

NOT YET APPROVED BY BANKRUPTCY COURT/NOT FOR SOLICITATION

**UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA**

In re:

**Central Oklahoma United Methodist
Retirement Facility, Inc.
d/b/a Epworth Villa,**

Debtor.

Case No. 14-12995-TRC

Chapter 11

**DISCLOSURE STATEMENT TO ACCOMPANY
DEBTOR'S SECOND MODIFIED PLAN OF REORGANIZATION**

/s/ G. Blaine Schwabe, III

G. Blaine Schwabe, III, OBA No. 8001

Elizabeth A. Cooper, OBA No. 31026

GABLE & Gotwals, P.C.

One Leadership Square, 15th Floor

211 North Robinson

Oklahoma City, OK 73102-7101

Telephone: 405.235.5500

Facsimile: 405.235.2875

gschwabe@gablelaw.com

ecooper@gablelaw.com

Sidney K. Swinson, OBA No. 8804

Mark D.G. Sanders, OBA No. 22922

Brandon C. Bickle, OBA No. 22064

GABLE & GOTWALS, P.C.

1100 ONEOK Plaza

100 West Fifth Street

Tulsa, Oklahoma 74103

Telephone: 918.595.4800

Facsimile: 918.595.4990

sswinson@gablelaw.com

msanders@gablelaw.com

bbickle@gablelaw.com

Attorneys for Debtor

September 28, 2015.

Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa (“Epworth Villa”), as debtor in the above-captioned Chapter 11 Case, submits this *Disclosure Statement to Accompany Debtor’s Second Modified Plan of Reorganization* (the “Disclosure Statement”) under Chapter 11 of the Bankruptcy Code.

ARTICLE I.

INTRODUCTION

On July 18, 2014, Epworth Villa filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of Oklahoma.

This Disclosure Statement is submitted pursuant to Section 1125 of the Bankruptcy Code¹ to Holders of Claims against, and Interests in, Epworth Villa in connection with (i) Epworth Villa’s solicitation of acceptances of its *Second Modified Plan of Reorganization* (the “Plan”) filed with the Court on or about September 28, 2015 [Doc. No. 460],² and (ii) the hearing to consider confirmation of the Plan, scheduled for _____, 2015 at __:__ .m.

The Plan describes the manner in which Claims against and Interests in Epworth Villa will be classified and treated. The Plan (and its Exhibit) is attached as Exhibit “1” to this Disclosure Statement.

The Plan provides for the continued operation of Epworth Villa’s business. Epworth Villa submitted the Plan because it believes that the reorganization proposed by it will provide more value to creditors than a liquidation of its assets. To achieve such optimal value, the Plan contemplates treatment of Epworth Villa’s secured and unsecured creditors in accordance with the classifications set forth more fully in the Plan. You should review carefully the proposed classification and treatment to be afforded each Class before voting to accept or reject the Plan.

The requirements for approval and confirmation of the Plan -- including the vote of creditors to accept the Plan, and certain statutory findings that must be made by the Court -- are fully described below in ARTICLE XI. If Epworth Villa does not receive the requisite acceptances by the Voting Record Date or if the Court declines to confirm the Plan, Epworth Villa will evaluate other options available to it.

EPWORTH VILLA BELIEVES THE PLAN REPRESENTS THE BEST POSSIBLE RETURN TO HOLDERS OF ALL CLAIMS. IT STRONGLY URGES YOU TO READ THIS DISCLOSURE STATEMENT AND VOTE IN FAVOR OF THE PLAN.

¹ No solicitation of votes to accept the Plan may be made other than pursuant to Section 1125 of the Bankruptcy Code.

² Epworth Villa Filed its initial *Plan of Reorganization* [Doc. No. 234] on December 22, 2014, and its *First Modified Plan of Reorganization* on June 5, 2015 [Doc. No. 326].

On _____, 2015, after notice and a hearing, the Court entered its *Order Approving Disclosure Statement and Related Solicitation Materials and Procedures* (the “Disclosure Statement Order”), which, among other things, approved this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of Epworth Villa’s creditors to make informed judgments as to whether to accept or reject the Plan. Such approval, however, does not constitute a determination by the Court as to the fairness or merits of the Plan.

Attached as Exhibits to this Disclosure Statement are copies of the following:

- Exhibit “1” – Second Modified Plan of Reorganization and its Exhibit
- Exhibit “2” – Disclosure Statement Order
- Exhibit “3” – Financial Statements:
 - Exhibit “3-1” – Audited Financial Statements for 2013
 - Exhibit “3-2” – Audited Financial Statements for 2014
- Exhibit “4” – Liquidation Analysis
- Exhibit “5” – Bank Account Balances
- Group Exhibit “6” – Balance Sheets and Income Statements from Epworth Villa’s Monthly Operating Reports

A Court-approved ballot (“Ballot”) is enclosed with this Disclosure Statement for Holders of Claims and Interests that are entitled to vote to accept or reject the Plan.

TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED NOT LATER THAN 4:00 O’CLOCK P.M., PREVAILING CENTRAL TIME, _____, 2015.

This Disclosure Statement sets forth in detail (i) the deadlines, procedures and instructions for voting to accept or reject the Plan and for Filing objections to confirmation of the Plan; (ii) the record date for voting purposes, and (iii) the applicable standards for tabulating votes. In addition, detailed voting instructions accompany each Ballot.

Each Holder of a Claim or Interest entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballots, in their entirety before voting on the Plan. Those documents contain, among other things, important information concerning the classification of Claims and Interests for voting purposes.

The following Articles of this Disclosure Statement contain, among other things, summaries of certain material provisions of the Plan. Those summaries do not purport to be comprehensive, and are qualified in their entirety by reference to all the provisions of the Plan itself, including all documents described therein.

ARTICLE II.

DEFINITIONS

Certain capitalized terms used in this Disclosure Statement are defined in this Section. Other capitalized terms are defined within the body of other Articles of this Disclosure Statement. Any capitalized terms found in this Disclosure Statement, and not otherwise defined herein, shall have the meaning ascribed to such terms in the Plan, and if not defined therein, then they shall have the meaning accorded to them by the Bankruptcy Code or the Bankruptcy Rules (and shall be construed in accordance with the rules of construction thereunder).

The following terms shall have the respective meanings set forth below:

“Administrative Claim” means a Claim for payment of an administrative expense of a kind specified in Sections 503(b) and 507(a)(2) of the Bankruptcy Code, including (without limitation) (i) the actual, necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the business of Epworth Villa, such as wages, salaries or commissions for services, compensation for legal, management, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under Sections 330(a) or 331 of the Bankruptcy Code; (ii) all fees and charges assessed against the Estate under Chapter 123 of Title 28, United States Code; and (iii) the value of goods received by Epworth Villa in the ordinary course of business within the 20 days prior to the Petition Date, as provided for in Section 503(b)(9) of the Bankruptcy Code.

“Allowed” means --

(1) that portion of any Claim or Interest, other than an Administrative Claim, (a) for which no timely proof of Claim or Interest has been Filed, but which has been listed by Epworth Villa in the Schedules in a liquidated, non-contingent and undisputed amount, or (b) as to which a proof of Claim or Interest has been timely Filed in a liquidated amount, so long as (x) no timely objection to the allowance of such Claim or Interest has been Filed, or (y) if such objection has been Filed, such objection has been overruled by a Final Order (but only to the extent such objection has been overruled), and/or (c) as to which a Final Order has been entered allowing such Claim or Interest;

(2) with regard to an Ordinary Course Administrative Claim, that portion of the subject Claim that Epworth Villa, in its fiduciary capacity as Debtor-in-Possession, has determined, as evidenced by payment, is a valid post-Petition Date obligation; and

(3) with regard to an Administrative Claim other than an Ordinary Course Administrative Claim, that portion of the subject Claim that is awarded to the Holder as an administrative expense claim by Final Order of the Court.

“Authority” means the Oklahoma County Finance Authority, an Oklahoma Public Trust.

“Bankruptcy Code” means Title 11 of the United States Code, as applicable to this Chapter 11 Case.

“Bankruptcy Rules” means, collectively, (i) the Federal Rules of Bankruptcy Procedure, as amended, promulgated under the authority of 28 U.S.C. § 2015, and (ii) the Local Rules of the Court, as applicable in this Chapter 11 Case.

“Bar Date” means the applicable deadline for Filing proofs of Claim or Interest against Epworth Villa that is established by a Claims Order or other Court Order.

“Bond Indenture” means the Bond Indenture, by and between the Authority and the Indenture Trustee dated as of March 15, 1997, as amended and supplemented by the Supplemental Bond Indenture dated as of December 1, 2000, as amended and supplemented by the Second Supplemental Bond Indenture dated December 1, 2004, as amended and supplemented by the Third Supplemental Bond Indenture dated as of December 1, 2005, and as amended and supplemented by the Fourth Supplemental Bond Indenture as of December 1, 2012, and as it may from time to time be further amended or supplemented pursuant to Article IX of the original Bond Indenture.

“Bond Mortgage” means the Mortgage and Security Agreement, by and between Epworth Villa and the Authority dated as of March 15, 1997, as amended and supplemented by the Supplemental Mortgage and Security Agreement dated as of December 1, 2000, as amended and supplemented by the Second Supplemental Mortgage and Security Agreement dated as of December 1, 2004, as amended and supplemented by the Third Supplemental Mortgage and Security Agreement dated as of December 1, 2005, as amended and supplemented by the Fourth Supplemental Mortgage and Security Agreement (with Power of Sale) dated as of December 1, 2012, and as it may from time to time be further amended or supplemented pursuant to Article XII of the original Bond Mortgage.

“Cash” means legal tender of the United States of America and equivalents thereof.

“Chapter 11 Case” means the instant bankruptcy case commenced under Chapter 11 of the Bankruptcy Code by Epworth Villa on the Petition Date, styled In re Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa, Case No. 14-12995-TRC, and currently pending before the Court.

“Claim” means a claim against Epworth Villa, as described in Section 101(5) of the Bankruptcy Code, whether or not asserted in this Chapter 11 Case.

“Claims Order” means the Order of the Court establishing, *inter alia*, the Bar Date and a deadline for Filing of objections to proofs of Claim or Interest.

“Class” means a distinct and separate category of Claims as delineated in Article IV of the Plan.

“Confirmation” means the act of approval of the Plan by the Court under Bankruptcy Code Section 1129 following the Confirmation Hearing.

“Confirmation Date” means the date on which the Court enters the Confirmation Order on its docket within the meaning of Bankruptcy Rules 5003(a) and 9021.

“Confirmation Hearing” means the hearing to consider Confirmation of the Plan pursuant to Section 1128 of the Bankruptcy Code.

“Confirmation Order” means the Order of the Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

“Contested Claim” means a Claim, (i) to the extent that Epworth Villa or any other party in interest has legitimately interposed an objection or request for estimation which has not been withdrawn or determined by a Final Order; (ii) that is Scheduled as disputed, contingent, or unliquidated, and has not been Allowed by Final Order; or (iii) for which the objection deadline (*e.g.*, that provided in Section 7.05 of the Plan) has not yet expired.

“Court” means the United States Bankruptcy Court for the Western District of Oklahoma, to the extent it may exercise jurisdiction in this Chapter 11 Case on reference from the United States District Court for the Western District of Oklahoma; and otherwise, the United States District Court for the Western District of Oklahoma; or if either such Court ceases to exercise jurisdiction over this Chapter 11 Case, such other court that exercises jurisdiction over this Chapter 11 Case.

“Debtor-in-Possession” means Epworth Villa in its capacity as debtor-in-possession in this Chapter 11 Case pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

“Distribution Date” means, with respect to a given Claim, the date fifteen (15) days following the later of (i) the Effective Date, or (ii) the date on which such Claim becomes an Allowed Claim.

“Effective Date” means the date that is fifteen (15) days following the Confirmation Date.

“Entity” means an entity as defined by Section 101(15) of the Bankruptcy Code.

“Estate” means the bankruptcy estate created with respect to Epworth Villa in its Chapter 11 Case pursuant to Section 541 of the Bankruptcy Code, and includes, without limitation, the Facility.

“Estate Claims” means (a) any and all transfer avoidance and recovery actions arising under Chapter 5 of the Bankruptcy Code; and (b) those certain claims, rights, causes of action, suits or proceedings, whether in law or in equity, whether known or unknown, assertable by Epworth Villa against third parties in connection with the subject matter of the Oklahoma County Action, or conduct or circumstances relating to, or arising through the course of, the Oklahoma County Action, from the time thereof through the time of the conclusion of the Oklahoma County Action (regardless of when such conduct or circumstances occurred or may occur, and whether or not before commencement of the Oklahoma Action, or commencement or closing of this Chapter 11 case), consisting of, and limited to: (i) all those for professional negligence, misfeasance or malfeasance against the law firms of Conner & Winters, Holden & Carr, and/or Godwin Lewis and their respective insurance carriers; and (ii) all those for bad faith or other refusal to pay or take responsibility for claims or losses under policy(ies) of insurance, against Epworth Villa’s liability insurance carrier(s), Homeland Insurance Company of New

York, OneBeacon Professional Insurance, and/or OneBeacon Insurance Group; together with all recoveries and other proceeds of the foregoing.

“Estimated Claim” means a Claim in the amount estimated by the Court under the authority of the Plan or Section 502(c) of the Bankruptcy Code.

“Facility” means the real estate described in the Bond Indenture and the buildings, improvements and fixtures (excluding equipment which is not fixtures and which may be removed without damage to the real estate) constructed or to be constructed on such real estate and all substitutions therefor, additions thereto and replacements thereof, commonly known as Epworth Villa, Oklahoma City, Oklahoma.

“File, Filed or Filing” refers to the act of submitting a paper to the clerk of the Court in this Chapter 11 Case, and acceptance and retention thereof by said clerk in the Court’s files.

“Final Order” means an Order or judgment of the Court (a) as to which the time to appeal, petition for certiorari, or move for re-argument, rehearing or new trial has expired and as to which no appeal, petition for certiorari, or other proceedings for re-argument, rehearing or new trial shall then be pending; (b) as to which any right to appeal, petition for certiorari, reargue, rehear or retry shall have been waived in writing; or (c) in the event that an appeal, writ of certiorari, re-argument, rehearing or new trial has been sought, as to which (i) such Order of the Court shall have been affirmed by the highest court to which such Order was appealed; (ii) certiorari has been denied as to such Order; or (iii) re-argument or rehearing or new trial from such Order shall have been denied, and the time to take any further appeal, petition for certiorari or move for re-argument, rehearing or new trial shall have expired without such actions have been taken.

“Hicks” means collectively or individually, as the context may require or suggest (a) William Hicks; and (b) Virginia Hicks Estate.

“Holder” means the Entity holding legal title to a Claim, Interest, Junior Beneficial Share, or Senior Beneficial Share.

“Impaired” means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of Section 1124 of the Bankruptcy Code.

“Indenture Trustee” means BancFirst, Oklahoma City, Oklahoma, in its capacity as the trustee under the Bond Indenture.

“IRS” means the Internal Revenue Service, an agency of the United States Department of Treasury.

“Interest” means, as the term is utilized in chapter 11 of the Bankruptcy Code, an “interest” in Epworth Villa as of the Petition Date.

“Litigation Trust” means an Oklahoma trust, to be known as the Epworth Villa Litigation Trust”, to be established as provided under Article VI of the Plan in accordance with the Litigation Trust Agreement to administer and distribute the Litigation Trust Assets.

“Litigation Trust Agreement” means the trust agreement attached to the Plan as Exhibit “A”.

“Litigation Trust Assets” means, collectively:

- (1) Cash in the amount of \$1,000,000; and
- (2) the Estate Claims, together with all recoveries and other proceeds thereof.

“Litigation Trustee” means the person, selected and serving in such capacity in accordance with the Litigation Trust Agreement; and who shall thereby be the duly appointed representative of Epworth Villa’s Estate pursuant to Sections 1123(a)(5), (a)(7) and (b)(3)(B) of the Bankruptcy Code.

“Oklahoma County Action” means Case No. CJ-2011-8387, in the District Court of Oklahoma County: William Hicks, individually and as Guardian Ad Litem for Virginia Hicks v. Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa Health Services and appellate proceedings related thereto.

“Ordinary Course Administrative Claim” means an Administrative Claim incurred in the ordinary course of business of Epworth Villa, as Debtor-in-Possession, including, without limitation, a Claim arising under 28 U.S.C. § 1930.

“Order” means an order or judgment of the Court as entered on the Court’s docket.

“Oversight Committee” means, for purposes of the Litigation Trust, a committee consisting of the Holders of the two (2) largest Allowed or Estimated Plan Class 6 Claims, willing to serve. Each member of the Oversight Committee shall have one vote for each dollar of its Allowed/Estimated Claim. All decisions by the Oversight Committee shall be made by majority of the votes cast by members of the Committee.

“Petition Date” means July 18, 2014 -- the date on which Epworth Villa Filed its voluntary petition for relief commencing this Chapter 11 Case.

“Priority Claims” means all Claims entitled to priority under Section 507(a) of the Bankruptcy Code other than Administrative Claims or Tax Claims.

“Pro Rata Share” means the proportion that an Allowed Claim bears to the sum of all Allowed Claims within such Class for which an allocation is being determined.

“Reinstate” means, notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) to cure any such default that occurred before or after the Petition Date, other than a default of a kind specified in Bankruptcy Code Section 365(b)(2) or of a kind that Bankruptcy Code Section 365(b)(2) expressly does not require to be cured, (ii) to reinstate the maturity (to the extent such maturity has not otherwise accrued by the passage of time) of such Claim as such maturity existed before any such default, (iii) to compensate the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on

such contractual provision or such applicable law, (iv) if such Claim arises from a failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to Bankruptcy Code Section 365(b)(1)(A), to compensate the Holder of such Claim (other than Epworth Villa or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure, and (v) to not otherwise alter the legal, equitable, or contractual rights to which such Claim entitles the Holder.

“Rejection Claims” means the Claims arising from Epworth Villa’s rejection of any executory contract or unexpired lease pursuant to Section 365 of the Bankruptcy Code.

“Reorganized Debtor” means Epworth Villa on and after the Effective Date.

“Residency Agreement(s)” means any written agreement or contract, as amended from time to time between Epworth Villa and a resident or potential resident of the independent living units in the Facility giving the resident or potential resident (a) certain rights of occupancy in the independent living units in the Facility, including any reservation agreement or other agreement or contract reserving rights of occupancy; (b) providing for certain services to such resident; and/or (c) establishing and delineating certain deposit refund rights.

“Scheduled” means as set forth on the Schedules.

“Schedules” means, collectively, and as amended, the schedules of assets and liabilities, and the statements of financial affairs, Filed by Epworth Villa in this Chapter 11 Case pursuant to Section 521 of the Bankruptcy Code and the Bankruptcy Rules.

“Tax Claim” means a Claim amount entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Unimpaired” means, with reference to a Class of Claims or Interests, that the Class is not Impaired.

“Virginia Hicks Estate” means (a) William D. Hicks, as Personal Representative of the decedent’s estate of Virginia Lee Hicks, (b) William Hicks as trustee of the William Dorn Hicks and Virginia Lee Hicks Revocable Trust, and/or (c) such other Entity as is lawfully invested with the Claims formerly held by Virginia Lee Hicks against Epworth Villa, which Claims have heretofore been asserted by William Hicks as Guardian Ad Litem for Virginia Hicks.

“Voting Record Date” means the date of entry of the Disclosure Statement Order unless a different date is stated in the Disclosure Statement Order.

“William Hicks” means Mr. William Hicks, individually.

ARTICLE III.

OVERVIEW OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business and/or capital structure for its benefit, and the benefit of its creditors and interest holders.

Commencing a Chapter 11 case creates an “estate” that contains all of a debtor’s property as of the petition date. Usually, as here, the debtor remains in exclusive possession of its property and, during the case, continues to operate in the ordinary course of business as a “debtor-in-possession” with the powers and responsibilities of a “trustee” under the Bankruptcy Code.

The principal objective of a Chapter 11 case is the consummation of a plan of reorganization. A plan of reorganization sets forth the treatment of claims against, and interests in, a debtor. Once the bankruptcy court confirms a plan of reorganization, the terms of that plan become binding upon the debtor and any creditor of, or interest holder in, the debtor. Generally, an order of the bankruptcy court confirming a plan of reorganization discharges the debtor from any debt that arose prior to the date of confirmation of the plan, and substitutes for that debt the obligations specified under the confirmed plan. Epworth Villa’s Plan provides for such a discharge in this Chapter 11 Case.

A holder of an “impaired” claim is generally entitled to vote to accept or reject a plan of reorganization. Generally speaking, a claim is “impaired” if the plan provides that such claim will not be repaid in full (with applicable interest) through the plan, or that the legal, equitable or contractual rights of the holder of such claim are changed in some manner by the plan.

In order for the bankruptcy court to confirm a plan, Chapter 11 does not require that every holder of a claim vote in favor of that plan, or even that every *class* of claims “accept” the plan. However, the plan must meet a number of statutory tests—including a minimum level of acceptance—before it may be confirmed. These standards are discussed in more detail in Article XI of this Disclosure Statement.

ARTICLE IV.

DESCRIPTION OF EPWORTH VILLA AND ITS PAST OPERATIONS

Section 4.01 Corporate Organization and Qualification.

Epworth Villa is an Oklahoma not-for-profit corporation. Currently its sole member is Epworth Living, Inc. The IRS has determined that Epworth Villa is qualified as an organization described in Section 501(c)(3) of the Tax Code.

Section 4.02 Facility Mission and History of Epworth Villa.

Epworth Villa was formed in 1986. Affiliated with the Oklahoma Conference of the United Methodist Church, Epworth Villa is a continuing care retirement community for persons age 62 and older, located at 14901 N. Pennsylvania Avenue, Oklahoma City, Oklahoma. Presently, Epworth Villa includes 264 independent living units (cottages and apartment homes), 118 assisted living units with maximum capacity of 130 beds, and 87 nursing care beds. Epworth Villa is fully accredited by CARF-CCAC, an independent organization that evaluates continuing care retirement communities.

Epworth Villa is currently undergoing a renovation and expansion project that is projected to be completed in early Summer of 2015. The construction, renovation and expansion of its facilities are financed through revenue bonds under the Bond Indenture from the Authority to the Indenture Trustee. Those obligations, in the aggregate principal Petition Date amount of \$87,835,000, are secured by a mortgage and security interest in the Facility and other assets of Epworth Villa's Estate.

Section 4.03 Labor Force.

Epworth Villa directly employs approximately 250 individuals, which include hourly and salaried employees. In addition, Epworth Villa retains the services of a number of independent contractors that provide direct care and other services to and on behalf of Epworth Villa residents.

Epworth Villa offers employees a wide range of benefits including medical, prescription, and short and long-term disability insurance. Group dental and vision benefits are offered, but Epworth Villa does not contribute. Epworth Villa also offers a 401-k program under which it will match 50% of the employee's contribution up to 4% of the employee's wage or salary.

Section 4.04 Management of Epworth Villa.

