 2012B Bonds and provide a report to the holders. Failure to maintain the trade payables requirement shall not constitute an Event of Default if Clare Oaks retains a management consultant and follows the recommendations of such consultant to the extent feasible (as determined in the reasonable judgment of the governing board of Clare Oaks) and permitted by law.

Monthly Financials

During the first year from the Effective Date, monthly financial statements (including a balance sheet, an income statement, an escrow statement and a cash flow statement) shall be delivered within 30 days following the prior month end comparing actual results to budget and shall include an explanation of variances of more than 10% from budgeted amounts. On and after the first anniversary of the Effective Date, such financial statements in the sentence above shall be delivered on a quarterly basis. Such financial statements shall also include a rent roll statement (that shows the Entrance Fee deposit most recently associated with each applicable unit).

**Quarterly
Compliance
Certificates**

From and after the Effective Date, Clare Oaks shall deliver within 30 days following the prior quarter end, a compliance certificate in a form established prior to the Effective Date satisfactory to the Bank and the Steering Committee, which compliance certificate shall set forth Clare Oaks' calculation of the covenants based upon that respective quarter's results.

EXHIBIT B

Real Estate Purchase Term Sheet

This Real Estate Purchase Term Sheet (this “**RE Term Sheet**”) sets forth the principal terms and conditions by which The Sisters of St. Joseph of the Third Order of St. Francis, Inc. (the “**Landlord**”) will sell the Real Estate to the Debtor. The RE Term Sheet is intended to be an exhibit to, and will be a part of, the Plan of Reorganization under Chapter 11 of the Bankruptcy Code Filed by Wells Fargo Bank, National Association, as Master Trustee and Sovereign Bank, N.A. (the “**Plan**”). Capitalized terms not otherwise defined herein shall have the meanings given to them in the Plan.

To the extent the Landlord does not elect to sell the Real Estate upon the terms and conditions provided in this RE Term Sheet, the Debtor will be deemed to have assumed the Ground Lease as of the Effective Date as set forth in Article IV.H(ii).

To the extent the Landlord exercises the option under Article IV.H(i) on or before the Real Estate Option Deadline, the Landlord agrees to sell the Real Estate to the Debtor and the Debtor agrees to purchase the Real Estate from the Landlord as of the Effective Date of the Plan, on the following terms and conditions:

1. The purchase price for the Real Estate is \$4,500,000 (the “**Purchase Price**”).
2. The Purchase Price shall be paid as follows:
 - (i) \$1,500,000 of the Purchase Price shall be paid in Cash by the Debtor to the Landlord on the Effective Date; and
 - (ii) The balance of the Purchase Price (i.e., \$3,000,000) shall be paid to Landlord pursuant to the terms of the Direct Note Obligation (the “**Series 2012A-3 Obligation**”) in the principal amount of \$3,000,000 by the Debtor issued on the Effective Date under the 2012 Supplemental Master Trust Indenture.
3. As set forth more fully in the Restructuring Term Sheet, the Series 2012A-3 Obligation will be a private placement tranche of the Series 2012A Bonds and the terms and conditions relating to the Series 2012A-3 Obligation will mirror the terms and conditions relating to the other Series 2012A-1 Bonds securing the senior indebtedness (including the collateral securing such bonds and the priority of such security interests), except as set forth below:
 - (i) The Series 2012A-3 Obligation shall bear interest at 4.5% through the maturity date (i.e., 15 years from the Effective Date);
 - (ii) The Landlord shall receive annual payments on the Series 2012A-3 Obligation in accordance with the Projections (which payments shall be made in approximately equal monthly installments of interest and principal); and
 - (iii) Such other documentation relating to this financing, satisfactory to the Plan Sponsors and Landlord.

4. The Real Estate transaction will be subject to the normal real estate contingencies, including survey, title and receipt of title insurance all to the satisfaction of the Plan Sponsors. The Debtor will accept the Real Estate "AS IS" and there shall be no prorations.
5. The Sublease would be replaced with a new lease subject to an expiration date of December 31, 2014 for the subleased property on substantially the same terms as the Sublease and with the rent to remain at \$1.00 per year.
6. The Plan Sponsors continue to discuss the terms of Plan, and in particular this RE Term Sheet with the Debtor and Landlord. The Plan Sponsors remain hopeful that the RE Term Sheet will be acceptable to all parties in interest.