Management of Epworth Villa's operations and business affairs is vested in its Board of Directors. The following persons currently serve on the Board of Directors:

<u>Name</u>	<u>Board Office</u>	<u>Occupation</u>
Nicholas R. Harroz III	Chair	Partner, Mark I Asset Management, Ltd.; Attorney; CPA
Dr. Robert L. Spinks	Vice Chair	Professor at Oklahoma City University Retired President/CEO, United Way of Central OK
Rev. David Clewell	Treasurer	Senior Pastor, Quail Springs United Methodist Church
Barbara J. Brandenburg	Secretary (non-voting)	Executive Assistant, Epworth Villa

Glee Bertram	Assistant Secretary	Professor at University of Central Oklahoma
Mary Allen Carey	Member	Ph.D., Educational Psychology/Counseling Psychology; Registered Nurse
Roy Chandler	Member	Partner, Peters & Chandler, P.C., CPAs
Charles F. Hull	Member	Retired Compliance & Licensing Manager American Fidelity Assurance Company
Dr. Glen Johnson	Member	Chancellor, Oklahoma State Regents for Higher Education
Rev. Tish Malloy	Member	North Oklahoma City District Superintendent Oklahoma Conference of the United Methodist Church
Bob Medley	Member	Retired Partner Medley/Turrentine
Christopher Papin	Member	Attorney, Burnett Brown
Barbara Perry	Member	Professor, University of Central Oklahoma
John C. Harned	Member (non-voting)	President/CEO, Epworth Villa
Sandra Brothers	Ex-Officio Member (non-voting)	President, Epworth Villa Resident Association

ARTICLE V.

FINANCIAL HISTORY

The audited financial statements of Epworth Villa for Fiscal Years 2013 and 2014 are attached hereto as Exhibits “3-1” and “3-2”, respectively.

ARTICLE VI.

EVENTS LEADING TO THE FILING OF THIS CHAPTER 11 CASE

In 2011, a resident filed the Oklahoma County Action for claims allegedly arising while living at Epworth Villa. A \$15 million-plus judgment was entered against Epworth Villa on July

9, 2014, which is now the basis for a Contested Claim held by the resident's husband, William Hicks ("Hicks"), and his lawyers (the "Judgment"). Before entry of the Judgment, Homeland Insurance Company of New York, OneBeacon Professional Insurance, and/or OneBeacon Insurance Group, Epworth Villa's liability insurance carrier ("Homeland/OneBeacon"), after demand to do so, failed to settle the Hicks' claim within its \$5,000,000 policy limits.

Unable to otherwise obtain a stay (*i.e.* an injunction) to protect it from precipitous execution on the Judgment, Epworth Villa reluctantly initiated this Chapter 11 Case to allow it to continue operations and preserve the status quo for the benefit of its residents, as well as its creditors, employees, and benefactors, while prosecuting an appeal of the Judgment, which it believed was unjustified and excessive.

ARTICLE VII.

THE PROGRESS OF EPWORTH VILLA'S CHAPTER 11 CASE

Section 7.01 "First Day" Motions in the Chapter 11 Case.

Simultaneous with the Filing of its Chapter 11 petition, Epworth Villa Filed certain "first day" motions, described more fully below, seeking Orders from the Court authorizing Epworth Villa to: (i) retain professionals; (ii) use cash collateral secured to the Indenture Trustee; and (iii) pay certain prepetition wages and salaries, and related payroll taxes.

On August 18, 2014, the Court approved the employment of Gable & Gotwals, P.C as general and bankruptcy counsel for Epworth Villa *nunc pro tunc* (*i.e.* retroactive) to the Petition Date [Doc. No. 89]. Epworth Villa has also obtained Orders authorizing the retention of special counsel to continue the defense of several state court proceedings unrelated to the Judgment [*e.g.*, Doc. Nos. 73, 123, 168], and stay relief Orders have been entered to allow those proceedings to continue during this case, provided that the recovery on the underlying Claims, if any, may only be made against Epworth Villa's insurance policies unless otherwise permitted by future Order of the Court [Doc. Nos. 122, 174, 177, and 272]. In addition, Epworth Villa has obtained an Order authorizing the retention of special counsel to investigate and, if necessary or appropriate, prosecute, a potential legal malpractice claim on behalf of the Estate [Doc. No. 184].

The Indenture Trustee's collateral consists of, among other things, all of Epworth Villa's cash, accounts receivable and accounts. To use this collateral, known as "cash collateral," Epworth Villa was required to provide special protection to the Indenture Trustee under Section 363 of the Bankruptcy Code to guard against the dissipation of such cash collateral. Consequently, on the Petition Date, Epworth Villa Filed a motion seeking the Court's authority to use cash collateral, and on July 22, 2014, with the consent of the Indenture Trustee, the Court entered an *interim* Order [Doc. No. 29] authorizing Epworth Villa to use that cash in the ordinary course of its business, subject to certain terms and conditions constituting "adequate protection." On August 11, 2014, the Court entered a *final* Order [Doc. No. 64] authorizing the use of cash collateral, and for the provision of adequate protection, on the terms as provided in that Order.

Finally, Epworth Villa Filed a motion seeking authority to pay pre-Petition Date wages and salaries, and associated payroll taxes (the "Wage Motion"). Due to Epworth Villa's

employees being paid in arrears, and the next payday occurring after the Petition Date, such wages and salaries constituted prepetition debt which compelled Epworth Villa to obtain court approval in order to pay the employees outside the context of a Chapter 11 plan. On July 22, 2014, the Court granted the Wage Motion, provided that none of the wages or salaries to be paid would exceed the statutory priority limit of \$12,475 per employee,³ and also permitted the taxes associated with the same to be paid. All of Epworth Villa's employees' pre-Petition Date wages and salaries, and related payroll taxes, have now been paid, and thus they should have no remaining Priority Claims in this Chapter 11 Case.

Section 7.02 Post-Petition Operations.

Operations of Epworth Villa have continued without interruption or material change since the Petition Date. Since that date, Epworth Villa has generated sufficient cash to sustain its operations and satisfy all post-Petition Date obligations. Results of Epworth Villa's operations from the Petition Date through December 31, 2014 are presented as part of Exhibit "3-2"; and results from January 1 through August 31, 2015 are reflected in the Monthly Operating Report ("MOR") balance sheets and income statements that are attached hereto as Group Exhibit "6". Epworth Villa shall continue to File MORs when due through the Effective Date under the Plan.

Epworth Villa has obtained Orders authorizing it to assume executory contracts with all of its residents [Doc. No. 124] and with Summit Care, Inc. [Doc. No. 137] -- a key provider of resident therapy services. Epworth Villa, with the consent of the Indenture Trustee, has obtained Orders permitting it to pay construction contractor and supplier claims [Doc. No. 77],⁴ and approving a procedure for future construction disbursement requests [Doc. No. 171], all related to the ongoing renovation and expansion project. Such Orders have facilitated the continuation of Epworth Villa's construction project during this case. Epworth Villa has also secured an Order authorizing the payment of certain credit card debt, which was important for continued, uninterrupted operations at Epworth Villa during the pendency of this case [Doc. No. 157].

On August 13, 2014, pursuant to an Order of the same date [Doc. No. 74], the Office of the United States Trustee appointed E. Marissa Lane as the Patient Care Ombudsman in this case [Doc. No. 75]. Ms. Lane issued her Initial 60-Day Report on or about October 15, 2014 [Doc. No. 175], and her Second 60-Day Report on December 31, 2014 [Doc. No. 236]. Ms. Lane resigned as Patient Care Ombudsman in order to accept other employment; and on December 16, 2014, the United States Trustee appointed Deborah Burian as substitute Ombudsman [Doc. No. 221]. On February 23, 2015, February 24, 2015, May 14, 2015, and July 29, 2015, Ms. Burian Filed her *Patient Care Ombudsman Reports* [Doc. Nos. 277, 278, 315 and 394]. All Reports of the Patient Care Ombudsmen have been favorable, indicating that Epworth Villa's resident care has not been adversely affected by the pendency of this Chapter 11 Case.

³ See 11 U.S.C. § 507(a)(4) (2014).

⁴ The construction contractor and supplier claims authorized (but not directed) to be paid included some work to repair pre-Petition Date hail damage to the Facility. A claim by Accord Construction, Inc. for \$281,633.12, for overhead and profit relating to roof repairs, has not been paid, and Epworth Villa's insurer has not paid Epworth Villa on its related insurance claim. Litigation with the insurer may be required to dispose of the insurance claim.

Section 7.03 Estate Claims and Mediation.

On June 5, 2015, Epworth Villa filed its *First Modified Plan of Reorganization* (the “First Modified Plan”) [Doc. #326]. Epworth Villa also filed its *Disclosure Statement to Accompany Debtor’s First Modified Plan of Reorganization* (the “First Disclosure Statement”) that same day [Doc. #327]. On June 11, 2015, on Epworth Villa’s application [Doc. #329], the Court entered an *Order and Notice of Objection Deadline and Hearing – Disclosure Statement* (“Order and Notice”) [Doc. #333], requiring objections to be filed and served by July 21, 2015, and setting the hearing on approval of the First Disclosure Statement for July 28, 2015.

On July 16, 2015, pursuant to the *Order Assigning Bankruptcy Case for Mediation* [Doc. #382], the Court ordered Epworth Villa and its insurance carriers, Epworth Villa’s counsel in the state court litigation and their insurance carriers, Hicks, and the Indenture Trustee to participate in mediation before a private mediator, former Bankruptcy Judge Leif Clark. After participating in an almost 20-hour mediation, Epworth Villa, Hicks, and the Indenture Trustee reached a settlement outlined in the *Corrected Joint Motion for Order Approving and Authorizing Compromise and Notice; Brief in Support; Notice of Opportunity for Hearing and Notice of Hearing* (the “Joint Compromise Motion”) [Doc. #399]. None of the other entities and their insurance carriers ordered to mediate chose to participate in the settlement.

On July 28, 2015, in view of the announcements by counsel that a compromise had been reached as a result of the court-ordered mediation, the Court continued the hearing on approval of the First Disclosure Statement, in order to coincide with a hearing on approval of the mediated settlement, to August 18, 2015. *See* Doc. #396. Pursuant to the *Order Reducing Time for Notice and Opportunity for Hearing; and Setting Expedited Hearing* [Doc. #401], the Court set the Joint Compromise Motion for a telephonic hearing on August 18, 2015, to be continued to August 25, 2015, for additional legal argument and evidence if required. Epworth Villa gave notice of the Joint Compromise Motion and the Order setting it for hearing on August 5, 2015, as shown in the Certificate of Service [Doc. #402].

Objections to approval of the mediated settlement proposed for the Court’s approval in the Joint Compromise Motion were filed by two entities – neither is a creditor of Epworth Villa; both are potential target defendants in claims as may be asserted by a litigation trust provided to be created for the benefit of Epworth Villa’s unsecured creditors in the First Modified Plan. The objectors are: (a) Holden & Carr, Epworth Villa’s trial counsel in pre-chapter 11 litigation with the Hicks, against which a claim may be asserted for legal malpractice; and (b) Homeland/OneBeacon, which failed to settle the Hicks’ claim within its \$5,000,000 policy limits, before the Hicks obtained a \$15 Million plus judgment, and against which a bad faith claim may be asserted. Claims against trial counsel and Homeland/OneBeacon, Estate Claims under the Plan, were identified in Epworth Villa’s Schedule B, item 21 [Doc. #60].

The Court held a telephonic hearing on August 18, 2015, and continued with an evidentiary hearing on August 25, 2015, to consider approval of the mediated settlement proposed in the Joint Compromise Motion and approval of the First Disclosure Statement. After hearing the uncontroverted evidence, the Court took its rulings on the Joint Compromise Motion and, consequently, approval of the First Disclosure Statement under advisement. At the conclusion of the hearing on August 25, 2015, the Court expressed some concerns regarding the

terms of the settlement, approval of which was sought by the Joint Compromise Motion. Epworth Villa believes those concerns are fully addressed by the filing of the *Joint Notice of Withdrawal of Corrected Joint Motion for Order Approving and Authorizing Compromise* [Doc. #457] and the *Order to Withdraw* [Doc. #458], effecting the withdrawal of the Joint Compromise Motion, and by Epworth Villa modifying the First Modified Plan as now provided in the Plan.

During the month the Court's ruling on approval of the Joint Compromise Motion was under advisement, Epworth Villa, the Indenture Trustee and the Hicks have endeavored to reach a monetary settlement of the Hicks claim with participation of Homeland/OneBeacon. This effort failed, with Homeland/OneBeacon again refusing to settle within policy limits.

ARTICLE VIII.

SUMMARY OF PROPOSED REORGANIZATION

Section 8.01 Narrative Summary of Reorganization.

Commencing the Chapter 11 Case was a difficult, yet necessary, decision for the Board of Directors of Epworth Villa. The crafting of a Plan of Reorganization under the extraordinary circumstances of this Chapter 11 Case is an equally daunting task.

The principal challenge to reorganization here was presented by the Hicks Judgment Claim. The face amount of Hicks' aggregate Claim (\$15 million+) constitutes over 95% of the total of all unsecured Claims against Epworth Villa. Epworth Villa believes that the Judgment was legally erroneous; and it has been challenged by Epworth Villa through a pending appeal.

While Epworth Villa believes that strong arguments exist for the reversal or substantial modification of the Judgment on appeal, ultimate appellate disposition is certainly more than a year ahead. In the meantime, Epworth Villa believes strongly that its best interest, and that of its creditor constituencies and residents will be best served by a plan of reorganization being confirmed at the earliest possible time, so that Allowed Claims can be paid, new financial relationships established, and the cloud of bankruptcy removed from a business whose "customers" -- its residents -- desire, and deserve, financial stability from their primary caregiver so that their "golden years" are as comfortable and stress-free as possible.

The Plan is the product of (i) many hours of research and analysis by Epworth Villa's Boards of Directors, its counsel and other advisors, and (ii) input from and agreements with key creditor constituencies, to achieve what is sincerely believed to be a fair balance between what is required for Epworth Villa to reorganize and what is appropriate satisfaction of the Claims of the various classes of its creditors.

Bankruptcy Code Section 1129(a)(9) provides that the administrative expenses of this Chapter 11 Case (including so-called "20-day" claims under Bankruptcy Code Section 503(b)(9)), and all Priority Claims (Class 1), must be paid in full; and the Plan provides such treatment. As for the balance of the unsecured claims against it, Epworth Villa has created four separate classes receiving different treatment.

First, Claims for which Epworth Villa has insurance coverage available (Class 4) will be satisfied by such insurance to the extent of such coverage. This Class includes several tort claimants, including Hicks for the component of their Claims attributable to Epworth Villa's alleged negligence.

Another of the Hicks' Claims -- a contract claim for breach of the Hicks' Residency Agreement -- is classified exclusively in Class 5, and will be satisfied by the provision of indefinite "rent-free" residency for William Hicks at Epworth Villa's Facility, as well as refund assurances should he decide to move away from the Facility.

The balance of the Hicks' Claims are classified in Class 6, and will be treated through the creation of a Litigation Trust. Holders of Claims in Class 6 will be the only beneficiaries of the Litigation Trust, which is described in greater detail in Article IX hereof. Epworth Villa will transfer the Litigation Trust Assets -- \$1.0 million plus the Estate Claims -- to the Litigation Trust for liquidation and distribution to Holders of Class 6 Claims. Given the unique composition (Hicks Claims exclusively) and treatment of Class 6 and other Classes, no contest over the Allowed amount of the Hicks' Class 6 Claims will be necessary or permitted. Those Claims will be allowed in the amounts stated in the Hicks' proof(s) of claims; provided however, that such final allowance shall have no preclusive effect for any other purpose in any other forum.

The balance of unsecured Claims against Epworth Villa, *e.g.*, the numerous "trade" creditors, will fall into Class 7 -- "Other Unsecured Claims" -- and be ***paid in full with post-Petition Date interest.***

The Claim of the Indenture Trustee (Class 2), which is secured, in part by the Facility, will be Impaired as necessary to facilitate the reorganization contemplated by the Plan; namely the Indenture Trustee shall be deemed to have (i) waived any default under such documents arising from the pendency of and/or entry of judgment in the Oklahoma County Action or from the filing of Epworth Villa's bankruptcy case; (ii) amended the requirements in such documents of the number of days' cash on hand Debtor is required to maintain to reduce the number from 180 days to 150 days for a period of one year from the Effective Date with an extension of one additional year upon reasonable request of Epworth Villa, provided that at the end of such periods, the existing provision for maintaining 180 days cash on hand shall be reinstated; and (iii) released the lien, if any, of the Bond Indenture in and to the Cash and other assets of Epworth Villa and its Estate as, and only to the extent, required to fulfill the Plan's payment, transfer, and/or other treatment obligations to other Holders entitled to receive distributions as provided in the Plan.

With respect to other secured Claims (Class 3), Epworth Villa will either surrender the collateral to the creditor, or take all steps necessary to "Reinstate" the credit relationship as that term is defined herein. The only known creditor in Class 3 is the Ford Motor Credit Corporation, which has financed certain vehicles in Epworth Villa's business fleet. At this time, Epworth Villa is inclined to Reinstate that obligation rather than surrender the subject vehicles.

The fate of the membership Interest in Epworth Villa (Class 8), held by Epworth Living, Inc., will be determined by the actions of the Impaired Classes of Claims: if any Class of

Impaired Claims does not accept the Plan, then the Class 8 Interests shall be cancelled and extinguished under the Plan; if all Classes of Impaired Claims accept the Plan, then the Class 8 Interest Holder shall retain its Interests.

Section 8.02 Plan Outline

The following outline description more technically recapitulates the Plan's classification and treatment provisions with respect to all Claims and Interests.

Unclassified Claims.

(a) Administrative Claims.

Unless otherwise agreed to by the parties, each Holder of an Allowed Administrative Claim, in full satisfaction, release, settlement and discharge of such Claim shall -- (i) to the extent such Claim is due and owing on the Effective Date, be paid in full, in Cash, not later than the Distribution Date; or (ii) to the extent such Claim is not due and owing on the Effective Date, be paid in full, in Cash, in accordance with the terms of any agreement between Epworth Villa and such Holder, or as may be due and owing under applicable non-bankruptcy law.

(b) Tax Claims.

Pursuant to Section 1129(a)(9)(C) of the Bankruptcy Code, except to the extent that a Holder of an Allowed Tax Claim agrees to different treatment, each Holder thereof shall receive Cash in the full amount of such Claim. At this time, Epworth Villa does not believe that any Tax Claims exist.

Classified Claims.

(a) Class 1 – Priority Claims (Impaired, Entitled to Vote).

Class 1 is a Class consisting of all Priority Claims. Epworth Villa does not anticipate their being any such Priority Claims. ***Epworth Villa does not believe that there remain any unpaid Priority Claims.***

To the extent that Allowed Class 1 Claims have not been paid in full in the ordinary course of business during the pendency of this Chapter 11 Case, they shall be paid in Cash, in full, without post-Petition Date interest. Holders of Class 1 Claims shall receive no other consideration under the Plan on account of such Claims.

(b) Class 2 – Indenture Claim (Impaired, Entitled to Vote).

Class 2 is a Class consisting of the Claim of the Indenture Trustee under the Bond Indenture. The Indenture Trustee has Filed a Proof of Claim stating a secured claim in the amount of \$89,205,041.00, and that Proof of Claim has not been objected to.

The legal, equitable, and contractual rights to which the Indenture Claim entitles the Holder thereof shall not be altered by this Plan, and shall continue to be governed by the

underlying and operative credit facility documents, except that as of the Effective Date, the Indenture Trustee shall be deemed to have (i) waived any default under such documents arising from the pendency of and/or entry of judgment in the Oklahoma County Action or from the filing of Epworth Villa's bankruptcy case; (ii) amended the requirements in such documents of the number of days' cash on hand Debtor is required to maintain to reduce the number from 180 days to 150 days for a period of one year from the Effective Date with an extension of one additional year upon reasonable request of Epworth Villa, provided that at the end of such periods, the existing provision for maintaining 180 days cash on hand shall be reinstated; and (iii) released the lien, if any, of the Bond Indenture in and to the Cash and other assets of Epworth Villa and its Estate as, and only to the extent, required to fulfill the Plan's payment, transfer, and/or other treatment obligations to other Holders entitled to receive distributions as provided in the Plan. The Holder of the Class 2 Claim shall receive no other consideration under this Plan on account of such Claim.

(c) Class 3 – Other Secured Claims (Unimpaired, Not Entitled to Vote, Deemed to Accept)

Class 3 is a Class consisting of all secured Claims other than that of the Indenture Trustee.

With respect to each Allowed Other Secured Claim, Epworth Villa shall, at its option: (i) Reinstate the obligation(s) underlying such Claim; or (ii) satisfy such Claim by surrender of the collateral securing such Claim. Holders of Class 3 Claims shall receive no other consideration under this Plan on account of such Claims.

(d) Class 4 – Insured Claims (Impaired, Entitled to Vote).

Class 4 is a Class of all unsecured Claims (other than Claims in Classes 5 and 6) which arise from or relate to alleged conduct or circumstances occurring or existing prior to the Effective Date where a policy of indemnity insurance provides coverage. Holders of Insured Claims include, without limitation, the following: (a) Leroy and Betty Bryan; (b) Lisa Adams as next of kin of Helene Wilson and as personal representative of the Estate of Helene Wilson, Jeff Wilson as next of kin of Helene Wilson, and Kristen Nicastro as next of kin of Helene Wilson; (c) Paul and Sarah Savage; (d) Frances Colleen Mashburn; (e) John Occhipinti as personal representative and next of kin of Jimmie Lee Occhipinti and Kathryn Ocariz, Susan McMillian, and James Occipinti, next of kin of Jimmie Lee Occhipinti; (f) Rosa Chavira; (g) Estate of Julia Hamilton; (h) Virginia Hicks Estate; and (i) Accord Construction, Inc.

As of the Effective Date, the automatic stay and/or discharge injunction of Sections 362 and/or 524(a) of the Bankruptcy Code shall be deemed modified, as necessary, to permit each Holder of a Claim in Class 4 to (i) seek liquidation of such Claim by final judgment of a court of competent jurisdiction, or otherwise, and (ii) collect and satisfy such Claim from an issuer of a policy of indemnity insurance that provides coverage for the Claim. Holders of Class 4 Claims shall receive no other consideration under this Plan on account of such Claims.

(e) Class 5 – Hicks Contract Claims (Impaired, Entitled to Vote).

Class 5 is a Class consisting solely of the Claims of Hicks for such portion of the judgment entered in the Oklahoma Action as is denominated, and attributable to, claims against Epworth Villa for breach of Hicks' Residency Agreement.

Epworth Villa shall provide, and ensure that its contractors provide, all continuing care and services that are provided in any Residency Agreement between Hicks and Epworth Villa, whether in effect now or entered in the future, at no cost to Hicks for so long as William Hicks continues to reside at the Facility or related facilities in Oklahoma City, Oklahoma; provided, however, in the event William Hicks decides to move out of the Facility, Epworth Villa will promptly refund to him the entire entrance fee deposit of \$127,000 without condition. The Holders of the Class 5 Claims shall receive no other consideration under this Plan on account of such Claims.

(f) Class 6 – Hicks Other Claims (Impaired, Entitled to Vote).

Class 6 is a Class consisting of all Claims of Hicks other than Class 4 and 5 Claims.

Each of the Holders of Allowed Claims in Class 6 shall receive, in full and final satisfaction of their Allowed Claims,⁵ a Pro Rata Share of the beneficial interests in the Litigation Trust. The Holders of Class 6 Claims shall receive no other consideration under this Plan on account of such Claims.

(g) Class 7 – General Unsecured Claims (Unimpaired, Not Entitled to Vote, Deemed to Accept).

Class 7 is a Class consisting of all Claims that are not Administrative Claims, Tax Claims, Priority Claims, the Indenture Claim, Other Secured Claims, Insured Claims, Hicks Contract Claims, or Hicks Other Claims.