EXHIBIT C

DIP Budget
for Clare Oaks
(\$000s Omitted)

Estimated Total Professional Fees for Clare Oaks

	December	January	February	March	April	May	June	July	August	September	Total
Clare Oaks											
<i>Financial Advisors:</i>											
Alvarez & Marsal	100	100	90	90	80	70	70	153	153	154	1,060
Ziegler (1)	-	20	10	10	-	-	-	-	-	-	40
Total FA	100	120	100	100	80	70	70	153	153	154	1,100
<i>Legal Advisors:</i>											
Ungaretti & Harris (3)	175	175	175	150	150	150	300	308	288	288	2,160
Jones Day (Bond Counsel)	-	-	-	-	-	-	50	-	-	-	50
Total Legal	175	175	175	150	150	150	358	358	288	288	2,210
Claims Agent	20	20	20	20	20	20	20	20	20	20	200
Total Clare Oaks	295	315	295	270	250	240	390	531	461	462	3,510
<i>Other:</i>											
Adequate Protection (Creditors)	-	-	-	-	-	-	-	400	50	50	500
Unsecured Committee (2)	10	30	30	30	40	40	40	55	40	40	355
Grand Total	305	345	325	300	290	280	430	986	551	552	4,365

Notes: (1) Fees will be paid at closing, amount to be determined
 Notes: (2) Includes an extra \$15k placeholder in July relating to committee claims, not specified to a specific month
 Notes: (3) Up to an extra \$20k per month in August and September (for an aggregate of \$40,000 for both months) shall be allocated to UH provided unused allocations remain on the line item for the Unsecured Committee during the corresponding periods pursuant to this budget.

Estimated Professional Fees PAID Net of Holdback

	December	January	February	March	April	May	June	July	August	September	Total	Holdbacks
Clare Oaks												
<i>Financial Advisors</i>												
Alvarez & Marsal	-	100	100	90	90	80	70	70	153	153	906	154
Ziegler (1)	-	-	-	20	10	10	-	-	-	-	40	-
Total FA	-	100	100	110	100	90	70	70	153	153	946	154
<i>Legal Advisors</i>												
Ungaretti & Harris (3)	-	140	140	140	120	225	120	240	247	231	1,602	269
Jones Day (Bond Counsel)	-	-	-	-	-	-	-	-	-	50	50	-
Total Legal	-	140	140	140	120	225	120	240	247	281	1,652	269
Claims Agent	-	-	-	20	20	20	20	20	20	60	180	20
Total Clare Oaks	-	240	240	270	240	335	210	330	420	494	2,778	462
<i>Other</i>												
Adequate Protection (Creditors)	-	-	-	-	-	-	-	400	50	50	500	-
Unsecured Committee (2)	-	8	24	24	24	46	32	32	44	32	266	40
Grand Total	-	248	264	294	264	381	242	762	514	576	3,544	318

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

-----X
In re: : Case No. 11 B 48903
: :
CLARE OAKS. : Chapter 11
: :
Debtor. : Hon. Pamela S. Hollis
: :
: :
-----X

CERTIFICATE OF SERVICE

I, Adrienne K. Walker, do hereby certify that on the 9th day of August, 2012, I caused a copy of the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Filed by Wells Fargo Bank, National Association, as Master Trustee and Sovereign Bank, N.A. to be served by electronic mail and/or first class mail, postage prepaid upon all parties on the attached service list as indicated.

Dated: August 9, 2012

/s/ Adrienne K. Walker
Adrienne K. Walker

Electronic Mail Notice List:

The following is the list of parties who are currently on the list to receive email notice/service for this case:

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John R Weiss on behalf of Creditor Sovereign Bank
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Neal L Wolf on behalf of Creditor Committee The Official Committee of Unsecured Creditors of
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