In full and final satisfaction of its Claim, each Holder of an Allowed Claim in Class 7 shall be paid in Cash the Allowed or Estimated amount of its Claim, with post-Petition Date interest at the rate provided for in the relevant period by 28 U.S.C. §1961. Holders of Class 7 Claims shall receive no other consideration under this Plan on account of such Claims.

(h) Class 8 – Interests (Impaired, Entitled to Vote).

Class 8 consists of all Interests. The only Interest Holder is Epworth Living, Inc. -- which currently holds the sole membership Interest in Epworth Villa.

If any Class of Impaired Claims does not accept the Plan, then all Interests shall be cancelled and extinguished under the Plan and the Holder thereof shall neither retain nor receive

⁵ The allowance of Class 6 Claims shall be for purposes of (a) participation in the Chapter 11 Case as a creditor (*e.g.*, voting upon the Plan), and (b) treatment pursuant to this Section, including distributions from the Litigation Trust. Such allowance shall have no preclusive effect for any other purpose in any other forum.

any property on account of such Interests. If all Classes of Impaired Claims accept the Plan, then the Class 8 Interest Holder shall retain its Interests.

ARTICLE IX.

LITIGATION TRUST

Section 9.01 Establishment and Purpose of the Litigation Trust

Under the Plan certain assets of Epworth Villa (Cash and the Estate Claims) will be transferred to a trust (the Litigation Trust), so that they may be liquidated and administered by a trustee (the Litigation Trustee) for the benefit of the Holders of Claims in Class 6.

On the Confirmation Date, the Litigation Trust will be established as an Oklahoma trust; and Epworth Villa and the Litigation Trustee shall execute and deliver a Litigation Trust Agreement, and take all other steps necessary to establish the Litigation Trust.

The Litigation Trust shall be established for the sole purpose of liquidating the Litigation Trust Assets (as described in Section 9.05 hereof) for the benefit of Holders of Claims in Class 6, in accordance with Treasury Regulation § 301.7701-4(d), with no objective to engage or continue in the conduct of a trade or business.

Section 9.02 Litigation Trustee

The Litigation Trustee shall have the responsibilities set forth in the Litigation Trust Agreement, including, without limitation, the liquidation of the Estate Claims and distribution of the proceeds of the Litigation Trust Assets to the Beneficiaries.

Section 9.03 Oversight Committee

The Litigation Trustee's exercise of duties and powers under the Litigation Trust is subject to the supervisory power of an Oversight Committee. Because the only Claims in Class 6 are held by Hicks, Hicks will control the Oversight Committee.

The Oversight Committee will appoint the Litigation Trustee and supervise his activities; such supervision to include the power to "veto" the Litigation Trustee's proposed settlement or other disposition of the causes of action constituting the Litigation Trust Assets. The Oversight Committee may at any time remove the Litigation Trustee, and appoint a successor.

Section 9.04 Litigation Trust Assets

On the Confirmation Date, the Estate Claims component of the Litigation Trust Assets shall be deemed vested in the Litigation Trust without further action or Order. The Cash component of the Litigation Trust Assets shall be transferred from Epworth Villa to the Litigation Trust in the following installments: \$500,000 shall be funded on the Distribution Date, and \$500,000 shall be funded six months thereafter.

The Litigation Trust shall be the successor-in-interest to Epworth Villa, and shall have full power and authority to act, with respect to the Litigation Trust Assets, including, without limitation, the right and power to prosecute the Estate Claims just as if the Litigation Trustee was appointed as a trustee in the Chapter 11 Case.

The Estate Claims component of the Litigation Trust Assets is of speculative value at this time. It includes claims against professionals and insurance companies that may be liable to Epworth Villa in connection with the Judgment entered against Epworth Villa in the Oklahoma County Action.

Section 9.05 Deemed Retention

The Estate Claims may be retained by Epworth Villa and/or its Estate insofar, and in such manner, as necessary to preserve such claims under applicable law; and in that event, the proceeds of those retained Estate Claims shall be assigned, transferred and/or distributed to the Litigation Trust when and as available.

Section 9.06 Distributions from the Litigation Trust

The Litigation Trustee shall make, or shall designate an Entity to make, distributions to the Beneficiaries within his/her discretion as provided under the Trust Agreement. However, the Litigation Trust Agreement mandates two distributions of Cash: (i) \$250,000 as soon as practicable after the Distribution Date, and (ii) another \$250,000 approximately six months later when the Litigation Trust receives a second installment of Cash from Epworth Villa.

Section 9.07 Termination of the Litigation Trust

The Litigation Trust shall terminate, under the terms of the Trust Agreement, and without any further action by the Litigation Trustee, on the date that is ninety (90) days following the Litigation Trustee's tender of a final distribution to Beneficiaries.

Section 9.08 Exculpation

Confirmation of the Plan shall constitute an exculpation of the Litigation Trustee and Oversight Committee members to the extent provided in the Litigation Trust Agreement by all Beneficiaries from any and all claims, causes of action and other assertions of liability.

ARTICLE X.

IMPLEMENTATION OF THE PLAN

Section 10.01 Implementing Actions.

- On the Confirmation Date, the Litigation Trust shall be established for the benefit of all Holders of Claims in Class 6.

- On the Distribution Date, from Cash on hand, Epworth Villa, as the Reorganized Debtor, shall (i) make all payments and other distributions then due under the terms of the Plan

to Holders of Administrative Claims, Tax Claims, Priority Claims (Class 1), and General Unsecured Claims (Class 7); and (ii) be deemed to have made the assignments of beneficial interests in the Litigation Trust as are due to Holders of Claims in Class 6.

- As and when due under the terms of the underlying credit agreements, the Reorganized Debtor shall make, and continue to make, all payments and other distributions due to Holders of the Indenture Claim (Class 2) and Other Secured Claims (Class 3) in accordance with their treatment under the Plan.

- On or before the Effective Date, Epworth Villa shall complete the surrender of collateral or Reinstatement of obligations with respect to the Holder(s) of Other Secured Claims (Class 3).

- On the Effective Date, the automatic stay and/or discharge injunction of Sections 362 and/or 524(a) of the Bankruptcy Code shall be deemed modified as provided in Section 4.04 of the Plan in favor of Holders of Insured Claims (Class 4).

- Effective as of the Effective Date, all Interests (Class 8) will be deemed cancelled and forfeited *unless* all Impaired Classes of Claims have accepted the Plan.

Section 10.02 Continued Corporate Existence.

Epworth Villa, as the Reorganized Debtor, shall continue to exist after the Effective Date as a non-profit corporate entity, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law.

The IRS has determined that Epworth Villa is qualified as an organization described in Section 501(c)(3) of the Tax Code; and such status is unaffected by the Plan.

Section 10.03 Restated Corporate Documents.

As a consequence of the potential treatment of Class 8 Interests under the Plan, the Certificate of Incorporation and By-Laws of Epworth Villa shall be amended and restated *if and as necessary* to implement the organizational changes effected by the Plan.

Section 10.04 Board of Directors.

The existing Board of Directors of Epworth Villa shall continue to serve in that capacity after confirmation of the Plan, until such director(s) may resign, be removed or have their terms expire under applicable non-bankruptcy law. Epworth Villa believes that such incumbency is consistent with the interest of all parties-in-interest, and with public policy.

Section 10.05 Officers.

On the Effective Date, the following existing officers of Epworth Villa shall be retained as officers of Reorganized Debtor, and shall continue to serve until such time as they may resign or be removed and replaced. Epworth Villa believes that such incumbency is consistent with the interest of all parties-in-interest, and with public policy.

John C. Harned	President & Chief Executive Officer
Tina Ballard	Chief Financial Officer
Lauren Cantu	Chief Operating Officer

Section 10.06 Other Documents and Actions.

Epworth Villa and/or the Reorganized Debtor may execute such documents and take such other action as is necessary to effectuate the transactions provided for in the Plan.

ARTICLE XI.

VOTING AND CONFIRMATION OF THE PLAN

Section 11.01 Classification of Certain Claims Under the Plan.

Pursuant to Section 1122 of the Bankruptcy Code, most claims and interests must be “classified” (*i.e.* grouped into classes) under a plan of reorganization. All claims or interests within a particular class must be substantially similar to each other, and must in general receive the same treatment as each other, except to the extent that a particular Holder agrees to less favorable treatment. The Plan divides the Claims against and Interests in Epworth Villa into eight (8) Classes and sets forth the treatment offered each Class. Epworth Villa believes the classification of Claims and Interests under the Plan is proper under the Bankruptcy Code.

Section 11.02 Unclassified Claims.

Under the Bankruptcy Code, certain types of claims are not to be classified. Such unclassified claims receive the treatment required under, *inter alia*, Bankruptcy Code Section 1129(a)(9), do not vote on the Plan, but may File an objection to it. Consequently, Administrative Claims and Tax Claims have not been classified under Epworth Villa’s Plan, and thus are excluded from the Classes of Claims and Interests set forth in the Plan.

Section 11.03 Impairment of Claims: Impaired Classes.

Under the Bankruptcy Code a Claim or Interest is “impaired” unless the plan --

- (i) leaves unaltered the legal, equitable and contractual rights to which the Claim or Interest entitles the Holder thereof; or
- (ii) with certain exceptions, cures any default which occurred before or after the commencement of the chapter 11 case, reinstates the original maturity of the Claim or Interest, compensates the Holder for any damages resulting from any reasonable reliance by the Holder on a contractual provision or applicable law that permits acceleration of the debt and does not otherwise alter the legal, equitable or contractual rights to which such Claim or Interest entitles the Holder of such Claim or Interest.

Under the Epworth Villa Plan, Classes 1, 2, 4, 5, 6 and 8 are Impaired.

Section 11.04 Deemed Acceptance of the Plan.

Classes 3 and 7 are Unimpaired under the Plan and, therefore, are presumed to have accepted the Plan in accordance with Section 1126(f) of the Bankruptcy Code.

Section 11.05 Voting Classes.

As a consequence of Plan impairment and deemed acceptance or rejection, only Holders of Allowed or Estimated Claims in Classes 1, 2, 4, 5, 6 and 8 shall be entitled to vote to accept or reject the Plan.

Section 11.06 Requirements for Class Acceptance.

An Impaired Class of Claims is deemed to have accepted the Plan if (i) the Holders (other than those designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (ii) the Holders (other than those designated under Section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

The Bankruptcy Code provides that only Holders who actually vote on the Plan will be counted for purposes of determining whether the requisite acceptances of the Classes of Claims have been received to permit confirmation of the Plan. Failure by a Holder of a Claim to deliver a duly completed and signed ballot by the Voting Record Date will constitute an abstention by such Holder with respect to a vote on the Plan. Abstentions will not be counted as votes to accept or reject the Plan and, therefore, will not be considered in the tabulation of votes.

Section 11.07 Confirmation through Creditor Acceptance.

Bankruptcy Code Section 1129(a) provides for a plan to be confirmed if, among other things, all Classes of Claims have voted to “accept” the plan.

Section 11.08 Non-Consensual Confirmation.

If all of the requirements of Bankruptcy Code Section 1129(a) are met except for the requirement that *all* Classes of Impaired Claims or Interests accept the Plan, the Court, on the request of Epworth Villa, may still confirm the Plan, pursuant to Section 1129(b) of the Bankruptcy Code, if the Plan does not “discriminate unfairly” and is “fair and equitable” with respect to each Impaired Class that has not accepted the Plan. Utilization of this dual standard to achieve a non-consensual confirmation is often referred to as “Cram-Down”.

The requirement that a plan not “discriminate unfairly” means, among other things, that the disparate treatment among classes of claims of equal rank must be fair given the differing character or circumstances attending such claims. Epworth Villa believes that the Plan does not unfairly discriminate against any Class that may not accept or otherwise consent to the Plan.

Examples of “fair and equitable” treatment are contained in Bankruptcy Code Section 1129(b)(2). For example, a plan is deemed fair and equitable with respect to an impaired class of unsecured claims or interests if no holder of a claim or interest that is junior to those of the rejecting class will receive or retain any value under the plan on account of such junior claims or interests. This test is sometimes referred to as the “absolute priority rule” because it entitles any rejecting class to have its claims/interests satisfied in full before junior classes receive or retain any value under the plan of reorganization.

If any Class of Claims or Interests entitled to vote on the Plan does not vote to accept the Plan, Epworth Villa shall either (i) amend or modify the Plan in accordance with Section 11.01 of the Plan or (ii) seek Confirmation of the Plan by way of Cram-Down.

Section 11.09 Other Material Confirmation Requirements

Section 1129 of the Bankruptcy Code sets forth additional prerequisites for Confirmation of the Plan, requiring, among other things, findings by the Court that - (i) the Plan is “proposed in good faith” and not by any means forbidden by law; (ii) confirmation of the Plan is not likely to be followed by a liquidation, or the need for further financial reorganization (“Feasibility”); and (iii) the value of distributions to non-accepting Holders of Claims within a particular Class under the Plan will not be less than the value of distributions such Holders would receive if Epworth Villa were liquidated under Chapter 7 of the Bankruptcy Code (the “Best Interests Test”).

The Feasibility of the Plan is discussed in more detail in Article XVIII of this Disclosure Statement. An explanation and application of the Best Interest Test comprises Exhibit “4” to this Disclosure Statement.

ARTICLE XII.

EFFECTS OF PLAN CONFIRMATION

Section 12.01 Binding Effect.

Upon Confirmation, the Plan shall be binding upon and inure to the benefit of Epworth Villa, all present and former Holders of Claims against and Interests in Epworth Villa, and all other parties-in-interest in this Chapter 11 Case.

Section 12.02 Successors and Assigns.

The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heir(s), executor(s), administrator(s), successor(s) or assign(s) of such Entity.

Section 12.03 Discharge.

(a) All consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims of any nature whatsoever

against Epworth Villa or any of its assets or properties, and, except as otherwise provided in the Plan or in the Confirmation Order, and regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, upon the Effective Date, Epworth Villa, shall be deemed discharged and released under Section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based upon such debt is Filed or deemed Filed under Section 501 of the Bankruptcy Code, (ii) a Claim based upon such debt is Allowed under Section 502 of the Bankruptcy Code, or (iii) the Holder of a Claim based upon such debt accepted the Plan.

(b) Except as otherwise expressly provided in the Plan or Confirmation Order, Confirmation of the Plan terminates all rights, powers and interests of Holders of Interests as of the Effective Date.

(c) Except as otherwise provided in the Plan, upon the discharge of Epworth Villa, all Entities shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from asserting against Epworth Villa, its successors or assigns (including, without limitation, the Reorganized Debtor), or its properties or interests in property, any Claim in connection with a discharged debt based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date, whether or not the facts or legal bases therefor were known or existed prior to the Confirmation Date, whether or not a proof of Claim was Filed, whether the Holder thereof voted to accept or reject the Plan, or whether the Claim is an Allowed Claim.

Section 12.04 Term of Injunctions or Stays.

Unless otherwise provided herein, all injunctions or stays applicable in the Chapter 11 Case pursuant to Section 105 or 362 of the Bankruptcy Code, or otherwise, and in effect on the Confirmation Date, shall remain in full force and effect until the latter of the Effective Date and the date provided for in any applicable Order or Bankruptcy Code provision. In the case of the stay of Bankruptcy Code Section 362(a), such stay shall be supplanted by the discharge injunction of Section 524(a) of the Bankruptcy Code.

Section 12.05 Vesting of Assets in Reorganized Debtor.

Except as otherwise expressly provided in the Plan or Confirmation Order, on the Effective Date the Reorganized Debtor shall be vested with all of the property of Epworth Villa's Estate free and clear of all Claims, liens, encumbrances, mortgages, charges and other interests of creditors, excepting only the mortgages, security interests and/or other liens of the Holders of Claims in Classes 2 and 3 of the Plan.

Epworth Villa shall continue as Debtor-in-Possession until the Effective Date. Thereafter, Epworth Villa, as the Reorganized Debtor, may operate its business free of any restrictions imposed by the Bankruptcy Code except as specifically imposed by the Plan and/or Confirmation Order. Without limiting the generality of the foregoing, Epworth Villa may,

without application to or approval by the Court, pay fees and expenses that it incurs after the Effective Date for professional services.

Except to the extent such rights, claims, causes of action, defenses, and counterclaims are expressly and specifically vested in the Litigation Trust in connection with the Plan, the Confirmation Order, any settlement agreement approved during the Chapter 11 Case, or any contract, instrument, release, or other agreement entered into in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code: (1) any and all rights, claims, causes of action, defenses, and counterclaims of or accruing to Epworth Villa or its Estate shall remain assets of and vest in the Reorganized Debtor, whether or not litigation relating thereto is pending on the Effective Date, and whether or not any such rights, claims, causes of action, defenses and counterclaims have been listed or referred to in the Plan, the Schedules, or any other document Filed with the Court, and (2) neither Epworth Villa nor the Reorganized Debtor shall be deemed to have waived, relinquished, or abandoned (nor are they estopped or otherwise precluded from asserting) any right, claim, cause of action, defense, or counterclaim that constitutes property of the Estate. In its sole discretion, the Reorganized Debtor may commence, prosecute, defend against, settle, and realize upon any rights, claims, causes of action, defenses, and counterclaims not then held by the Litigation Trust, in accordance with what is in the best interests, and for the benefit, of the Reorganized Debtor.

ARTICLE XIII.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 13.01 Post-Petition Date Contracts and Leases.

Contracts and/or leases entered into after the Petition Date will be performed by the Reorganized Debtor in the ordinary course of business.

Amendments, modifications, supplements, and restatements to pre-Petition Date executory contracts and unexpired leases that have been executed by Epworth Villa during its Chapter 11 Case shall not be deemed to alter the pre-Petition Date nature of the executory contract or unexpired lease, or the validity, priority, or amount of any claims that may arise in connection therewith.

Section 13.02 Assumption of Pre-Petition Executory Contracts and Unexpired Leases.

Epworth Villa shall assume, as of the Effective Date, to the extent permitted by applicable law, all pre-Petition Date executory contracts and unexpired leases that it has designated in a Filed *Notice of Intention to Assume*.

Except to the extent different treatment is agreed to among the parties, any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default will be satisfied, under Section 365(b)(1) of the Bankruptcy Code, at Epworth Villa's option, by the payment of Cash or distribution of other property on the Effective Date as necessary to cure any such defaults; provided however, that if there is a dispute regarding (i) the

nature or amount of any default cure amount, (ii) Epworth Villa's ability or the ability of Epworth Villa's assignees to provide "adequate assurance of future performance" (within the meaning of Section 365 of the Bankruptcy Code), or (iii) any other matter pertaining to assumption, then cure will occur immediately following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

Section 13.03 Rejection of Pre-Petition Executory Contracts and Unexpired Leases.

Epworth Villa shall reject, as of the Effective Date, all pre-Petition Date executory contracts and unexpired leases that exist between Epworth Villa and any Entity, with the specific exception of any executory contract or unexpired lease (i) that is set forth in the *Notice of Intention to Assume* referred to in Section 7.02 of the Plan; (ii) that has been assumed pursuant to an Order of the Court entered prior to the Confirmation Date; (iii) that has, prior to the Confirmation Date, been deemed rejected by operation of Section 365 of the Bankruptcy Code or other applicable law; or (iv) as to which a motion for approval of the assumption of such executory contract or unexpired lease is pending on the Confirmation Date and such assumption is ultimately approved by Court.

Section 13.04 Approval of Assumption or Rejection of Contracts and Leases.

Entry of the Confirmation Order shall constitute the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of (i) the assumption of the executory contracts and unexpired leases assumed pursuant to Section 7.02 of the Plan, and (ii) the rejection of the executory contracts and unexpired leases rejected pursuant to Section 7.03 of the Plan. Unless provided for otherwise in the Confirmation Order, confirmation of the Plan will constitute a determination that no defaults exist in the executory contracts and unexpired leases identified in the *Notice of Intention to Assume*.

Section 13.05 Rejection Claims.

All Rejection Claims -- *i.e.* Claims arising from the rejection of executory contracts or unexpired leases -- must be Filed with the Court before the earlier of (i) the time set by any Final Order rejecting an executory contract or unexpired lease or (ii) 30 days after the Confirmation Date. Any Rejection Claims not Filed within such time will be forever barred from assertion against Epworth Villa, the Estate, the Reorganized Debtor, or the Litigation Trust. Objections to Rejection Claims must be Filed not later than 20 days of the Filing of such Claims. Unless otherwise ordered by the Court or provided in the Plan, all Rejection Claims shall be classified and treated as Claims in Class 7.

ARTICLE XIV.

PROCEDURES FOR RESOLVING CLAIMS & GOVERNING DISTRIBUTIONS

Section 14.01 Assertion of Claims or Interests.

By the Claims Order, the Court has established January 30, 2015 as the Bar Date for Holders of Claims against and/or Interests in Epworth Villa, other than the Holders of

Administrative Claims and Rejection Claims, to File proofs of Claims or Interests. Deadlines for Holders of Administrative Claims and Rejection Claims are established by Plan Sections 2.03 and 7.05, respectively.

Section 14.02 Objections to Claims or Interests

Objections. Except as provided in Section 8.02(b) of the Plan, parties-in-interest may object to Claims and Interests. The Court has not yet established a general deadline for objection to Claims or Interests; however, under the terms of the Plan objections filed on or after the Effective Date will be moot, as the nature and extent of the treatment of Claims and Interests will be fixed on the Effective Date.

The procedure for notice, objection, and opportunity for hearing with regard to requests of Allowance of Administrative Claims is governed by Local Bankruptcy Rule 9013-1. The deadline for objections to Rejection Claims is stated in Plan Section 7.05.

Class 6 Claims. Notwithstanding anything in the Plan or any event in the Chapter 11 Case to the contrary, the Claims classified in Class 6 hereof shall be deemed Allowed on the Confirmation Date in the amount of the proof(s) of claims filed in this Chapter 11 Case by the Holders thereof, despite any objection(s) thereto, subject only to the limitations stated in footnote 2 hereof (see Section 4.06(a)). The deemed Claim allowance provided for in this subsection shall have no preclusive effect for any purpose in any other forum.

Notwithstanding the foregoing, on motion of the Litigation Trustee or Beneficiary, the Court may estimate a Claim for purposes of its Holder's participation in the administration of, or distributions from, the Litigation Trust.

Section 14.03 Distribution Timing

Monetary Distributions. The Cash to be distributed under the Plan to each Holder of an Allowed Claim in Classes 1 and 7 shall be distributed to such Holder (i) on the Distribution Date; or (ii) if such Claim is not an Allowed Claim on such date, then, to the extent thereafter Allowed, as soon as practicable after the Order of the Court allowing the Claim becomes a Final Order.

Beneficial Interest Distributions. On the Distribution Date, the beneficial interests to be distributed under the Plan to each Holder of a Claim in Class 6 shall be deemed distributed to such Holder.

Other Payments or Distributions. The Cash, if any, to be paid in accordance with the Plan to each Holder of an Allowed Claim in Classes 2 and/or 3 shall be distributed to such Holder (i) on the date(s) provided by the Plan; or (ii) if such Claim is not an Allowed Claim on such date(s), then, to the extent thereafter Allowed, as soon as practicable after the Order of the Court allowing the Claim becomes a Final Order.

Section 14.04 Distribution Determination Date

For purposes of distribution and other treatment under the Plan, a Claim is in a particular Class only to the extent that it is an Allowed or Estimated Claim in that Class, and has not been paid, released, or otherwise satisfied, before the Effective Date.

Section 14.05 Payments and Distributions on Contested Claims.

No Payment Pending Allowance. Notwithstanding any other provision hereof, no payment or other monetary distribution provided for under the Plan shall be made to the Holder of a Claim on account of that Claim unless and until, and only to the extent that, such Claim becomes an Allowed Claim.

Contested Claims Reserve. Except as otherwise provided herein, and until such time as a Contested Claim has been Allowed by Final Order, the Reorganized Debtor shall reserve and hold any Cash otherwise distributable on account of each Contested Claim (together with any interest or other income attributable thereto) in escrow for the benefit of each Holder of a Contested Claim in an amount equal to distributions which would have been made to the Holder of such Contested Claim if it were an Allowed Claim.

Distribution Mechanics. Any property reserved and held for the benefit of a Holder of a Contested Claim shall be treated as a payment and reduction on account of such Contested Claim for purposes of computing any additional amounts to be paid in Cash or other property in the event the Contested Claim ultimately becomes an Allowed Claim. At such time as a Contested Claim becomes, in whole or in part, an Allowed Claim, the Reorganized Debtor shall distribute to the Holder thereof the distributions, if any, to which such Holder is then entitled under the Plan, together with a Pro Rata Share of any interest or other income that may have been earned on the amount of Cash so reserved (net of any expenses, including any taxes on the escrow, relating thereto). In the event, and to the extent, that Contested Claims are not Allowed, in whole or in part, the Holders of Allowed Claims in the same Class as the Holders of the Claims that are not Allowed shall receive their Pro Rata Share of any property reserved on account of the Claims that are not Allowed.

Maintenance of Reserves. Reserved Cash, and any interest or income paid thereon, shall be either (i) held by the Reorganized Debtor in an interest-bearing account or (ii) invested in interest-bearing obligations issued by the United States Government and guaranteed by the United States Government, and having (in either case) a maturity of not more than thirty (30) days, for the benefit of such Holders pending determination of their entitlement thereto under the terms of the Plan.

Section 14.06 Means of Cash Distribution.

Cash distributions made pursuant to the Plan shall be by check, wire or ACH transfer in U.S. funds or by other means agreed to by the distributee and Epworth Villa, the Reorganized Debtor, or Litigation Trustee, as applicable, or, absent agreement, such commercially reasonable manner as Epworth Villa, the Reorganized Debtor, or Litigation Trustee, as applicable, determines in its sole discretion.

Section 14.07 Delivery of Distributions.

Distributions to Holders of Allowed Claims shall be made by Epworth Villa, the Reorganized Debtor, or the Litigation Trustee, as the case may be, (a) at the addresses set forth on the proofs of Claim Filed by such Holders (or at the last known addresses of such Holders if no proof of Claim is Filed or if Epworth Villa have been notified in writing of a change of address), (b) at the addresses set forth in any written notices of address changes delivered to Epworth Villa, the Reorganized Debtor, or the Litigation Trustee, as the case may be, after the date of any related proof of Claim, (c) at the addresses reflected in the Schedules if no proof of Claim has been Filed and the Epworth Villa, the Reorganized Debtor, or the Litigation Trustee, as the case may be, has not received a written notice of a change of address, or (d) in the case of the Holder of a Claim that is governed by an agreement and is administered by an agent, at the addresses contained in the official records of such agent.

If any Holder of an Allowed Claim entitled to a distribution under the Plan cannot be located by the Reorganized Debtor or the Litigation Trustee, as the case may be, property distributable to such Holder shall be reserved and maintained as provided herein. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Reorganized Debtor or the Litigation Trustee, as the case may be, is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest. All claims for undeliverable distributions must be made on or before the second (2nd) anniversary of the Effective Date, after which date all unclaimed property shall revert to the Reorganized Debtor free of any restrictions thereon and the claim of any Holder, or successor to such Holder, with respect to such property shall be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

Section 14.08 Withholding and Reporting Requirements.

In connection with the Plan and all distributions thereunder, Epworth Villa, the Reorganized Debtor or the Litigation Trustee, as the case may be, shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. Epworth Villa, the Reorganized Debtor or the Litigation Trustee, as the case may be, shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements.

ARTICLE XV.**SUMMARY OF CERTAIN RISK FACTORS RELATING TO THE PLAN**

The terms and provisions of the Plan are subject to a number of material risks, including those enumerated below. These risk factors do not include matters that could merely delay Plan confirmation. Prior to deciding whether and how to vote on the Plan, Holders of Claims should carefully consider all of the information contained in this Disclosure Statement, especially the factors mentioned in the following paragraphs.

Section 15.01 Risks Associated with the Chapter 11 Case.

Due to payment and other disruptions caused by the Chapter 11 Case, certain of Epworth Villa's relationships with customers, suppliers and/or vendors may have been affected. Although Epworth Villa has structured its treatment of Claims in the Plan to minimize any adverse impact, it is possible that the bankruptcy process and the resolution of Claims against Epworth Villa could have an adverse effect on the Reorganized Debtor's vendor/customer loyalty, and thus its financial and operating results.

Additionally, Epworth Villa is party to various contracts under which the commencement of the Chapter 11 Case could, subject to Epworth Villa's rights and powers under Sections 362 and 365 of the Bankruptcy Code, (a) result in a breach, violation, default or conflict, (b) give other parties thereto rights of termination or cancellation, and/or (c) have other adverse consequences for Epworth Villa or the Reorganized Debtor. The magnitude of any such adverse consequences may depend upon, among other factors, if, and the diligence and vigor with which, other parties to such contracts seek to assert rights and pursue remedies in respect of such matters, and the ability of Epworth Villa or the Reorganized Debtor to resolve such matters on acceptable terms through negotiations with such other parties or otherwise. Although Epworth Villa has structured its treatment of Claims in the Plan to minimize any adverse impact, *e.g.*, treatment of the Indenture Claim (Class 2), there can be no assurances with respect thereto.

Section 15.02 Risk of Non-Confirmation.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. A non-accepting creditor of Epworth Villa might challenge the adequacy of this Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code and/or Bankruptcy Rules. Even if the Court were to determine that this Disclosure Statement and the balloting procedures and results were appropriate, the Court could still decline to confirm the Plan if it were to find that any of the statutory requirements for confirmation had not been met. *See* Article XI of this Disclosure Statement for a discussion of confirmation legal standards.

While there can be no assurance that the Court will conclude that all confirmation requirements have been met, Epworth Villa believes the Plan, this Disclosure and all attendant procedures fully comply with the requirements set forth in the Bankruptcy Code.

ARTICLE XVI.**TAX CONSEQUENCES**

There may be federal, state and/or local tax consequences for Epworth Villa, its creditors and Interest Holder as a result of the Plan. The tax consequences of the Plan may be complex and, in some instances, uncertain. Such consequences may vary based upon the individual circumstances of each Holder of a Claim or Interest. Accordingly, each Holder of a Claim or Interest is strongly urged to consult its own tax advisor regarding the federal, state, local and possibly foreign tax consequences of the Plan.

ARTICLE XVII.**AMENDMENTS AND MODIFICATIONS**

Epworth Villa may alter, amend, or modify the Plan, or any exhibits thereto, under Section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Confirmation Date and prior to “substantial consummation” of the Plan, as defined in Section 1101(2) of the Bankruptcy Code, Epworth Villa may, under Section 1127(b) of the Bankruptcy Code, institute a matter in the Court to remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan, so long as such matters do not materially and adversely affect the treatment of Holders of Claims under the Plan; provided, however, that prior notice of such matters shall be served in accordance with the Bankruptcy Rules or Order of the Court.

ARTICLE XVIII.**FEASIBILITY**

The Bankruptcy Code requires, for plan confirmation, that the Court determine that confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor. For purposes of determining whether the Plan meets this requirement, Epworth Villa has analyzed its ability to meet its treatment obligations under the Plan (“Treatment Obligations”) while retaining a sufficient amount of Cash to carry on its operations.

Epworth Villa estimates the following approximate Cash requirements for satisfaction of the Plan’s Treatment Obligations on the Effective Date/Distribution Date:

1. Non-Ordinary Course Administrative Claims	
• Final professional fees	\$ 600,000.00
• §503(b)(9) claims:	\$ 50,000.00
2. Litigation Trust cash contribution	\$ 500,000.00 ⁶
(on behalf of Class 6):	
3. Class 7 Distributions	\$ 650,000.00
4. Other	\$ 50,000.00

Total Cash Required on Effective/Distribution Date: \$ 1,850,000.00

Exhibit “5” to this Disclosure Statement is composed of bank statements demonstrating the availability of sufficient Cash to satisfy the Treatment Obligations. The MOR excerpts constituting Group Exhibit “6” to this Disclosure Statement evidence Epworth Villa’s ability to operate successfully without impairing Cash below that needed to satisfy the Treatment

⁶ An additional \$500,000 amount will be contributed six (6) months following the Distribution Date.

Obligations. More generally, Epworth Villa is confident that it will be able to meet the cash requirements of the Plan and the continued debt service to the Indenture Trustee, while remaining in compliance with its bond covenants with the Indenture Trustee (as modified by the Plan). Therefore, Epworth Villa believes the Plan meets the feasibility requirement of the Bankruptcy Code.

ARTICLE XIX.

VOTING PROCEDURES, BALLOTING AND CONFIRMATION HEARING

Holders of Claims in Classes 1, 2, 4, 5, 6 and 8 are requested to complete an appropriate Ballot, in accordance with the instructions provided therewith. Holders of Claims should take care to use the correct Class Ballot(s) in voting on the Plan. If any Ballots are damaged or lost, or if a Holder has any questions concerning the voting instructions, it may contact GABLE & GOTWALS, P.C. (the “Balloting Agent”) at the address or telephone number indicated immediately below. Each Holder that holds Claims in more than one Class is required to vote separately with respect to each Class in which such Holder holds Claims. A Holder may not split its vote within a Class of Claims. Holders of Claims may vote through a duly authorized proxy. Incomplete, unsigned, or otherwise irregular Ballots will be returned to the sender and not tabulated.

For purposes of voting on the Plan, the Holder of a Claim shall be a voting member of a particular Class only to the extent that it holds an Allowed or Estimated Claim in that Class, and has not been paid, released, or otherwise satisfied, before the Voting Record Date.

All votes to accept or reject the Plan must be cast using the Ballot enclosed with this Disclosure Statement. No other votes will be counted. A properly completed and executed Ballot must be received no later than 4:00 p.m. Prevailing Central Time on _____, 2015, at the following address:

GABLEGOTWALS
Attn: Mark D.G. Sanders, Esq.
1100 ONEOK Plaza
100 West Fifth Street
Tulsa, Oklahoma 74103-4217

Ballots must be returned by U.S. mail, hand delivery or overnight mail. A return envelope is provided for your convenience.

ARTICLE XX.

RETENTION OF JURISDICTION

Subject to the jurisdictional provisions of Title 28, United States Code, under Sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Court shall retain exclusive

jurisdiction over all matters arising out of, or related to, the Chapter 11 Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction over:

(a) entry and implementation of such Orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed, or vacated;

(b) consideration of any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any Order of the Court, including, without limitation, the Confirmation Order;

(c) determination of any objections to proofs of Claim and/or Interests Filed, or to otherwise resolve any Contested Claims;

(d) determination of requests for allowance and/or payment of Administrative Claims, including, without limitation, requests for compensation of and reimbursement of expenses of professionals and other parties entitled thereto under sections 330, 331, and 503(b) of the Bankruptcy Code;

(e) resolution of any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which a Epworth Villa is a party or with respect to which Epworth Villa may be liable, and to determine any Rejection Claims;

(f) determination of any and all adversary proceedings and/or contested matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Reorganized Debtor or Litigation Trustee thereafter;

(g) resolution of matters relating to determination and/or recovery of all assets of the Reorganized Debtor and property of the Estate, wherever located;

(h) determination of the scope of the discharge of Epworth Villa under the Plan and/or the Bankruptcy Code;

(i) accomplishment of distributions to Holders of Allowed Claims as provided in the Plan;

(j) issuance of injunctions, entry of other Orders, or other Court action as may be necessary or appropriate to restrain interference by any Entity with the consummation, implementation, or enforcement of the terms of the Plan, the Confirmation Order, or any other Order of the Court;

(k) entry of such Orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan;

(l) entry of Orders in aid of execution and consummation of the Plan as provided by Section 1142 of the Bankruptcy Code;

(m) determination of disputes arising in connection with or relating to the Plan or the interpretation, implementation, or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released under the Plan;

(n) hearing of any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code; and

(o) entry of a Final Decree closing the Chapter 11 Case.

If the Court abstains from exercising, or declines to exercise, jurisdiction, or determines that it is without jurisdiction, over any matter or proceeding arising out of, related to, or otherwise connected with the Chapter 11 Case, the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter shall not be limited or otherwise affected by the Plan.

ARTICLE XXI.

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, Epworth Villa believes that the confirmation and consummation of the Plan is preferable to all other alternatives.

CONSEQUENTLY, EPWORTH VILLA URGES ALL HOLDERS OF CLASS 1, 2, 4, 5, 6 AND 8 CLAIMS TO VOTE TO ACCEPT THE PLAN, AND TO DULY COMPLETE AND RETURN THEIR BALLOTS SO THAT THEY WILL BE ACTUALLY RECEIVED BY THE BALLOTING AGENT ON OR BEFORE 4:00 P.M. PREVAILING CENTRAL TIME ON _____, 2015.

DATED this 28th day of September, 2015.

CENTRAL OKLAHOMA UNITED
METHODIST RETIREMENT
FACILITY, INC. d/b/a Epworth Villa

By: 

John C. Harned, President

COUNSEL:

/s/ G. Blaine Schwabe, III

G. Blaine Schwabe, III, OBA No. 8001

Elizabeth A. Cooper, OBA No. 31026

GABLE & GOTWALS, P.C.

One Leadership Square, 15th Floor

211 North Robinson

Oklahoma City, OK 73102-7101

Telephone: 405.235.5500

Facsimile: 405.235.2875

gschwabe@gablelaw.com

ecooper@gablelaw.com

Sidney K. Swinson, OBA No. 8804

Mark D.G. Sanders, OBA No. 22922

Brandon C. Bickle, OBA No. 22064

GABLE & GOTWALS, P.C.

1100 ONEOK Plaza

100 West Fifth Street

Tulsa, Oklahoma 74103

Telephone: 918.595.4800

Facsimile: 918.595.4990

sswinson@gablelaw.com

msanders@gablelaw.com

bbickle@gablelaw.com

Attorneys for Epworth Villa

INDEX OF EXHIBITS

- Exhibit “1” – Second Modified Plan of Reorganization and its Exhibit
- Exhibit “2” – Disclosure Statement Order
- Exhibit “3” – Financial Statements:
 - Exhibit “3-1” – Audited Financial Statements for 2013
 - Exhibit “3-2” – Audited Financial Statements for 2014
- Exhibit “4” – Liquidation Analysis
- Exhibit “5” – Bank Account Balances
- Group Exhibit “6” – Balance Sheet and Income Statement from Epworth Villa’s Monthly Operating Reports

EXHIBIT “1”

(Second Modified Plan of Reorganization and its Exhibit)

**UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA**

In re:

**Central Oklahoma United Methodist
Retirement Facility, Inc.
d/b/a Epworth Villa,

Debtor.**

**Case No. 14-12995-TRC

Chapter 11**

SECOND MODIFIED PLAN OF REORGANIZATION

Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa, as debtor herein ("Epworth Villa"), hereby proposes this *Second Modified Plan of Reorganization* ("Plan") for the resolution of all outstanding Claims against, and Interests in, Epworth Villa.

ARTICLE I

**DEFINITIONS, RULES OF INTERPRETATION,
COMPUTATION OF TIME AND GOVERNING LAW**

1.01 Rules of Interpretation. For purposes of this Plan:

- (a) wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and neuter;
- (b) all article, section, or exhibit references in the Plan are to the respective article of, section in, schedule to, or exhibit to the Plan, as the same may be altered, amended, modified, or supplemented from time to time in accordance with the terms and provisions hereof;
- (c) all references to dollars are to the lawful currency of the United States of America;
- (d) if the Plan's description of the terms of an exhibit is inconsistent with the terms of the exhibit, the terms of the exhibit shall control;
- (e) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; and
- (f) the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply to the extent such rules are not inconsistent with any other provision in this Section.

1.02 Computation of Time. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

1.03 Governing Law. Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Oklahoma, without giving effect to the principles of conflicts of law thereof.

1.04. Definitions. Certain capitalized terms used in this Plan are defined in this Section. Other capitalized terms are defined within the body of other Sections of the Plan. Any capitalized terms found in this Plan, and not otherwise defined herein, shall have the meaning ascribed to such terms in the Bankruptcy Code or the Bankruptcy Rules (and shall be construed in accordance with the rules of construction thereunder).

The following terms shall have the respective meanings set forth below:

“Administrative Claim” means a Claim for payment of an administrative expense of a kind specified in Sections 503(b) and 507(a)(2) of the Bankruptcy Code, including (without limitation) (i) the actual, necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the business of Epworth Villa, such as wages, salaries or commissions for services, compensation for legal, management, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under Sections 330(a) or 331 of the Bankruptcy Code; (ii) all fees and charges assessed against the Estate under Chapter 123 of Title 28, United States Code; and (iii) the value of goods received by Epworth Villa in the ordinary course of business within the 20 days prior to the Petition Date, as provided for in Section 503(b)(9) of the Bankruptcy Code.

“Allowed” means --

(1) that portion of any Claim or Interest, *other than an Administrative Claim*, (a) for which no timely proof of Claim or Interest has been Filed, but which has been listed by Epworth Villa in the Schedules in a liquidated, non-contingent and undisputed amount, or (b) as to which a proof of Claim or Interest has been timely Filed in a liquidated amount, so long as (x) no timely objection to the allowance of such Claim or Interest has been Filed, or (y) if such objection has been Filed, such objection has been overruled by a Final Order (but only to the extent such objection has been overruled), and/or (c) as to which a Final Order has been entered allowing such Claim or Interest;

(2) with regard to an Ordinary Course Administrative Claim, that portion of the subject Claim that Epworth Villa, in its fiduciary capacity as Debtor-in-Possession, has determined, as evidenced by payment, is a valid post-Petition Date obligation; and

(3) with regard to an Administrative Claim other than an Ordinary Course Administrative Claim, that portion of the subject Claim that is awarded to the Holder as an administrative expense claim by Final Order of the Court.

“Authority” means the Oklahoma County Finance Authority, an Oklahoma Public Trust.

“Bankruptcy Code” means Title 11 of the United States Code, as applicable to this Chapter 11 Case.

“Bankruptcy Rules” means, collectively, (i) the Federal Rules of Bankruptcy Procedure, as amended, promulgated under the authority of 28 U.S.C. § 2015, and (ii) the Local Rules of the Court, as applicable in this Chapter 11 Case.

“Bar Date” means the applicable deadline for Filing proofs of Claim or Interest against Epworth Villa that is established by a Claims Order or other Court Order.

“Bond Indenture” means the Bond Indenture, by and between the Authority and the Indenture Trustee dated as of March 15, 1997, as amended and supplemented by the Supplemental Bond Indenture dated as of December 1, 2000, as amended and supplemented by the Second Supplemental Bond Indenture dated December 1, 2004, as amended and supplemented by the Third Supplemental Bond Indenture dated as of December 1, 2005, and as amended and supplemented by the Fourth Supplemental Bond Indenture as of December 1, 2012, and as it may from time to time be further amended or supplemented pursuant to Article IX of the original Bond Indenture.

“Bond Mortgage” means the Mortgage and Security Agreement, by and between Epworth Villa and the Authority dated as of March 15, 1997, as amended and supplemented by the Supplemental Mortgage and Security Agreement dated as of December 1, 2000, as amended and supplemented by the Second Supplemental Mortgage and Security Agreement dated as of December 1, 2004, as amended and supplemented by the Third Supplemental Mortgage and Security Agreement dated as of December 1, 2005, as amended and supplemented by the Fourth Supplemental Mortgage and Security Agreement (with Power of Sale) dated as of December 1, 2012, and as it may from time to time be further amended or supplemented pursuant to Article XII of the original Bond Mortgage.

“Cash” means legal tender of the United States of America and equivalents thereof.

“Chapter 11 Case” means the instant bankruptcy case commenced under Chapter 11 of the Bankruptcy Code by Epworth Villa on the Petition Date, styled *In re Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa*, Case No. 14-12995-TRC, and currently pending before the Court.

“Claim” means a claim against Epworth Villa, as described in Section 101(5) of the Bankruptcy Code, whether or not asserted in this Chapter 11 Case.

“Claims Order” means the Order of the Court establishing, *inter alia*, the Bar Date for Filing proofs of Claim or Interest (Doc. No. 193).

“Class” means a distinct and separate category of Claims as delineated in Article IV of this Plan.

“Confirmation” means the act of approval of this Plan by the Court under Bankruptcy Code Section 1129 following the Confirmation Hearing.

“Confirmation Date” means the date on which the Court enters the Confirmation Order on its docket within the meaning of Bankruptcy Rules 5003(a) and 9021.

“Confirmation Hearing” means the hearing to consider Confirmation of this Plan pursuant to Section 1128 of the Bankruptcy Code.

“Confirmation Order” means the Order of the Court confirming this Plan pursuant to Section 1129 of the Bankruptcy Code.

“Contested Claim” means a Claim, (i) to the extent that Epworth Villa or any other party in interest has legitimately interposed an objection or request for estimation which has not been withdrawn or determined by a Final Order; (ii) that is Scheduled as disputed, contingent, or (unliquidated, and has not been Allowed by Final Order; or (iii) that is Scheduled as disputed, contingent, or unliquidated; or (iii) for which the objection deadline (*e.g.*, that provided in Section 7.05 of this Plan) has not yet expired.

“Court” means the United States Bankruptcy Court for the Western District of Oklahoma, to the extent it may exercise jurisdiction in this Chapter 11 Case on reference from the United States District Court for the Western District of Oklahoma; and otherwise, the United States District Court for the Western District of Oklahoma; or if either such Court ceases to exercise jurisdiction over this Chapter 11 Case, such other court that exercises jurisdiction over this Chapter 11 Case.

“Debtor-in-Possession” means Epworth Villa in its capacity as debtor-in-possession in this Chapter 11 Case pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

“Disclosure Statement” means the *Disclosure Statement to Accompany Debtor’s Second Modified Plan of Reorganization*, relating to this Plan, and Filed simultaneously herewith, as it may be amended, modified or supplemented.

“Disclosure Statement Hearing” means the hearing to consider approval of the Disclosure Statement as required by Section 1125(b) of the Bankruptcy Code.

“Distribution Date” means, with respect to a given Claim, the date fifteen (15) days following the later of (i) the Effective Date, or (ii) the date on which such Claim becomes an Allowed Claim.

“Effective Date” means the date that is fifteen (15) days following the Confirmation Date.

“Entity” means an entity as defined by Section 101(15) of the Bankruptcy Code.

“Estate” means the bankruptcy estate created with respect to Epworth Villa in its Chapter 11 Case pursuant to Section 541 of the Bankruptcy Code, and includes, without limitation, the Facility.

“Estate Claims” means (a) any and all transfer avoidance and recovery actions arising under Chapter 5 of the Bankruptcy Code; and (b) those certain claims, rights, causes of action, suits or proceedings, whether in law or in equity, whether known or unknown, assertable by Epworth Villa against third parties in connection with the subject matter of the Oklahoma County Action, or conduct or circumstances relating to, or arising through the course of, the Oklahoma County Action, from the time thereof through the time of the conclusion of the Oklahoma County Action (regardless of when such conduct or circumstances occurred or may occur, and whether or not before commencement of the Oklahoma Action, or commencement or closing of this Chapter 11 case), *consisting of, and limited to:* (i) all those for professional negligence, misfeasance or malfeasance against the law firms of Conner & Winters, Holden & Carr, and/or Godwin Lewis and their respective insurance carriers; and (ii) all those for bad faith or other refusal to pay or take responsibility for claims or losses under policy(ies) of insurance, against Epworth Villa’s liability insurance carrier(s), Homeland Insurance Company of New York, OneBeacon Professional Insurance, and/or OneBeacon Insurance Group; together with all recoveries and other proceeds of the foregoing.

“Estimated Claim” means a Claim in the amount estimated by the Court under the authority of this Plan or Section 502(c) of the Bankruptcy Code.

“Facility” means the real estate described in the Bond Indenture and the buildings, improvements and fixtures (excluding equipment which is not fixtures and which may be removed without damage to the real estate) constructed or to be constructed on such real estate and all substitutions therefor, additions thereto and replacements thereof, commonly known as Epworth Villa, Oklahoma City, Oklahoma.

“File, Filed or Filing” refers to the act of submitting a paper to the clerk of the Court in this Chapter 11 Case, and acceptance and retention thereof by said clerk in the Court’s files.

“Final Order” means an Order or judgment of the Court (a) as to which the time to appeal, petition for certiorari, or move for re-argument, rehearing or new trial has expired and as to which no appeal, petition for certiorari, or other proceedings for re-argument, rehearing or new trial shall then be pending; (b) as to which any right to appeal, petition for certiorari, reargue, rehear or retry shall have been waived in writing; or (c) in the event that an appeal, writ of certiorari, re-argument, rehearing or new trial has been sought, as to which (i) such Order of the Court shall have been affirmed by the highest court to which such Order was appealed; (ii) certiorari has been denied as to such Order; or (iii) re-argument or rehearing or new trial from such Order shall have been denied, and the time to take any further appeal, petition for certiorari or move for re-argument, rehearing or new trial shall have expired without such actions have been taken.

“Hicks” means collectively or individually, as the context may require or suggest (a) William Hicks; and (b) Virginia Hicks Estate.

“Holder” means the Entity holding legal title to a Claim or Interest under this Plan, or a beneficial interest in the Litigation Trust.

“Impaired” means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of Section 1124 of the Bankruptcy Code.

“Indenture Trustee” means BancFirst, Oklahoma City, Oklahoma, in its capacity as the trustee under the Bond Indenture.

“IRS” means the Internal Revenue Service, an agency of the United States Department of Treasury.

“Interest” means, as the term is utilized in chapter 11 of the Bankruptcy Code, an “interest” in Epworth Villa as of the Petition Date.

“Litigation Trust” means an Oklahoma trust, to be known as the Epworth Villa Litigation Trust”, to be established as provided under Article VI of this Plan in accordance with the Litigation Trust Agreement to administer and distribute the Litigation Trust Assets.

“Litigation Trust Agreement” means the trust agreement attached hereto as Exhibit “A”.

“Litigation Trust Assets” means, collectively:

- (1) Cash in the amount of \$1,000,000; and
- (2) the Estate Claims, together with all recoveries and other proceeds thereof.

“Litigation Trustee” means the person, selected and serving in such capacity in accordance with the Litigation Trust Agreement; and who shall thereby be the duly appointed representative of Epworth Villa’s Estate pursuant to Sections 1123(a)(5), (a)(7) and (b)(3)(B) of the Bankruptcy Code.

“Oklahoma County Action” means Case No. CJ-2011-8387, in the District Court of Oklahoma County, State of Oklahoma: William Hicks, individually and as Guardian Ad Litem for Virginia Hicks v. Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa Health Services and appellate proceedings related thereto.

“Ordinary Course Administrative Claim” means an Administrative Claim incurred in the ordinary course of business of Epworth Villa, as Debtor-in-Possession, including, without limitation, (a) Claims for deposit refunds, and other obligations arising under Residency Agreements that have been assumed during this Chapter 11 Case; and (b) Claims arising under 28 U.S.C. § 1930.

“Order” means an order or judgment of the Court as entered on the Court’s docket.

“Oversight Committee” means, for purposes of the Litigation Trust, a committee consisting of the Holders of the two (2) largest Allowed or Estimated Plan Class 6 Claims, willing to serve. Each member of the Oversight Committee shall have one vote for each dollar of its Allowed/Estimated Claim. All decisions by the Oversight Committee shall be made by majority of the votes cast by members of the Committee.

“Petition Date” means July 18, 2014 -- the date on which Epworth Villa Filed its voluntary petition for relief commencing this Chapter 11 Case.

“Plan” means this Plan of Reorganization, together with all exhibits, schedules, supplements or other attachments annexed hereto.

“Priority Claims” means all Claims entitled to priority under Section 507(a) of the Bankruptcy Code other than Administrative Claims or Tax Claims.

“Pro Rata Share” means the proportion that an Allowed Claim bears to the sum of all Allowed Claims within such Class for which an allocation is being determined.

“Reinstate” means, notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) to cure any such default that occurred before or after the Petition Date, other than a default of a kind specified in Bankruptcy Code Section 365(b)(2) or of a kind that Bankruptcy Code Section 365(b)(2) expressly does not require to be cured, (ii) to reinstate the maturity (to the extent such maturity has not otherwise accrued by the passage of time) of such Claim as such maturity existed before any such default, (iii) to compensate the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law, (iv) if such Claim arises from a failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to Bankruptcy Code Section 365(b)(1)(A), to compensate the Holder of such Claim (other than Epworth Villa or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure, and (v) to not otherwise alter the legal, equitable, or contractual rights to which such Claim entitles the Holder.

“Rejection Claims” means the Claims arising from Epworth Villa’s rejection of any executory contract or unexpired lease pursuant to Section 365 of the Bankruptcy Code.

“Reorganized Debtor” means Epworth Villa on and after the Effective Date.

“Residency Agreement(s)” means any written agreement or contract, as amended from time to time between Epworth Villa and a resident or potential resident of the independent living units in the Facility giving the resident or potential resident (a) certain rights of occupancy in the independent living units in the Facility, including any reservation agreement or other agreement or contract reserving rights of occupancy; (b)

providing for certain services to such resident; and/or (c) establishing and delineating certain deposit refund rights.

“Schedules” means as set forth on the Schedules.

“Schedules” means, collectively, and as amended, the schedules of assets and liabilities, and the statements of financial affairs Filed by Epworth Villa in this Chapter 11 Case pursuant to Section 521 of the Bankruptcy Code and the Bankruptcy Rules.

“Tax Claim” means a Claim amount entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Unimpaired” means, with reference to a Class of Claims or Interests, that the Class is not Impaired.

“Virginia Hicks Estate” means (a) William D. Hicks, as Personal Representative of the decedent’s estate of Virginia Lee Hicks, (b) William Hicks as trustee of the William Dorn Hicks and Virginia Lee Hicks Revocable Trust, and/or (c) such other Entity as is lawfully invested with the Claims formerly held by Virginia Lee Hicks against Epworth Villa, which Claims have heretofore been asserted by William Hicks as Guardian Ad Litem for Virginia Hicks.

“William Hicks” means Mr. William Hicks, individually.

ARTICLE II

UNCLASSIFIED CLAIMS

2.01 Non-Classification. In accordance with Sections 1123(a)(1), 507(a)(2) and 507(a)(8) of the Bankruptcy Code, Administrative Claims and Tax Claims have not been classified in this Plan.

2.02 Treatment.

(a) Administrative Claims. Unless otherwise agreed to by the parties, each Holder of an Allowed Administrative Claim (i) to the extent such Claim is due and owing on the Effective Date, be paid in full, in Cash, not later than the Distribution Date; and (ii) to the extent such Claim is not due and owing on the Effective Date, be paid in full, in Cash, in the ordinary course of business, in accordance with the terms of any agreement between Epworth Villa and such Holder, including, without limitation, the Residency Agreements,¹ or as may be due and owing under applicable non-bankruptcy law.

(b) Tax Claims. Except to the extent that a Holder of an Allowed Tax Claim agrees to different treatment, each Holder thereof shall receive Cash in the full amount of the Claim on the Distribution Date.

2.03 Deadline for Prosecuting Administrative Claims.

(a) Pre-Confirmation Date Administrative Claims. All applications for allowance and payment of Administrative Claims (other than Ordinary Course Administrative Claims) allegedly incurred by Epworth Villa on or before the Effective Date shall be Filed no later than 30 days after the Effective Date. Tax Claims are subject to the Bar Date for the Claims of governmental units.

(b) Effect of Failure to File Timely Administrative Claim. Any Holders of Administrative Claims (other than Ordinary Course Administrative Claims) who do not File a request for allowance and payment of such Claims within 30 days after the Effective Date shall be forever barred from asserting such Claims against Epworth Villa, the Reorganized Debtor, and/or any property of the same.

¹ The following Claims:

(a) those stated in Proof of Claim No. 14 (Alexander); Proof of Claim No. 50 (Kriegel); Proof of Claim No. 66 (Tuttle); Proof of Claim No. 63 (Woods); and Proof of Claim No. 69 (Cooper); and

(b) those Scheduled by Epworth Villa for the following: Pat Coker/Sandra Nelson; Darvis Craig/Ron Craig; Lowell Netherton/Bonnie Matchinson; Tom Partney/Karen Erwin; Philip and Moria Reed/Ruth Carrie Reed; Cindy Smith; and John Underwood/Gary Underwood;

are deposit refund claims under Residency Agreements that have been assumed during this Chapter 11 Case, and shall be paid under the terms of this Section in accordance with, and to the extent payable under, the provisions of the applicable Residency Agreement. Such Claims will not be treated in the manner provided under this Plan for any Class of Claims, and such Scheduling and Proofs of Claim shall be expunged by the Confirmation of this Plan.

ARTICLE III

CLASSIFICATION OF CLAIMS AND INTERESTS

3.01 Classification Scheme. For all purposes under this Plan, the classification of the Claims and Interests shall be as described below.

- Class 1** **Priority Claims.** Class 1 is a Class consisting of all Priority Claims.
- Class 2** **Indenture Claim.** Class 2 is a Class consisting of the Claim of the Indenture Trustee under the Bond Indenture.
- Class 3** **Other Secured Claims.** Class 3 is a Class consisting of all secured Claims other than that of the Indenture Trustee. Holders of Other Secured Claims include, without limitation, the following: Ford Motor Credit Company LLC, GE Capital Information Technology Solutions Inc., and Grooms Irrigation Company.
- Class 4** **Insured Claims.** Class 4 is a Class of all unsecured Claims (other than Claims in Classes 5 and 6) which arise from or relate to alleged conduct or circumstances occurring or existing prior to the Effective Date where a policy of indemnity insurance provides coverage. Holders of Insured Claims include, without limitation, the following: (a) Leroy and Betty Bryan; (b) Lisa Adams as next of kin of Helene Wilson and as personal representative of the Estate of Helene Wilson, Jeff Wilson as next of kin of Helene Wilson, and Kristen Nicastro as next of kin of Helene Wilson; (c) Paul and Sarah Savage; (d) Frances Colleen Mashburn; (e) John Occhipinti as personal representative and next of kin of Jimmie Lee Occhipinti and Kathryn Ocariz, Susan McMillian, and James Occipinti, next of kin of Jimmie Lee Occhipinti; (f) Rosa Chavira; (g) Estate of Julia Hamilton; (h) Virginia Hicks Estate; and (i) Accord Construction, Inc.
- Class 5** **Hicks Contract Claims.** Class 5 is a Class consisting solely of the Claims of Hicks for such portion of the judgment entered in the Oklahoma Action as is denominated, and attributable to, claims against Epworth Villa for breach of Hicks' Residency Agreement.
- Class 6** **Hicks Other Claims.** Class 6 is a Class consisting of all Claims of Hicks other than Class 4 and 5 Claims.
- Class 7** **General Unsecured Claims.** Class 7 is a Class consisting of all Claims that are not Administrative Claims, Tax Claims, Priority Claims, the Indenture Claim, Other Secured Claims, Insured Claims, Hicks Contract Claims, or Hicks Other Claims.
- Class 8** **Interests.** Class 8 consists of all Interests.

ARTICLE IV

TREATMENT AND STATUS OF CLASSES UNDER THE PLAN

4.01 Class 1 Priority Claims.

(a) Treatment. To the extent that Allowed Class 1 Claims have not been paid in full in the ordinary course of business during the pendency of this Chapter 11 Case, they shall be paid in Cash, in full, without post-Petition Date interest. Holders of Class 1 Claims shall receive no other consideration under this Plan on account of such Claims.

(b) Impairment and Voting. Class 1 is impaired by the Plan. Holders of Allowed or Estimated Claims in Class 1 are entitled to vote to accept or reject the Plan.

4.02 Class 2 Indenture Claim.

(a) Treatment. The legal, equitable, and contractual rights to which the Indenture Claim entitles the Holder thereof shall not be altered by this Plan, and shall continue to be governed by the underlying and operative credit facility documents, except that as of the Effective Date, the Indenture Trustee shall be deemed to have (i) waived any default under such documents arising from the pendency of and/or entry of judgment in the Oklahoma County Action or from the filing of Epworth Villa's bankruptcy case; (ii) amended the requirements in such documents of the number of days' cash on hand Debtor is required to maintain to reduce the number from 180 days to 150 days for a period of one year from the Effective Date with an extension of one additional year upon reasonable request of Epworth Villa, provided that at the end of such periods, the existing provision for maintaining 180 days cash on hand shall be reinstated; and (iii) released the lien, if any, of the Bond Indenture in and to the Cash and other assets of Epworth Villa and its Estate as, and only to the extent, required to fulfill the Plan's payment, transfer, and/or other treatment obligations to other Holders entitled to receive distributions as provided in the Plan. The Holder of the Class 2 Claim shall receive no other consideration under this Plan on account of such Claim.

(b) Impairment and Voting. Class 2 is impaired by the Plan. The Holder of the Allowed or Estimated Claim in Class 2 is entitled to vote to accept or reject the Plan.

4.03 Class 3 Other Secured Claims.

(a) Treatment. With respect to each Allowed Other Secured Claim, Epworth Villa shall, at the its option: (i) Reinstate the obligation(s) underlying such Claim; or (ii) satisfy such Claim by surrender of the collateral securing such Claim. Holders of Class 3 Claims shall receive no other consideration under this Plan on account of such Claims.

(b) Impairment and Voting. Class 3 is not impaired by the Plan. The Holder(s) of the Allowed or Estimated Claim(s) in Class 3 is/are not entitled to vote to accept or reject the Plan.

4.04 Class 4 Insured Claims.

(a) Treatment. As of the Effective Date, the automatic stay and/or discharge injunction of Sections 362 and/or 524(a) of the Bankruptcy Code shall be deemed modified, as necessary, to permit each Holder of a Claim in Class 4 to (i) seek liquidation of such Claim by final judgment of a court of competent jurisdiction, or otherwise, and (ii) collect and satisfy such Claim from an issuer of a policy of indemnity insurance that provides coverage for the Claim. Holders of Class 4 Claims shall receive no other consideration under this Plan on account of such Claims.

(b) Impairment and Voting. Class 4 is impaired by the Plan. The Holders of Allowed or Estimated Claims in Class 4 are entitled to vote to accept or reject the Plan.

4.05 Class 5 Hicks Contract Claims.

(a) Treatment. Epworth Villa shall provide, and ensure that its contractors provide, all continuing care and services that are provided in any Residency Agreement between Hicks and Epworth Villa, whether in effect now or entered in the future, at no cost to Hicks for so long as William Hicks continues to reside at the Facility or related facilities in Oklahoma City, Oklahoma; *provided, however*, in the event William Hicks decides to move out of the Facility, Epworth Villa will promptly refund to him the entire entrance fee deposit of \$127,000 without condition. The Holders of the Class 5 Claims shall receive no other consideration under this Plan on account of such Claims.

(b) Impairment and Voting. Class 5 is impaired by the Plan. The Holders of the Claims in Class 5 are entitled to vote to accept or reject the Plan.

4.06 Class 6 Hicks Other Claims.

(a) Treatment. Each of the Holders of Allowed Claims in Class 6 shall receive, in full and final satisfaction of their Allowed Claims,² a Pro Rata Share of the beneficial interests in the Litigation Trust. The Holders of Class 6 Claims shall receive no other consideration under this Plan on account of such Claims.

(b) Impairment and Voting. Class 6 is impaired by the Plan. The Holders of Allowed or Estimated Claim in Class 6 are entitled to vote to accept or reject the Plan.

² The allowance of Class 6 Claims shall be for purposes of (a) participation in the Chapter 11 Case as a creditor (*e.g.*, voting upon the Plan), and (b) treatment pursuant to this Section, including distributions from the Litigation Trust. Such allowance shall have no preclusive effect for any other purpose in any other forum.

4.07 Class 7 General Unsecured Claims.

(a) Treatment. In full and final satisfaction of its Claim, each Holder of an Allowed Claim in Class 7 shall be paid in Cash the Allowed or Estimated amount of its Claim, with post-Petition Date interest at the rate provided for in the relevant period by 28 U.S.C. §1961. Holders of Class 7 Claims shall receive no other consideration under this Plan on account of such Claims.

(b) Impairment and Voting. Class 7 is not impaired by the Plan. Holders of Allowed or Estimated Claims in Class 7 are not entitled to vote to accept or reject the Plan.

4.08 Class 8 Interests.

(a) Treatment. If any Class of Impaired Claims does not accept the Plan, then all Interests shall be cancelled and extinguished under the Plan and the Holder thereof shall neither retain nor receive any property on account of such Interests. If all Classes of Impaired Claims accept the Plan, then the Class 8 Interest Holder shall retain its Interests.

(b) Impairment and Voting. Class 8 is impaired by the Plan. The Holder of the Interests in Class 8 is entitled to vote on the Plan.

ARTICLE V

IMPLEMENTATION OF THE PLAN

5.01 Plan Distributions and Treatment. The Plan shall be implemented in the following manner:

(a) on the Distribution Date, from Cash on hand, the Reorganized Debtor shall (i) make all payments and other distributions then due under the terms of this Plan to Holders of Administrative Claims, Tax Claims, Priority Claims (Class 1), and General Unsecured Claims (Class 7); and (ii) be deemed to have made the assignment of beneficial interests in the Litigation Trust as is due to Holders of Claims in Classes 6.

(b) as and when due under the terms of the underlying credit agreements, the Reorganized Debtor shall make, and continue to make, all payments and other distributions due to Holders of the Indenture Claim (Class 2) and Other Secured Claims (Class 3) in accordance with their treatment under this Plan;

(c) on or before the Effective Date, Epworth Villa shall complete the surrender of collateral, if so elected by it, as alternative treatment for the Holders of Other Secured Claims (Class 3);

(d) on the Effective Date, the automatic stay and/or discharge injunction of Sections 362 and/or 524(a) of the Bankruptcy Code shall be deemed modified as provided in Section 4.04 hereof in favor of Holders of Insured Claims (Class 4);

(e) on the Confirmation Date, the Litigation Trust shall be established for the benefit of all Holders of Hicks Other Claims (Class 6); and

(f) unless all other Impaired Classes have accepted the Plan, all Interests (Class 8) will be deemed cancelled and forfeited as of the Effective Date.

5.02 Other Documents and Actions. The Reorganized Debtor may execute such documents and take such other action as is necessary to effectuate the treatment and transactions provided for in the Plan.

ARTICLE VI

LITIGATION TRUST

6.01 Establishment of the Litigation Trust On the Confirmation Date, (a) the Oversight Committee shall be established; (b) the Litigation Trust will be created as an Oklahoma trust to administer and distribute the Litigation Trust Assets; and (c) Epworth Villa and the Litigation Trustee shall execute and deliver the Litigation Trust Agreement and take all other steps necessary to establish the Litigation Trust.³

6.02 Purpose of the Litigation Trust The Litigation Trust shall be established for the sole purpose of liquidating the Litigation Trust Assets for the benefit of Holders of Claims in Class 6 (“Beneficiary/ies”), in accordance with Treasury Regulation § 301.7701-4(d), with no objective to engage or continue in the conduct of a trade or business.

6.03 Litigation Trustee The Litigation Trustee shall commence serving in such fiduciary capacity on the Confirmation Date. The Litigation Trustee shall have the responsibilities set forth in the Litigation Trust Agreement, including, without limitation, the liquidation of the Estate Claims and distribution of the proceeds of the Litigation Trust Assets to the Beneficiaries. The Litigation Trustee’s exercise of duties and powers under the Litigation Trust is subject to the supervisory power of an Oversight Committee (as described in the Litigation Trust Agreement).

6.04 Litigation Trust Assets On the Confirmation Date, the Estate Claims component of the Litigation Trust Assets shall be deemed vested in the Litigation Trust without further action or Order. The Cash component of the Litigation Trust Assets shall be transferred from Epworth Villa to the Litigation Trust in the following installments: \$500,000 shall be funded on the Distribution Date, and \$500,000 shall be funded six (6) months thereafter. The Litigation Trust shall be the successor-in-interest to Epworth Villa, and shall have full power and authority to act,⁴ with respect to the Litigation Trust Assets, including, without limitation, the right and

³ To the extent that there are any inconsistencies between this Article VI of the Plan and the Litigation Trust Agreement, the terms of the Litigation Trust Agreement shall control.

⁴ To the extent, if any, necessary to permit prosecution of all Estate Claims by the Litigation Trustee, the automatic stay of Bankruptcy Code Section 362 shall be deemed so modified on the Confirmation Date for the sole purpose of

power to prosecute the Estate Claims just as if the Litigation Trustee was appointed as a trustee in the Chapter 11 Case.⁵

6.05 Deemed Retention The Estate Claims may be deemed retained by Epworth Villa and/or its Estate insofar, and in such manner, as necessary to preserve such claims under applicable law; and in that event, the *proceeds* of the Estate Claims so retained by Epworth Villa and/or the Estate shall be assigned, transferred and/or distributed to the Litigation Trust when and as available.

6.06 Distributions from the Litigation Trust The Litigation Trustee shall make, or shall designate an Entity to make, distributions to the Beneficiaries within his/her discretion, subject to the following: (a) mandatory distributions prescribed by the Litigation Trust Agreement Section 3.4(a); and (b) re-vesting in and distribution of surplus to Epworth Villa in accordance with Litigation Trust Agreement Section 3.4(e).

6.07 Termination of the Litigation Trust The Litigation Trust shall terminate, under the terms of the Trust Agreement, and without any further action by the Litigation Trustee, on the date that is ninety (90) days following the Litigation Trustee's tender of a final distribution to Beneficiaries.

6.08 Exculpation Confirmation of this Plan shall constitute an exculpation of the Litigation Trustee and Oversight Committee members (as described in the Litigation Trust Agreement) by all Beneficiaries from any and all claims, causes of action and other assertions of liability to the extent provided for in the Litigation Trust Agreement.

ARTICLE VII

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.01 Post-Petition Contracts and Leases. Executory contracts and/or unexpired leases entered into after the Petition Date will be performed by the Reorganized Debtor in the ordinary course of business.

7.02 Assumption of Pre-Petition Executory Contracts and Unexpired Leases. Epworth Villa shall assume, as of the Effective Date, to the extent permitted by applicable law,

allowing the Litigation Trustee to pursue all of the Estate Claims assigned to the Litigation Trust and to take all actions permitted by the Litigation Trust Agreement.

⁵ The actual or deemed transfer of property from Epworth Villa to the Litigation Trust shall be treated for all purposes of the Tax Code as a transfer to the beneficiaries of the Litigation Trust, followed by a deemed transfer by the beneficiaries to the Trust. The beneficiaries of the Litigation Trust shall be treated as the grantors and deemed owners of the Trust. The Litigation Trustee shall file returns for the Litigation Trust as a grantor trust pursuant to Treasury Regulations Section 1.671-4(a) or (b). The Litigation Trustee and the beneficiaries of the Litigation Trust shall value the property transferred to the Litigation Trust consistently, and such valuation shall be used for all federal income tax purposes. Epworth Villa may request the Court to value the property transferred to the Litigation Trust at confirmation of the Plan. The beneficiaries of the Litigation Trust shall be responsible for payment of any taxes due with respect to the operations of the Litigation Trust.

all pre-Petition Date executory contracts and unexpired leases that they designate in a *Notice of Intention to Assume* Filed on or before the date of the Disclosure Statement Hearing.

7.03 Rejection of Pre-Petition Executory Contracts and Unexpired Leases.

Epworth Villa shall reject all pre-Petition Date executory contracts and unexpired leases that exist between Epworth Villa and any Entity, with the specific exception of any executory contract or unexpired lease (i) that is set forth in the *Notice of Intention to Assume* referred to in Section 7.02 hereof; (ii) that has been assumed pursuant to an Order of the Court entered prior to the Confirmation Date; (iii) that has, prior to the Confirmation Date, been deemed rejected by operation of Section 365 of the Bankruptcy Code or other applicable law; or (iv) as to which a motion for approval of the assumption of such executory contract or unexpired lease is pending on the Confirmation Date and such assumption is ultimately approved by Court.

7.04 Approval of Assumption or Rejection of Contracts and Leases. Entry of the Confirmation Order shall constitute the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of (i) the assumption of the executory contracts and unexpired leases rejected pursuant to Section 7.02 hereof, and (ii) the rejection of the executory contracts and unexpired leases rejected pursuant to Section 7.03 hereof. Unless provided for otherwise in the Confirmation Order, confirmation of the Plan will constitute a determination that no defaults exist in the executory contracts and unexpired leases identified in the *Notice of Intention to Assume*.

7.05 Rejection Claims. All Rejection Claims must be Filed with the Court before the earlier of (i) the time set by any Final Order rejecting an executory contract or unexpired lease or (ii) 30 days after the Confirmation Date. Any Rejection Claims not filed within such time will be forever barred from assertion against Epworth Villa, the Reorganized Debtor, or the Estate. Objections to Rejection Claims must be Filed not later than 20 days of the Filing of such Claims. Unless otherwise ordered by the Court or provided in this Plan, all Rejection Claims shall be classified and treated as Claims in Class 7.

ARTICLE VIII

PROVISIONS FOR DETERMINATION OF CONTESTED CLAIMS AND INTERESTS AND DISTRIBUTIONS ON CLAIMS

8.01 Assertion of Claims or Interests. The Claims Order has established a Bar Date for Holders of Claims against and/or Interests in Epworth Villa, other than the Holders of Administrative Claims and Rejection Claims, to File proofs of Claims or Interests. Deadlines for Holders of Administrative Claims and Rejection Claims are established by Plan Sections 2.03 and 7.05, respectively.

8.02 Objections to Claims or Interests.

(a) **Objections.** Except as provided in Section 8.02(b) of this Plan, parties-in-interest may object to Claims and Interests. The Court has not yet established a general deadline for

objection to Claims or Interests; however, under the terms of this Plan objections filed on or after the Effective Date will be moot, as the nature and extent of the treatment of Claims and Interests will be fixed on the Effective Date.

The procedure for notice, objection, and opportunity for hearing with regard to requests of Allowance of Administrative Claims is governed by Local Bankruptcy Rule 9013-1. The deadline for objections to Rejection Claims is stated in Plan Section 7.05.

(b) Class 6 Claims. Notwithstanding anything in this Plan or any event in the Chapter 11 Case to the contrary, the Claims classified in Class 6 hereof shall be deemed Allowed on the Confirmation Date in the amount of the proof(s) of claims filed in this Chapter 11 Case by the Holders thereof, despite any objection(s) thereto, subject only to the limitations stated in footnote 2 hereof (*see* Section 4.06(a)). The deemed Claim allowance provided for in this subsection shall have no preclusive effect for any purpose in any other forum.

Notwithstanding the foregoing, on motion of the Litigation Trustee or Beneficiary, the Court may estimate a Claim for purposes of its Holder's participation in the administration of, or distributions from, the Litigation Trust.

(c) Setoffs. Epworth Villa may, but shall not be required to, set off against any Claim (for purposes of determining the Allowed amount of such Claim on which distribution shall be made), any claims of any nature whatsoever, including, without limitation, actions arising under chapter 5 of the Bankruptcy Code, and other claims and causes of action that Epworth Villa may have against the Holder thereof. Neither the failure to set off against, nor the allowance of, any Claim hereunder shall constitute a waiver or release of the Holder of such Claim.

(d) Recoupment. In no event shall any Holder of a Claims be entitled to recoup any Claim against any right, claim or cause of action of Epworth Villa, the Reorganized Debtor, or Litigation Trustee, as applicable, unless such Holder actually has performed such recoupment and provided notice thereof in writing to Epworth Villa on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

8.03 Distribution Timing.

(a) Monetary Distributions. The Cash to be distributed under the Plan to each Holder of an Allowed Administrative Claim, Tax Claim, or Claim in Classes 1 and 7 shall be distributed to such Holder (i) on the Distribution Date; or (ii) if such Claim is not an Allowed Claim on such date, then, to the extent thereafter Allowed, as soon as practicable after the Order of the Court allowing the Claim becomes a Final Order.

(b) Beneficial Interest Distributions. On the Distribution Date, the beneficial interests to be distributed under the Plan to each Holder of a Claim in Class 6 shall be deemed distributed to such Holder.

(c) Other Payments or Distributions. The Cash, if any, to be paid in accordance with the Plan to each Holder of an Allowed Claim in Classes 2 and/or 3 shall be distributed to such Holder (i) on the date(s) provided by this Plan; or (ii) if such Claim is not an Allowed Claim on such date(s), then, to the extent thereafter Allowed, as soon as practicable after the Order of the Court allowing the Claim becomes a Final Order.

8.04 Payments and Distributions on Contested Claims.

(a) No Distributions Pending Allowance. Notwithstanding any other provision hereof, no payment or other monetary distribution provided for under the Plan shall be made to the Holders of a Claim on account of that Claim unless and until, and only to the extent that, such Claim becomes an Allowed Claim.

(b) Contested Claims Reserve. Except as otherwise provided herein, from and after the Distribution Date, and until such time as a Contested Claim has been settled or determined by Final Order, the Reorganized Debtor shall reserve and hold any property otherwise distributable on account of each Contested Claim (together with any interest or other income attributable thereto) in escrow for the benefit of each Holder of a Contested Claim in an amount equal to distributions which would have been made to the Holder of such Contested Claim if it were an Allowed Claim.

(c) Distribution Mechanics. Any property reserved and held for the benefit of a Holder of a Contested Claim shall be treated as a payment and reduction on account of such Contested Claim for purposes of computing any additional amounts to be paid in Cash or other property in the event the Contested Claim ultimately becomes an Allowed Claim. At such time as a Contested Claim becomes, in whole or in part, an Allowed Claim, the Reorganized Debtor shall distribute to the Holder thereof the distributions, if any, to which such Holder is then entitled under the Plan, together with a Pro Rata Share of any interest or other income that may have been earned on the amount of Cash so reserved (net of any expenses, including any taxes on the escrow, relating thereto). In the event, and to the extent, that Contested Claims are not Allowed, in whole or in part, the Holders of Allowed Claims in the same Class as the Holders of the Claims that are not Allowed shall receive their Pro Rata Share of any property reserved on account of the Claims that are not Allowed.

(d) Maintenance of Reserves. Reserved Cash, and any interest or income paid thereon, shall be either (i) held by the Reorganized Debtor in an interest-bearing account or (ii) invested in interest-bearing obligations issued by the United States Government and guaranteed by the United States Government, and having (in either case) a maturity of not more than thirty (30) days, for the benefit of such Holders pending determination of their entitlement thereto under the terms of the Plan.

(f) Unclaimed Distributions. If any Holder of an Allowed Claim entitled to a distribution under the Plan cannot be located by the Reorganized Debtor, property distributable to such Holder shall be reserved and maintained as provided herein. If such Holder is located within two years of the Distribution Date, such distributions shall be distributed to such Holder. If such Holder cannot be located within two years of the Distribution Date, any distributions otherwise due to such Holder shall be released from escrow and become the property of the

Reorganized Debtor; provided however, that nothing contained in this Plan shall require the Reorganized Debtor to attempt to locate such Holder.

ARTICLE IX

ACCEPTANCE OR REJECTION OF THE PLAN

9.01 Deemed Acceptance of the Plan. Classes 3 and 7 are not Impaired under the Plan and, therefore, are presumed to have accepted the Plan in accordance with Section 1126(f) of the Bankruptcy Code. In addition, although Class 8 is Impaired, the Holder in such Class will not receive or retain any property under the Plan on account of its Interests, and thus is deemed to have rejected the Plan under Section 1126(g) of the Bankruptcy Code.

9.02 Voting Classes. As a consequence of Plan impairment and deemed acceptance or rejection, only Holders of Allowed or Estimated Claims in Classes 1, 2, 4, 5 and 6 shall be entitled to vote to accept or reject the Plan.

9.03 Acceptance by Impaired Classes. An Impaired Class of Claims shall have accepted the Plan if (i) the Holders (other than those designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voted in such Class have voted to accept the Plan *and* (ii) the Holders (other than those designated under Section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims or Interests actually voted in such Class have voted to accept the Plan.

9.04 Non-Consensual Confirmation. In the event Classes 1, 2, 4, 5, 6 and 8 do not all accept the Plan, Epworth Villa shall, and does hereby, request confirmation of the Plan under Section 1129(b) of the Bankruptcy Code.

ARTICLE X

EFFECTS OF PLAN CONFIRMATION

10.01 Discharge.

(a) Upon confirmation of the Plan, except as otherwise expressly provided herein or in the Confirmation Order, Epworth Villa shall be discharged from debts that arose prior to the Confirmation Date to the fullest extent permitted by section 1141(d) of the Bankruptcy Code.

(b) Except as otherwise expressly provided in this Plan or the Confirmation Order, Confirmation of the Plan terminates all rights, powers and interests of Holders of Interests as of the Effective Date.

(c) Upon the discharge of Epworth Villa, and except as provided in Section 4.04 of this Plan, all Entities shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from asserting against Epworth Villa, Epworth Villa in Possession, or their respective successors or assigns, including, without limitation, the Reorganized Debtor, or their

respective properties or interests in property, any Claim in connection with a discharged debt, based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date, whether or not the facts or legal bases therefor were known or existed prior to the Confirmation Date, regardless of whether a proof of claim was Filed, whether the Holder thereof voted to accept or reject the Plan, or whether the Claim is an Allowed Claim.

10.02 Term of Injunctions or Stays. Unless otherwise provided herein, all injunctions or stays applicable in the Chapter 11 Case pursuant to Section 105 or 362 of the Bankruptcy Code, or otherwise, and in effect on the Confirmation Date, shall remain in full force and effect until the latter of the Effective Date and the date provided for in any applicable Order or Bankruptcy Code provision. In the case of the stay of Bankruptcy Code Section 362(a), such stay shall be supplanted by the discharge injunction of Section 524(a) of the Bankruptcy Code.

10.03 Vesting of Assets in Reorganized Debtor. On the Effective Date, except as otherwise expressly provided in the Plan, the Reorganized Debtor shall be vested with all of the property of Epworth Villa's Estate free and clear of all Claims, liens, encumbrances, mortgages, charges and other interests of creditors, excepting only the mortgages, security interest and/or other liens of the Holders of Claims in Classes 2 and 3 of this Plan. Epworth Villa shall continue as Debtor-in-Possession until the Effective Date. Thereafter, the Reorganized Debtor may operate its businesses free of any restrictions imposed by the Bankruptcy Code except as specifically imposed by this Plan and/or the Confirmation Order.

Except to the extent such rights, claims, causes of action, defenses, and counterclaims are expressly and specifically vested in the Litigation Trust in connection with the Plan, the Confirmation Order, any settlement agreement approved during the Chapter 11 Case, or any contract, instrument, release, or other agreement entered into in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code: (1) any and all rights, claims, causes of action, defenses, and counterclaims of or accruing to Epworth Villa or its Estate shall remain assets of and vest in the Reorganized Debtor, whether or not litigation relating thereto is pending on the Effective Date, and whether or not any such rights, claims, causes of action, defenses and counterclaims have been listed or referred to in the Plan, the Schedules, or any other document Filed with the Court, and (2) neither Epworth Villa nor the Reorganized Debtor shall be deemed to have waived, relinquished, or abandoned (nor are they estopped or otherwise precluded from asserting) any right, claim, cause of action, defense, or counterclaim that constitutes property of the Estate. In its sole discretion, the Reorganized Debtor may commence, prosecute, defend against, settle, and realize upon any rights, claims, causes of action, defenses, and counterclaims not then held by the Litigation Trust, in accordance with what is in the best interests, and for the benefit, of the Reorganized Debtor.

10.04 Continued Corporate Existence. Epworth Villa, as the Reorganized Debtor, shall continue to exist after the Effective Date as a non-profit corporate entity without members or other Interest Holders; and shall possess all available corporate powers under the laws of the State of Oklahoma, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law. The IRS has determined that Epworth Villa is qualified as an organization described in Section 501(c)(3) of the Tax Code; and such status is unaffected by this Plan.

10.05 Modification of Organizational Documents. As a consequence of the treatment of Class 9 Interests under this Plan, the Certificate of Incorporation and By-Laws of Epworth Villa shall be amended and restated as necessary to implement the organizational changes effected by this Plan.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.01 Modification of Plan. Epworth Villa reserves the sole right, in accordance with the Bankruptcy Code and Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, Epworth Villa and/or Reorganized Debtor may, upon order of the Court, amend or modify the Plan in accordance with Section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, 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.

11.02 Withdrawal of Plan. Epworth Villa reserves the right, at any time prior to the entry of the Confirmation Order, to revoke and withdraw the Plan. If Epworth Villa revokes or withdraws the Plan, or if entry of the Confirmation Order does not occur, then the Plan shall be deemed null and void. In that event, nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims or causes of action by or against Epworth Villa, to prejudice in any manner the rights of Epworth Villa in any further proceedings, or constitute an admission against interest by Epworth Villa or any other party in interest.

11.03 Successors and Assigns. The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, each heir, executor, administrator, successor or assign of such Entity.

11.04 Payment of Statutory Fees. All fees payable pursuant to Section 1930 of Title 28 of the United States Code shall be paid on or before the Distribution Date by Epworth Villa and thereafter by Reorganized Debtor. Additionally, the Reorganized Debtor will prepare post-Confirmation status reports and File the same with the Office of the United States Trustee until the Chapter 11 Case is closed.

11.05 Notices. Any notice, request or demand given or made to Epworth Villa and/or the Reorganized Debtor under this Plan or under the Bankruptcy Code or the Bankruptcy Rules shall be in writing and shall be hand-delivered or sent by a reputable overnight courier, and shall be deemed given when received at the following addresses whether hand-delivered or sent by overnight courier service:

John C. Harned
President & Chief Executive Officer
Epworth Villa
14901 N. Pennsylvania Ave.
Oklahoma City, OK 73134

with copies to:

G. Blaine Schwabe, III
Gable & Gotwals, P.C.
One Leadership Square, 15th Floor
211 North Robinson
Oklahoma City, OK 73102-7101
gschwabe@gablelaw.com
(405) 235-2875 (Fax)

-and-

Sidney K. Swinson
Gable & Gotwals, P.C.
1100 ONEOK Plaza
100 W. 5th Street
Tulsa, OK 74103
sswinson@gablelaw.cm
(918) 595-4828 (Fax)

Notwithstanding anything to the contrary provided herein, all notices concerning this Plan shall be served upon the entities prescribed, and in the manner prescribed, under the Bankruptcy Code and Bankruptcy Rule 3017.

11.06 Severability of Plan Provisions. If, prior to entry of the Confirmation Order, any term or provision of the Plan that does not govern the treatment of Claims or the conditions to Confirmation or the Effective Date is held by the Court to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

11.07 Professionals. Professional fees and expenses incurred from and after the Effective Date for Epworth Villa, the Estate and the Reorganized Debtor shall not be subject to the approval of the Court. The retention of the professional persons of Epworth Villa shall terminate as of the Effective Date, and at such time such professional persons shall be entitled to File and prosecute their respective fee applications for final allowance of compensation and reimbursement of expenses. Such final fee applications shall be Filed with the Court no later than thirty (30) days after the Effective Date, unless such deadline is extended by order of the Court.

11.08 Governing Law. Except to the extent that the Bankruptcy Code, the Bankruptcy Rules, other federal law, or agreements between the parties, are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Oklahoma, without giving effect to the principles of conflicts of law thereof.

11.09 Withholdings. In connection with this Plan and transfers and distributions hereunder, Epworth Villa, the Reorganized Debtor, and the Litigation Trustee shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions under the Plan shall be subject to any such withholding and reporting requirements.

ARTICLE XII **RETENTION OF JURISDICTION**

Subject to the jurisdictional provisions of Title 28, the Court shall retain and possess exclusive jurisdiction over any matter arising under the Bankruptcy Code, arising in or related to the Chapter 11 Case or the Plan, and/or that relates to the following subject matter:

- (a) entry and implementation of such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed, or vacated;
- (b) consideration of any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any Order of the Court, including, without limitation, the Confirmation Order;
- (c) determination of any objections to proofs of claim and/or interests, estimation of any Claims, and/or other resolution of any Contested Claims;
- (d) determination of requests for allowance and/or payment of Administrative Claims, including, without limitation, requests for compensation of and reimbursement of expenses of professionals and other parties entitled thereto under sections 330, 331, and 503(b) of the Bankruptcy Code;
- (e) resolution of any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which Epworth Villa is a party or with respect to which Epworth Villa may be liable, and to determine any Rejection Claims;
- (f) determination of any and all adversary proceedings and/or contested matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Reorganized Debtor or Litigation Trustee;
- (g) resolution of matters relating to determination and/or recovery of all assets of the Reorganized Debtor and property of the Estate, wherever located;
- (h) determination of the scope of the discharge of Epworth Villa under the Plan and/or the Bankruptcy Code;
- (i) accomplishment of distributions to Holders of Allowed Claims as provided herein;

(j) issuance of injunctions, entry of other Orders, or other Court action as may be necessary or appropriate to restrain interference by any Entity with the consummation, implementation, or enforcement of the terms of the Plan, the Confirmation Order, or any other Order of the Court;

(k) entry of such Orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan;

(l) entry of Orders in aid of execution and consummation of the Plan as provided by Section 1142 of the Bankruptcy Code;

(m) determination of disputes arising in connection with or relating to the Plan or the interpretation, implementation, or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released under the Plan;

(n) hearing of any other matter, or for any other purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code; and

(o) entry of a Final Decree closing the Chapter 11 Case.

ARTICLE XIII

CONFIRMATION REQUEST

Epworth Villa requests confirmation of the Plan under Sections 1129(a) and, if necessary, 1129(b) of the Bankruptcy Code.

DATED this 28th day of September, 2015.

**CENTRAL OKLAHOMA UNITED
METHODIST RETIREMENT
FACILITY, INC. d/b/a Epworth Villa**

By: 

John C. Harned, President

COUNSEL:

/s/ G. Blaine Schwabe, III

G. Blaine Schwabe, III, OBA No. 8001

Elizabeth A. Cooper, OBA No. 31026

Gable & Gotwals, P.C.

One Leadership Square, 15th Floor

211 North Robinson

Oklahoma City, OK 73102-7101

Telephone: 405.235.5500

Facsimile: 405.235.2875

gschwabe@gablelaw.com

ecooper@gablelaw.com

Sidney K. Swinson, OBA No. 8804

Mark D.G. Sanders, OBA No. 22922

Brandon C. Bickle, OBA No. 22064

Gable & Gotwals, P.C.

1100 ONEOK Plaza

100 West Fifth Street

Tulsa, Oklahoma 74103

Telephone: 918.595.4800

Facsimile: 918.595.4990

sswinson@gablelaw.com

msanders@gablelaw.com

bbickle@gablelaw.com

Attorneys for Epworth Villa

EXHIBIT A

[LITIGATION TRUST AGREEMENT]

EPWORTH VILLA LITIGATION TRUST AGREEMENT

This trust agreement ("Agreement") is entered into as of _____, 2015, between Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa, an Oklahoma not-for-profit corporation ("Epworth Villa") and _____ ("Litigation Trustee").

RECITALS

A. On July 18, 2014, Epworth Villa filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of Oklahoma, Case No. 14-12995.

B. On September __, 2015, Epworth Villa filed its *Second Modified Plan of Reorganization* (the "Plan") pursuant to 11 U.S.C. §1121. The Bankruptcy Court entered its Confirmation Order confirming the Plan on _____, 2015.

C. The Plan provides for the creation of a Litigation Trust to hold, liquidate, and dispose of certain of Epworth Villa's assets for the benefit of all Holders of Allowed Class 6 Claims ("Beneficiaries"). This Agreement is executed in order to establish the Litigation Trust, as provided for in the Plan, and to facilitate implementation of the Plan.

D. The parties intend that the Litigation Trust qualify as a liquidating trust as described in Treasury Regulation §301.7701-4(d), which liquidating trust generally shall be treated as a grantor trust for United States federal income tax purposes.

ARTICLE I DEFINITIONS

Certain capitalized terms used in this Agreement are defined within the body of this Agreement. Any other capitalized terms found in this Agreement, and not otherwise defined herein, shall have the meaning ascribed to such terms in the Plan; and if not defined therein, shall have the meaning ascribed to them in Bankruptcy Code or the Bankruptcy Rules (and shall be construed in accordance with the rules of construction thereunder).

ARTICLE II CREATION OF TRUST

2.1 Declaration of Trust. For good and valuable consideration, the receipt whereof is hereby acknowledged by the undersigned, and pursuant to the terms of the Plan, Epworth Villa executes this Agreement; and, subject to the provisions of Section 2.2 below, shall irrevocably transfer, absolutely assign, convey, set over, permit the vesting in, and/or deliver to, the Litigation Trustee, and his/her successors and assigns, the Litigation Trust Assets in trust for the benefit of the Beneficiaries, at the times and for the uses and purposes stated herein and in the Plan.

2.2 Transfer of Litigation Trust Assets. Transfer to, and vesting in, the Litigation Trust of the Litigation Trust Assets shall be deemed a transfer from Epworth Villa to and for the benefit of the Beneficiaries followed by a deemed transfer by the Beneficiaries to the Litigation

Trustee to hold in trust for the benefit of the Beneficiaries. The Beneficiaries shall be treated as the grantors and deemed owners of the Litigation Trust. At the times stated in the Plan, title to the Litigation Trust Assets shall pass to the Litigation Trust free and clear of all liens and interests, in accordance with Section 1141 of the Bankruptcy Code.

2.3 Cooperation & Support. Epworth Villa shall insure that its officers and other employees will cooperate with information sharing, document production and witness testimony in connection with the pursuit of recovery on the Litigation Trust Assets, and reasonably make such employees available to the Litigation Trustee and counsel for the Litigation Trust as necessary to recover value from the Litigation Trust Assets.

2.4 Exculpation. Neither Epworth Villa, nor any of its directors, officers, employees, attorneys or other representatives shall have any responsibility for, or incur any liability related to, the Litigation Trustee's exercise of rights hereunder.

2.5 Valuation. The Litigation Trustee shall cause a valuation to be made of the Litigation Trust Assets and that valuation shall be used by the Litigation Trustee and the Beneficiaries for all federal income tax purposes.

2.6 Excess Cash. The Litigation Trust shall not be permitted to retain Cash or Cash equivalents in excess of a reasonable amount necessary to establish the reserves provided for in Section 3.4(b) hereof, and to maintain the value of the Litigation Trust Assets during liquidation.

2.7 Purpose of Trust. The primary purpose of the Litigation Trust is the liquidation of the Litigation Trust Assets, distribution of the proceeds thereof, and the maintenance and preservation of the Litigation Trust Assets in furtherance thereof, with no objective to continue or engage in the conduct of a trade or business except to the extent reasonably supportive of, and consistent with, the liquidation purpose of the Litigation Trust.

ARTICLE III

RIGHTS, POWERS AND DUTIES OF LITIGATION TRUSTEE

3.1 Status of Litigation Trustee. On the Confirmation Date of the Plan, the Litigation Trustee shall be the representative of the Litigation Trust and shall have the rights and powers provided for in this Agreement and in the Plan. With respect to any Estate Claim in which the Litigation Trust obtains an interest pursuant to the terms of the Plan, the Litigation Trustee may retain and enforce such action pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code.

3.2 Authority and Duties. Subject to any limitations or more specific direction contained in, or as otherwise provided by, this Agreement or in the Plan, the Litigation Trustee shall have the following powers, authorities and duties:

(a) use his/her best efforts, within a reasonable time-frame, to liquidate the Litigation Trust Assets and maximize the amount of liquidation proceeds derived therefrom, including without limitation, commencing or continuing such litigation as he/she deems necessary and appropriate, enforcing claims of the Litigation Trust, and enforcing judgments and collecting other amounts due with respect to such claims;

(b) determine and implement the settlement, abandonment or dismissal of any litigation, or disposal or abandonment of any asset, held by the Litigation Trust;

(c) receive, hold, deposit and invest all funds received (including, but not limited to, opening and maintaining bank accounts);

(d) in general, without in any manner limiting any of the foregoing, deal with the Litigation Trust Assets, or any part or parts thereof, in all other ways as would be lawful for any person owning the same to deal therewith, whether similar to or different from the ways herein specified, provided, that the investment powers of the Litigation Trustee, other than those reasonably necessary to maintain the value of the assets of the Litigation Trust and to further the liquidating purpose of the trust, are limited to the power to invest in interest-bearing government securities or a money market fund consisting of government securities having a maturity date not exceeding one (1) year;

(e) administer and maintain the Litigation Trust, including payment in the ordinary course of reasonable and necessary expenses incurred by him/her in administering the Litigation Trust ("Trust Expenses");

(f) retain or discharge such professionals, including attorneys, as he/she deems necessary and appropriate, and pay each such professional's reasonable fees and expenses as Trust Expenses;

(g) obtain and pay for insurance coverage relative to the proper performance of his/her duties under the Plan and this Agreement, and to provide indemnification for himself and others provided for in the Plan and/or this Agreement;

(h) calculate and implement distributions from the Litigation Trust;
and

(i) assume and discharge such other duties as are reasonable and necessary to administer the Litigation Trust as contemplated under the Plan and this Agreement.

3.3 Expenses. The Litigation Trustee may incur Trust Expenses. The amount of any fees and expenses incurred by or on behalf of the Litigation Trustee on or after the Confirmation Date (including reasonable fees and expenses of counsel, accountants, and others retained by the Litigation Trustee in connection with its administration of the Litigation Trust) shall be treated as Trust Expenses and shall be paid in Cash out of funds held by the Litigation Trust.

3.4 Distributions.

(a) *Distribution Frequency.* The Litigation Trustee shall make, or shall designate an entity to make, all distributions to the Beneficiaries on such dates as the Litigation Trustee shall in his/her discretion determine to be appropriate; *provided, however*, (i) an initial distribution of not less than \$250,000 shall be made to the Beneficiaries as soon as practicable after the Distribution Date, and (ii) a distribution of not less than \$250,000 shall be made as soon as practicable after the second installment of funds received from Epworth Villa in accordance with Section 6.04 of the Plan; and *further provided* that the Litigation Trustee shall distribute at least annually all income and gain of the Litigation Trust which the Litigation Trustee determines is properly distributable after payment of Trust Expenses.

(b) *Reserves.*

(i) The Litigation Trustee shall retain and reserve such funds as are reasonably necessary to satisfy the Trust Expenses.

(ii) Such reserved property, and any interest or income paid thereon, shall either be (x) held by the Litigation Trustee in an interest-bearing account or (y) invested in interest-bearing obligations issued by the United States Government and guaranteed by the United States Government, and having (in either case) a maturity of not more than one (1) year.

(c) *Distribution Mechanics.* Each distribution shall be made *pro rata* in accordance with the percentage each Beneficiary's then-held beneficial interest bears to the total of all beneficial interests in the Litigation Trust.

(d) *Unclaimed Distributions.* If any Beneficiary entitled to a distribution from the Litigation Trust has not negotiated any check drawn in payment of such distribution within ninety (90) days of the completion of the Litigation Trust's final distribution, any such un-negotiated distribution(s) otherwise due to such Beneficiary shall be released from the Litigation Trust and thereupon become the sole property of Epworth Villa as the Reorganized Debtor; provided however, that nothing contained in this Agreement or the Plan shall require the Litigation Trustee or Reorganized Debtor to attempt to locate such Beneficiary.

(e) *Surplus.* If a surplus of funds exists after satisfaction of all Trust Expenses and Beneficiary Claims, such surplus funds shall re-vest in Epworth Villa as the Reorganized Debtor.

3.5 Reporting.

(a) Within twenty (20) days after the end of each calendar quarter, or at such other intervals as the Oversight Committee shall require, the Litigation Trustee shall deliver to each member of the Oversight Committee a statement showing all receipts and disbursements of the Litigation Trust during such quarter. Such statements are to be certified by the Litigation Trustee as true and accurate in all material respects to the best of the information and belief of the Litigation Trustee.

(b) The Litigation Trustee shall maintain a record of the Trust Expenses incurred, and shall make that record, as well as all other books and records prepared by or on behalf of the Litigation Trustee, available for inspection and review by any Beneficiary upon reasonable notice.

3.6 Tax Returns. The Litigation Trustee shall, as necessary, file tax returns and other filings with governmental authorities on behalf of the Litigation Trust, and with respect to the Litigation Trust Assets it holds, including tax returns for the Litigation Trust as a grantor trust pursuant to section 1.671-4(a) of the Treasury Regulations. Allocations of income, deduction and credit shall be made to the Beneficiaries in accordance with the respective amount of their beneficial shares.

3.7 Compensation. The Litigation Trustee shall be entitled to compensation for services rendered in administering the Litigation Trust at his/her standard hourly rates charged for like services, and reimbursement for reasonable out-of-pocket expenses. Such compensation shall be treated as Trust Expenses and shall be paid in Cash out of funds held by the Litigation Trust. With respect to compensation and other sums to be paid to the Litigation Trustee or to any professional retained by the Litigation Trustee, itemized invoices containing a description of services and expenses incurred shall be submitted to the Oversight Committee prior to payment. The Litigation Trustee shall be entitled to pay the invoiced amount unless, within twenty (20) days of submission of said invoices, he/she is served with written notice from the Oversight Committee that some or all of such amount is disputed by it.

3.8 No Bond. The Litigation Trustee shall not be obligated to provide any bond or surety or other security for the performance of any of his/her duties, unless otherwise required by the Oversight Committee. All costs and expenses of procuring any such bond shall be deemed a Trust Expense, and paid from the funds of the Litigation Trust.

3.9 Resignation. The Litigation Trustee may resign at any time by providing at least thirty (30) days' written notice to the members of the Oversight Committee.

ARTICLE IV

OVERSIGHT COMMITTEE

4.1 Constitution. An Oversight Committee consisting of each of the Holders of the two (2) largest Allowed/Estimated Plan Class 6 Claims, willing to serve, has been established by the Plan. Each member of the Oversight Committee shall have one vote for each dollar of its Allowed/Estimated Claim. All decisions by the Oversight Committee shall be made by majority of the votes cast by members of the Committee. In the event of a vacancy on the Oversight Committee, the holder of the next largest Allowed Class 6 Claim, if any, who is willing to serve, but not already serving, shall be appointed to the Oversight Committee.

4.2 Trustee Appointment. The Oversight Committee has heretofore appointed the Litigation Trustee.

4.3 Authority. The Oversight Committee may direct, control and review the activities and performance of the Litigation Trustee. The Oversight Committee may provide written direction to the Litigation Trustee with respect to decisions to distribute Litigation Trust Assets, or to commence, settle, compromise or dismiss claims or causes of action of the Litigation Trust with respect to any of the Litigation Trustee's duties, rights and responsibilities and the Litigation Trustee shall be bound to comply with such written direction. In the event the Oversight Committee does not provide written direction with respect to any of the foregoing, the Litigation Trustee shall make such decision on the basis of the Litigation Trustee's independent judgment. Notwithstanding the foregoing, with respect to any decision to settle, compromise or dismiss claims or causes of action, the Litigation Trustee shall, in each instance, first submit a written recommendation to the Oversight Committee and shall thereafter exercise his/her independent good faith judgment with respect to such decision only if the Oversight Committee fails to provide written direction to the Litigation Trustee within twenty (20) days thereafter. If in the exercise of his fiduciary responsibilities the Litigation Trustee determines that there exist such extraordinary circumstances that it is not prudent or feasible to delay a decision for the full twenty (20) day period specified in the previous sentence, he/she may shorten such period, provided however, that in no event shall such period be less than five (5) business days.

4.4 Trustee Removal. The Oversight Committee may at any time terminate the appointment of, and remove, the Litigation Trustee.

4.5 Successor Trustee Appointment. In case of the resignation, removal or death of the Litigation Trustee, a successor shall thereupon be appointed by the Oversight Committee. If possible, the predecessor Litigation Trustee shall furnish a final accounting and statement of Litigation Trust Assets, as of his/her termination date, to the successor Litigation Trustee and the Oversight Committee.

ARTICLE V LIABILITY LIMITATIONS

5.1 General Indemnification. The Litigation Trust shall indemnify and hold harmless any person or other entity who was or is a party, or is threatened to be made a party, to any pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or other entity is or was the Litigation Trustee, a Beneficiary, a member of the Oversight Committee, or an agent, attorney, accountant or other professional for such person or other entity, against all costs, expenses, judgment, fines, and amounts paid in settlement, actually and reasonably incurred by such entity in connection with such action, suit or proceeding, or the defense or settlement thereof, of any claim, issue or matter therein, to the fullest extent, except to the extent attributable to willful misconduct or gross negligence. Costs or expenses incurred by any such person or other entity in defending any such action, suit or proceeding may be paid by the Litigation Trust in advance of the institution or final disposition of such action, suit or proceeding, if authorized by the Litigation Trustee and the Oversight Committee. The Litigation Trustee may in his/her discretion purchase and maintain insurance on behalf of any person or other entity who is or was a beneficiary of this provision.

5.2 No Recourse by Third Parties. No recourse shall ever be had, directly or indirectly, against the Litigation Trustee personally, or against any agent, attorney, accountant or other professional for the Litigation Trustee, or against any member of the Oversight Committee, by legal or equitable proceedings, or by virtue of any statute or otherwise, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by such persons or other entities under the Plan, this Agreement, or by reason of the creation of any indebtedness by the Litigation Trustee under the Plan or this Agreement for any purpose authorized by the Plan or this Agreement; it being expressly understood and agreed that all such liabilities, covenants, and agreements shall be enforceable only against, and be satisfied only out of, the Litigation Trust Assets or such part thereof, as shall under the terms of any such agreement, be liable therefor, or shall be evidence only of a right of payment out of the Litigation Trust Assets.

5.3 Limited Liability. Neither the Litigation Trustee, nor any member of the Oversight Committee, shall be liable for any act he/she/it may do or omit to do while acting in good faith in the exercise of his/her best judgment, and the fact that such act or omission was advised by an authorized attorney for the Litigation Trustee, shall be conclusive evidence of such good faith and best judgment; nor shall such entities be liable in any event, except for their own gross negligence or willful misconduct.

5.4 No Liability for Acts of Predecessor. No successor Litigation Trustee shall be in any way responsible for the acts or omissions of any Litigation Trustee in office prior to the date on which such person becomes a Litigation Trustee, nor shall (s)he be obligated to inquire into the validity or propriety of any such act or omission unless such successor Litigation Trustee expressly assumes such responsibility. Any successor Litigation Trustee shall be entitled to accept as conclusive any final accounting and statement of Litigation Trust Assets furnished to such successor Litigation Trustee by such predecessor Litigation Trustee and shall further be responsible only for those Litigation Trust Assets included in such statement.

5.5 No Implied Obligations. The Litigation Trustee shall not be liable (and then only for gross negligence or willful misconduct) except for the performance of such duties and obligations as are specifically provided in the Plan or in this Agreement, and no other or further covenants or obligations shall be implied in this Agreement.

5.6 Representations. Neither the Litigation Trustee, nor any member of the Oversight Committee, shall be responsible in any manner whatsoever for the correctness of any recital, statement, representation, or warranty herein, or in any document or instrument evidencing or otherwise constituting a part of the Litigation Trust Assets.

ARTICLE VI

TERMINATION

The Litigation Trust shall terminate, without any further action by the Litigation Trustee, on the date that is ninety (90) days following the Litigation Trustee's tender of a final distribution to Beneficiaries.

**ARTICLE VII
MISCELLANEOUS**

7.1 Notices. All notices, requests or other communications required or permitted to be made in accordance with this Agreement and the Plan, shall be in writing and shall be delivered personally, by certified mail or by generally recognized overnight courier to:

(a) If to the Litigation Trustee:

(b) If to Epworth Villa:

John C. Harned
President & Chief Executive Officer
Epworth Villa
14901 N. Pennsylvania Ave.
Oklahoma City, OK 73134

with copies to:

G. Blaine Schwabe, III
Gable & Gotwals, P.C.
One Leadership Square, 15th Floor
211 North Robinson
Oklahoma City, OK 73102-7101
gschwabe@gablelaw.com
(405) 235-2875 (Fax)

-and-

Sidney K. Swinson
Gable & Gotwals, P.C.
1100 ONEOK Plaza
100 W. 5th Street
Tulsa, OK 74103
sswinson@gablelaw.cm
(918) 595-4828 (Fax)

7.2 Effectiveness. This Agreement shall become effective upon the concurrence of its subscription by the Litigation Trustee and Confirmation Date of the Plan.

7.3 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be taken together to constitute one and the same instrument.

7.4 Governing Law. Except to the extent the Bankruptcy Code or the Bankruptcy Rules are applicable, this Agreement shall be governed by, construed under, and interpreted in accordance with, the laws of the State of Oklahoma.

7.5 Headings. Section names and other headings used in this Agreement are for convenience only and shall not affect the construction hereof.

7.6 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render

unenforceable any such provision in any other jurisdiction.

7.7 Successors. This Agreement shall bind and inure to the benefit of the named parties hereto and their respective successors, including any successor Litigation Trustee.

7.8 Entire Agreement. This Agreement (including the Recitals), the Plan and the Confirmation Order constitute the entire agreement by and among the parties and there are no representations, warranties, covenants or obligations except as set forth herein or therein. This Agreement, the Plan and the Confirmation Order supersede all prior and contemporaneous agreements, understandings, negotiations, discussions, written or oral, of the parties hereto, relating to any transaction contemplated hereunder. Except as otherwise specifically provided herein, in the Plan or the Confirmation Order, nothing in this Agreement is intended or shall be construed to confer upon or to give any person other than the parties hereto and their respective heirs, administrators, executors, successors, or assigns any right to remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first written above.

CENTRAL OKLAHOMA UNITED
METHODIST RETIREMENT FACILITY,
INC. d/b/a Epworth Villa

By: _____

John C. Harned
Its President

LITIGATION TRUSTEE ACCEPTANCE

The Litigation Trustee accepts the Litigation Trust imposed by this Agreement and the Plan, and agrees to perform upon and subject to the terms and conditions set forth herein, and in the Plan.

LITIGATION TRUSTEE:

EXHIBIT “2”

(Disclosure Statement Order)

To be Entered by the Court Upon Approval of the Disclosure Statement

EXHIBIT “3”

(Financial Statements)

EXHIBIT “3-1”

(Audited Financial Statements for 2013)

**CENTRAL OKLAHOMA UNITED
METHODIST RETIREMENT
FACILITY, INC.**

December 31, 2013

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013 and 2012

FINANCIAL STATEMENTS

Independent Auditors' Report	1
Statements of Financial Position.....	3
Statements of Operations.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8



Independent Auditor's Report

To the Board of Directors
Central Oklahoma United Methodist
Retirement Facility, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Central Oklahoma United Methodist Retirement Facility, Inc. ("COUMRF"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of operations and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COUMRF as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying financial statements are those of COUMRF only and are not those of the primary reporting entity. For the year ending December 31, 2012, The Ranch was considered a financially dependent entity, and as such was consolidated with the financial statements of COUMRF in a separate report issued as the financial statements of the primary reporting entity.

Cole & Reed P.C.

Oklahoma City, Oklahoma
April 17, 2014

STATEMENTS OF FINANCIAL POSITION

CENTRAL OKLAHOMA UNITED METHODIST RETIREMENT FACILITY, INC.

	December 31,	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,084,319	\$ 261,839
Accounts receivable, net	1,132,613	2,201,017
Due from related party	2,021,110	1,775,859
Prepaid expenses and other assets	240,660	290,601
Inventory	161,330	149,785
Assets held in trust, at fair value	8,103,304	16,448,008
TOTAL CURRENT ASSETS	15,743,336	21,127,109
Investments, at fair value:		
Assets held in trust	32,175,722	64,721,799
Board designated funds	7,103,756	8,114,623
Benevolent funds	2,977,595	2,731,709
Beneficial interest in endowments	354,426	305,943
	42,611,499	75,874,074
Receivable from split-interest agreements	25,129	25,279
Property and equipment, at cost:		
Land	2,688,010	2,688,010
Building and improvements	45,311,975	43,052,232
Equipment and fixtures	3,983,599	3,730,473
Construction in progress	37,883,346	5,209,910
	89,866,930	54,680,625
Less: accumulated depreciation	(24,194,803)	(22,241,338)
Net property and equipment	65,672,127	32,439,287
Intangible assets:		
Goodwill	749,800	749,800
Deferred expenses:		
Marketing and development costs	345,874	345,874
Financing costs	2,636,893	3,684,965
	2,982,767	4,030,839
Less: accumulated amortization	(936,156)	(1,433,051)
	2,046,611	2,597,788
TOTAL ASSETS	\$ 126,848,502	\$ 132,813,337

STATEMENTS OF FINANCIAL POSITION--Continued

CENTRAL OKLAHOMA UNITED METHODIST RETIREMENT FACILITY, INC.

	December 31,	
	2013	2012
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,653,447	\$ 1,714,936
Accrued payroll and employee benefits	905,794	843,996
Deferred insurance proceeds	1,581,959	416,982
Entrance fee deposits		
(including accrued interest)	143,167	500,336
Current maturities of long-term debt	6,905,000	16,270,000
Accrued interest	1,198,304	481,596
TOTAL CURRENT LIABILITIES	17,387,671	20,227,846
Long-term debt due after one year	88,217,717	95,208,791
Deferred and refundable entrance fees, net:		
Refundable advance fees	10,158,145	7,859,741
Deferred revenue from advanced fees	17,160,625	15,182,601
	27,318,770	23,042,342
TOTAL LIABILITIES	132,924,158	138,478,979
COMMITMENTS AND CONTINGENCIES		
Net assets (deficit):		
Unrestricted:		
Operating	(16,618,146)	(17,192,967)
Board designated funds	10,081,351	10,846,332
TOTAL UNRESTRICTED	(6,536,795)	(6,346,635)
Temporarily restricted	83,260	343,402
Permanently restricted	377,879	337,591
TOTAL NET DEFICIT	(6,075,656)	(5,665,642)
TOTAL LIABILITIES AND NET DEFICIT	\$ 126,848,502	\$ 132,813,337

See notes to financial statements.

STATEMENTS OF OPERATIONS

CENTRAL OKLAHOMA UNITED METHODIST RETIREMENT FACILITY, INC.

	Year Ended December 31,	
	2013	2012
REVENUE, GAINS, AND OTHER SUPPORT		
Monthly service fees:		
Residential services	\$ 7,170,996	\$ 7,073,493
Health services	6,231,837	5,803,526
Medicare services	3,998,626	4,101,920
Home and community-based services	1,768,791	1,571,965
Entrance fees earned	1,809,791	1,941,964
Contributions	49,322	47,474
Investment income	1,013,778	999,829
Other	373,722	346,221
Net assets released from restrictions used for operations	340,957	196,259
TOTAL UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT	22,757,820	22,082,651
EXPENSES		
Salaries and benefits	11,119,005	11,079,012
Professional fees and purchased services	1,946,469	1,677,872
Supplies	1,851,271	1,921,025
Utilities	879,413	720,850
Other program costs	2,685,316	2,052,080
Insurance	354,578	249,299
Depreciation	1,953,463	1,812,992
Interest	2,158,465	2,054,467
TOTAL EXPENSES	22,947,980	21,567,597
OPERATING GAIN (LOSS)	(190,160)	515,054
CHANGE IN UNRESTRICTED NET DEFICIT	\$ (190,160)	\$ 515,054

STATEMENTS OF OPERATIONS--Continued

CENTRAL OKLAHOMA UNITED METHODIST RETIREMENT FACILITY, INC.

	Year Ended December 31,	
	2013	2012
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 80,913	\$ 112,621
Investment income	(40)	236,354
Changes in value of split-interest agreements	(58)	(2,784)
Released from restrictions	<u>(340,957)</u>	<u>(196,259)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(260,142)	149,932
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	10,254	-
Investment income	30,126	20,714
Changes in fair value of split-interest agreements	<u>(92)</u>	<u>(6,268)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>40,288</u>	<u>14,446</u>
CHANGE IN NET DEFICIT	(410,014)	679,432
NET DEFICIT, BEGINNING OF YEAR	<u>(5,665,642)</u>	<u>(6,345,074)</u>
NET DEFICIT, END OF YEAR	<u>\$ (6,075,656)</u>	<u>\$ (5,665,642)</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

CENTRAL OKLAHOMA UNITED METHODIST RETIREMENT FACILITY, INC.

	Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (410,014)	\$ 679,432
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	1,953,463	1,812,992
Amortization of bond liability premium	(86,074)	-
Amortization of financing costs	627,663	97,280
Realized and unrealized gains on investments	(693,911)	(1,256,897)
Change in value of split-interest agreements, net	150	1,238
Entrance fees earned	(1,809,791)	(1,941,964)
Entrance fees and deposits received, net of refunds	6,086,219	2,588,308
Changes in operating assets and liabilities:		
Accounts receivables	1,068,404	(1,047,168)
Prepaid expenses and other assets	49,941	154,261
Inventory	(11,545)	(33,702)
Accounts payable	(59,755)	784,858
Accrued payroll and employee benefits	61,798	100,738
Deferred insurance proceeds	1,164,977	416,982
Accrued interest payable on long-term debt	716,708	(21,177)
Entrance fee deposits (including accrued interest)	(357,169)	458,066
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,301,064	2,793,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(30,188,037)	(4,255,950)
Purchases of investments	(14,615,333)	(80,533,798)
Proceeds from sale/maturities of investments	56,916,523	3,878,546
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	12,113,153	(80,911,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of deferred financing costs	(76,486)	(361,727)
Proceeds from long term debt	-	77,314,086
Borrowings under line of credit	-	1,500,000
Advances to related party, net	(245,251)	(1,637,182)
Payments on notes payable and line of credit	-	(500,000)
Payments on long-term bond debt	(16,270,000)	(890,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(16,591,737)	75,425,177
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,822,480	(2,692,778)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	261,839	2,954,617
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,084,319	\$ 261,839
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	\$ 4,364,562	\$ 2,074,433
Deferred financing costs deducted from bond proceeds	-	1,334,705
Line of credit payment deducted from bond proceeds	-	1,000,000
Construction in progress included in accounts payable and retainage payable	4,998,266	-

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CENTRAL OKLAHOMA UNITED METHODIST RETIREMENT FACILITY, INC.

December 31, 2013

NOTE A--ORGANIZATION

Central Oklahoma United Methodist Retirement Facility, Inc. ("COURMF") was incorporated in 1986 as an Oklahoma not-for-profit corporation to provide retirement facilities and to operate such facilities to satisfy the housing, health care, and related needs of aged or retired persons.

COURMF constructed Epworth Villa, a retirement community located in Oklahoma City, Oklahoma. At December 31, 2013, the community consisted of 224 independent living apartment units, 34 independent living duplex cottage units, 6 garden homes, a Medicare- certified 87-bed nursing care health center, an assisted living care center containing 26 traditional assisted living beds and 24 assisted living memory care beds, hospice services, home health services and a two story community outreach and education building, and a maintenance building. COURMF offers life care contracts whereby residents enter into a residency agreement that requires payment of a one-time entrance fee and a monthly service fee thereafter entitling residents to the use and privileges of Epworth Villa for life, and fee-for-service contracts that require additional fees for higher levels of care. Residents do not acquire an interest in the real estate and property owned by COURMF.

On December 30, 2011, COURMF acquired the assets and liabilities of White Woods Retirement Campus Inc. ("The Ranch"). In 2012, COURMF transferred its sole membership in The Ranch to Epworth Living, Inc. The Ranch was financially dependent on COURMF through February 2013, at which time The Ranch entered into a line of credit agreement with a third party. Although, financially dependent in 2012, these financial statements are prepared for COURMF on a stand-alone basis and do not include the accounts of The Ranch.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of COURMF have been prepared on the accrual basis of accounting. COURMF follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC provides a single source of authoritative GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Cash Equivalents: Cash equivalents are short term, highly liquid investments that can be readily converted into known amounts of cash, including certificates of deposit with original maturities of 90 days or less. COURMF maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Management does not consider this to be an unreasonable risk of loss.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Accounts Receivable: Accounts receivable includes invoiced amounts due from Medicare and residents and patients for services rendered by COUMRF and any deferred entrance fees of new residents. Receivables are recorded as services are rendered to residents and patients. Accounts receivable, excluding deferred entrance fees included in accounts receivable, are due within 30 days and are stated at amounts due, net of an allowance for doubtful accounts. Accounts receivable from deferred entrance fees, which totaled \$0 at December 31, 2013 and 2012, respectively, are due within the earlier of a) ten days from the closing of the sale of their house or b) six months. Accounts that are outstanding longer than the contractual payment terms are considered past due. The allowance for doubtful accounts is established based on management's assessment of the collectability of specific resident accounts and the aging of the accounts receivable. COUMRF writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accounts receivable are shown net of an estimated allowance for doubtful accounts, as follows:

	2013	2012
Total accounts receivable	\$ 1,304,710	\$ 2,210,874
Less: allowance for doubtful accounts	172,097	9,857
Net accounts receivable	<u>\$ 1,132,613</u>	<u>\$ 2,201,017</u>

Inventory: Inventories consist of housekeeping, food, medical, and office supplies. Inventory is valued at cost using the first-in, first-out method.

Fair Value Measurements: COUMRF follows fair value measurements and disclosures guidance as outlined in ASC-820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC-820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

The following is a brief description of the three levels of the fair value hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs that are derived principally from or corroborated by observable market data; and
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets subject to ASC-820 are limited to COUMRF's investments. COUMRF has no financial liabilities subject to ASC-820.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. The cost assigned to investments received by gift is the fair value at the date the gift is received. The net realized and unrealized gains (losses) on investments are reflected in the statements of operations.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Board Designated Funds: The Board of Directors has designated unrestricted funds to be used for debt service, emergency repair and replacement, the Benevolent Fund (Note F), and for cash reserves towards various affirmative and restrictive covenants contained in the mortgage and security agreement related to COUMRF's long-term debt (Note E). The Board of Directors retains control over the board-designated funds and may, at its discretion, subsequently use these unrestricted assets for other purposes.

Long-Lived Assets: Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. No such adjustments to the reported values were recorded in 2013 or 2012.

Property and Equipment: Property and equipment are valued at cost if purchased or fair value if contributed. All capital assets other than land are depreciated using the straight-line method of depreciation using the following asset lives:

Land and building improvements	5 to 40 years
Equipment and fixtures	3 to 20 years

Construction in progress totals \$37,883,346 and \$5,209,910 at December 31, 2013 and 2012, respectively, which has not yet been placed in service and as such no depreciation has been recognized in 2013 or 2012. COUMRF's policy is to capitalize items or groups of items in excess of \$3,000. Expenditures for maintenance and repairs are charged to expense as incurred.

Goodwill: During 2010, COUMRF recorded goodwill of \$749,800 related to its asset purchase of Quality Life Hospice, a Medicare-certified hospice agency. An evaluation of goodwill impairment test is performed annually or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds fair value. If it is determined that it is more likely than not that carrying value exceeds fair value, recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of each reporting unit with its carrying value. If a reporting unit's carrying value exceeds its fair value, the second step is performed to measure the amount of impairment loss, if any. The second step involves a comparison of the implied fair value and carrying value of that reporting unit's goodwill. To the extent that a reporting unit's carrying value exceeds the implied fair value of its goodwill, an impairment loss is recognized. No such impairment loss was recognized in 2013 or 2012.

Deferred Expenses: Deferred marketing and development costs relate to the costs of acquiring resident contracts and are being amortized on a straight-line basis over the original estimated average life expectancy of those residents (estimated at 13.8 years).

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Deferred Expenses--Continued: Deferred financing primarily consists of the issuance costs associated with the revenue bond issues (Note E), and are being amortized using the interest method over the term of the related debt in relation to the principal outstanding.

Deferred and Refundable Entrance Fees: Prior to admittance to Epworth Villa, life care residents pay an initial entrance fee. Residents may select either a refundable or a non-refundable plan. In a refundable plan, a specified percentage of the entrance fee is fully refundable to the resident or the resident's estate upon termination of the contract. Epworth Villa reserves the right, at management's discretion, to delay payments of such refunds until after the unit has been re-occupied and a new entrance fee has been collected by COUNRF.

The "non-refundable" entrance fees are refundable if the resident moves out within a specified timeframe, subject to a cancellation fee equal to 10% of the non-refundable entrance fee plus 1.5% of the entrance fee for each month of occupancy up to 60 months. In addition to the traditional life care contract, COUNRF offers residents fee-for-service contracts. Fee-for-services contracts are generally refundable as described above. However, whereas life care contracts include varying levels of medical care, medical expenses under a fee for service contract are charged to a resident as incurred. Entrance fees received are deferred. The refundable portion of the entrance fees will remain as a liability, reflecting COUNRF's future obligation for repayment. The non-refundable entrance fees are amortized on a straight-line-basis to revenue over the resident's estimated remaining life expectancy, which is determined annually by reference to mortality tables. Upon death or termination of occupancy, the unamortized nonrefundable portion of the deferred entrance fee is recognized as income.

Amortization of deferred revenue from entrance fees, exclusive of the effect of deaths and termination of occupancy, was \$1,555,959 and \$1,579,502 for the years ended December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, COUNRF's maximum obligation for potential terminations was approximately \$22,907,000 and \$18,810,000, respectively.

Obligation to Provide Future Services: COUNRF annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation would be discounted based on the expected long-term rate of return on government obligations.

Based upon COUNRF's calculation, at December 31, 2013 and 2012, no obligation to provide for the present value of the net cost of future services and the use of facilities to be provided to current residents is included in the accompanying financial statements. COUNRF has determined that such obligation is less than the total of deferred revenue from advance entrance fees and the additional revenue available from COUNRF's ability to increase monthly service fees and charges for nursing services.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets: Net assets are classified into three categories: unrestricted net assets, which have no donor-imposed restrictions; temporarily restricted net assets, which have donor-imposed restrictions that are expected to expire in the future; and permanently restricted net assets, which have donor-imposed restrictions which are not expected to expire. The operating fund represents unrestricted funds available for support of COUNMRF's operations. The Board of Directors of COUNMRF has identified certain unrestricted net assets to be used for designated purposes, as determined by the Board.

Expiration of Donor-Imposed Restrictions: The expiration of donor-imposed restrictions on contribution or endowment income is recognized in the period in which the restriction expires and at that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions of cash or other assets to be used to acquire, construct, or improve land, buildings, and equipment without donor stipulations about how long the asset must be used are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition or completion of construction or improvement of such long-lived assets.

Temporarily restricted contributions are recorded as gross restricted revenue in the period the contribution or pledge is received. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. The amount of net assets identified as released from donor restrictions includes any amount released whether received in the current or prior periods.

Advertising Expenses: Advertising costs are expensed as incurred and totaled \$51,288 and \$135,797 in 2013 and 2012, respectively.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the accompanying financial statements include the amortization of deferred entrance fees, impairment of long-lived assets, including goodwill, and capitalized marketing and development and financing costs, among others.

Income Tax Status: COUNMRF is exempt from federal tax pursuant to Section 501 (a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3). COUNMRF has also been designated as a publicly supported organization under Section 509(a)(2) of the Code and as a qualified continuing care retirement community under Section 7872(g)(4)(a) of the Code.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Tax Status--Continued: Management has evaluated COUNMRF's tax positions and concluded that the entity has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the FASB's guidance on accounting for uncertain income taxes. With few exceptions, COUNMRF is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2010.

Reclassifications: Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events: Management has evaluated subsequent events through April 17, 2014, the date the financial statements were available to be issued. See Note O for discussion of subsequent event matters requiring recognition or disclosure.

NOTE C--ASSETS HELD IN TRUST

Assets held in trust are comprised of the following:

	2013	2012
Debt service reserve fund	\$ 6,118,432	\$ 6,121,022
Redemption fund	129	15,621,671
Working capital fund	1,000,000	-
Entrance fees fund	2,869,752	-
Project fund	26,204,112	52,900,598
Funded interest fund	3,649,762	6,098,508
Principal and interest fund	436,839	428,008
	<hr/> 40,279,026	<hr/> 81,169,807
Less: current portion required for current liabilities	8,103,304	16,448,008
	<hr/> <u>\$ 32,175,722</u>	<hr/> <u>\$ 64,721,799</u>

Deposits are made to these funds in accordance with the trust indenture, which restricts their use (Note E). Interest received and receivable on the above funds is included as part of the fair market value in each respective fund.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE D--ENTRANCE FEE DEPOSITS

When a residence agreement is signed, a 5% deposit or at least \$2,000 of the entrance fee is collected with the balance of the fee payable within 60 days after the unit is made available for residency. Depositors may cancel their residence agreement at any time prior to establishing residency and receive a refund of the entrance fee deposit, reduced by a \$500 nonrefundable application fee. At December 31, 2013 and 2012, these deposits totaled \$137,920 and \$494,206 respectively.

COURMF also accepts wait list deposits from individuals interested in reserving space prior to formal application and approval for residency. Wait list deposits, totaling \$4,000 and \$6,000 at December 31, 2013 and 2012, respectively, are applied to the entrance fee deposit if approval of the residence agreement is made.

Interest is payable by COURMF on all "wait list" entrance fee deposits at a variable rate of interest equal to the rate earned at a local bank, of approximately .15% and 0.10% at December 31, 2013 and 2012, respectively, compounded monthly unless a cancellation refund is requested. Accrued interest will be credited to the balance of the entrance fee due upon occupancy, when move-in occurs. Accrued interest payable on these deposits totaled \$133 and \$130 at December 31, 2013 and 2012, respectively. At December 31, 2013, there is an additional \$1,114 of accrued interest for an incentive for depositors of Independent Living East during the construction phase.

NOTE E--LONG-TERM DEBT

In December 2012, COURMF completed its Series 2012 Revenue Bond ("2012 Bonds") offering whereby COURMF issued \$78,635,000 of 2012 Bonds as follows:

Series 2012A	\$ 72,765,000
Series 2012B	\$ 2,605,000
Series 2012C	\$ 3,265,000

The 2012 Bonds were issued to (a) pay or reimburse the costs of acquiring, constructing, furnishing and equipping an expansion of and improvements to Epworth Villa, (b) current refund the 1997A Bonds of \$3,830,000, 2000B Bonds of \$3,000,000, and 2004A Bonds of \$8,505,000, (c) refinance a construction line of credit totaling \$1,000,000, and (d) pay the costs of issuing the 2012 Bonds.

The 2012 Bonds were sold at premium of \$1,013,791, which is included as a component of the 2012 Revenue Bonds and is being amortized as a component of interest expense over the life of the applicable 2012 Bonds. Additionally, COURMF incurred \$1,772,418 of issuance costs, which includes \$1,334,705 of underwriter's discount. The issuance costs have been capitalized as a component of deferred expenses and are being amortized as a component of interest expense over the life of the applicable 2012 Bonds.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE E--LONG-TERM DEBT--Continued

Otherwise, COUMRF's long-term debt consists principally of outstanding revenue refunding bonds, Series 2004A, 2005A, and 2005B, all of which were issued in prior years. All outstanding revenue bonds are secured by virtually all of COUMRF's property and equipment, accounts receivable, contract rights, and revenues.

Amortization of the bond premium totaled \$86,074 and \$0 for the years ended December 31, 2013 and 2012, respectively. Amortization of bond financing costs totaled \$627,663 and \$97,280 for the years ended December 31, 2013 and 2012, respectively (amortization for 2013 includes the remaining \$396,725 of the 1997 Bonds as they were extinguished as part of the 2012 Bonds issuance).

A summary of long-term debt at December 31, 2013 and 2012 follows:

	2013	2012
2.00 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2013.	\$ -	\$ 685,000
2.25 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2014.	770,000	770,000
2.50 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2015.	780,000	780,000
5.00 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2023.	10,305,000	10,305,000
5.00 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2029.	4,985,000	4,985,000
5.00 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2033.	10,820,000	10,820,000
5.13 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2042.	44,420,000	44,420,000
4.25 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2018.	2,605,000	2,605,000
3.50 percent 2012 Tax-Exempt Revenue Bonds due April 1, 2018.	3,265,000	3,265,000
5.50 percent 2004 Tax-Exempt Revenue Bonds due April 1, 2014.	-	1,030,000
5.00 percent 2005 Tax-Exempt Revenue Bonds due April 1, 2015.	550,000	800,000
6.00 percent 2004 Tax-Exempt Revenue Bonds due April 1, 2018.	-	3,700,000
6.00 percent 2004 Tax-Exempt Revenue Bonds due April 1, 2022.	-	3,775,000
7.00 percent 1997 Tax-Exempt Revenue Bonds due April 1, 2025.	-	3,830,000
5.70 percent 2005 Tax-Exempt Revenue Bonds due April 1, 2025.	4,045,000	4,045,000
7.25 percent Adjustable Long-Term Mode 2004 Tax-Exempt Revenue Bonds due April 1, 2027, Initial Rate Change April 1, 2009.	3,500,000	3,500,000
5.88 percent 2005 Tax-Exempt Revenue Bonds due April 1, 2030.	6,150,000	6,150,000
5.00 percent Adjustable Long-Term Mode 2005 Tax-Exempt Revenue Bonds due April 1, 2030, Initial Rate Change April 1, 2011.	2,000,000	2,000,000
6.38 percent Adjustable Long-Term Mode 2000 Tax-Exempt Revenue Bonds due April 1, 2031, Initial Rate Change April 1, 2005.	-	3,000,000
	94,195,000	110,465,000
Plus: original issue premium	927,717	1,013,791
	95,122,717	111,478,791
Less: current portion	6,905,000	16,270,000
	<u>\$ 88,217,717</u>	<u>\$ 95,208,791</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE E--LONG-TERM DEBT--Continued

Reserve Funds: Under the terms of the mortgage and security agreement and the bond indenture, COUNRF is required to establish and maintain various reserve funds with the Trustee as described below:

Debt Service Reserve Fund: The minimum balance in the Debt Service Reserve Fund must be equal to the maximum annual bond debt service on the outstanding bonds, as defined in the indenture. These funds shall be used only to make up deficiencies in the Principal and Interest Fund.

Revenue Fund: COUNRF must deposit amounts equal to the required debt service payments when due and payable. Funds are transferred by the Trustee from the Revenue Fund to the Principal and Interest Fund sufficient to make required principal and interest payments.

Principal and Interest Fund: The Trustee transfers from the Revenue Fund an amount equal to the required principal and interest payments on the payment due date to the extent the fund balance is not sufficient to make the required payment. (Not applicable for 2012 bonds).

Project Fund: Gross funded at closing from a portion of the 2012 Bonds proceeds, to be used to pay for construction and related costs of the expansion and improvements at Epworth Villa.

Funded Interest Fund: Net funded from the 2012 Bond proceeds to be used to fund 24 months of interest related to 2012 Bonds.

Entrance Fee Fund: This fund is funded with initial entrance fees from the new independent living units constructed as part of the expansion and improvements at Epworth Villa. This fund is available to pay entrance fee refunds associated with the new independent living units, fund the working capital fund, and redeem the Series 2012B and Series 2012C Bonds. The fund will be released upon meeting specified occupancy and repayment of the Series 2012B and 2012C Bonds.

Working Capital Fund: This fund is initially funded with approximately \$1,000,000 of initial entrance fees from the new independent living units. Funds in the working capital fund will be disbursed to pay (a) costs of the initial construction and equipping of the 2012 project, (b) development and marketing fees and expenses related to the 2012 project, (c) operating expenses relating to the 2012 project, (d) costs of needed repairs to the 2012 project, (e) routine capital expenditures relating to the 2012 project, (f) refunds of entrance fees as required by residency agreements, or (g) amounts due on other notes other than optional prepayment or optional redemption.

Redemption Fund: This fund was gross funded from a portion of the 2012 Bonds proceeds to current refund the 1997A Bonds of \$3,830,000, 2000B Bonds of \$3,000,000, and 2004A Bonds of \$8,505,000. This fund was only anticipated to be used until the aforementioned bonds were current refunded.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE E--LONG-TERM DEBT--Continued

Reserve Funds--Continued:

Funds held by the trustee in the various reserve funds totaled \$40,279,026 and \$81,169,807 at December 31, 2013 and 2012, respectively (see Note C).

Maturities of long-term debt, excluding any amount which may be subject to repayment under mandatory tender options, are as follows (net of original issue premium):

<u>Year</u>	<u>Total</u>
2014	\$ 6,905,000
2015	1,065,000
2016	1,425,000
2017	1,500,000
2018	1,580,000
Thereafter	81,720,000
	<u>\$ 94,195,000</u>

The mortgage and security agreement also contains various affirmative and restrictive covenants. These covenants, among other things, require COUMRF to meet certain financial ratio and occupancy requirements. At December 31, 2013 and 2012, COUMRF met all affirmative and restrictive covenants.

Interest expense, which includes amortization of bond premium and deferred financing costs, related to long-term debt was \$2,158,465 and \$2,054,467 for the years ended December 31, 2013 and 2012, respectively. During 2013, COUMRF capitalized \$2,922,805 of interest expense, net of \$434,307 of interest income as part of construction cost related to the expansion project (none in 2012).

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE F--NET DEFICIT

Net deficit at December 31, consists of the following:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating	\$ (16,618,146)	\$ -	\$ -	\$ (16,618,146)
Capital expenditures fund (A)	-	83,229	200,424	283,653
Benevolent fund (B)	2,977,595	31	13,818	2,991,444
Other board designated funds (C)	7,103,756	-	-	7,103,756
Other endowments (D)	-	-	163,637	163,637
Total net assets (deficit)	<u>\$ (6,536,795)</u>	<u>\$ 83,260</u>	<u>\$ 377,879</u>	<u>\$ (6,075,656)</u>

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating	\$ (17,192,967)	\$ -	\$ -	\$ (17,192,967)
Capital expenditures fund (A)	2,314,504	230,781	169,512	2,714,797
Benevolent fund (B)	2,731,709	-	13,818	2,745,527
Other board designated funds (C)	5,800,119	-	-	5,800,119
Other endowments (D)	-	-	154,261	154,261
Capital campaign (E)	-	112,621	-	112,621
Total net assets (deficit)	<u>\$ (6,346,635)</u>	<u>\$ 343,402</u>	<u>\$ 337,591</u>	<u>\$ (5,665,642)</u>

- A) The temporarily restricted balance of the Capital Expenditures Fund consists of cash contributions and the value of certain receivables from split-interest agreements originally made to COUMRF for the construction and operating costs associated with the Care and Study Center. In 2003 the Care and Study Center legal entity was dissolved. Accordingly, in 2005, the Board of Directors designated these contributions for future capital expenditures of COUMRF.
- B) The Benevolent Fund consists primarily of board designated funds, the value of certain receivables from split-interest agreements and contributed funds to provide financial assistance to residents that are unable to pay monthly service fees.
- C) Other board designated funds represent amounts set aside in an effort to increase COUMRF's cash reserves.
- D) Other endowments include contributions and accumulated interest held in perpetuity at OUMF for the general benefit of COUMRF and for the benefits not yet specified by the donor.
- E) This fund consists of temporarily restricted funds collected as part of the Capital Campaign.

The net asset deficit is caused by the deferral of entrance fees and COUMRF's policy to recognize such fees on the straight-line basis over the residents estimated remaining life expectancies.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE G--OPERATING LEASES AND OTHER FINANCIAL COMMITMENTS

In the ordinary course of business, COUMRF enters into various operating leases for office equipment and vehicles. Total operating lease expenses were approximately \$58,000 and \$70,000 for the years ended December 31, 2013 and 2012, respectively. Future obligations under operating leases are as follows:

Year	Total
2014	\$ 59,175
2015	47,417
2016	38,911
2017	33,996
2018	25,479
	<u>\$ 204,978</u>

In 2008, COUMRF entered into a contract to purchase a majority of its natural gas requirements from a third party at a fixed price. Expenses incurred by COUMRF in 2013 and 2012 related to this contract totaled approximately \$53,000 and \$51,000, respectively.

In November 2012, COUMRF entered into a new agreement regarding the processing of billing services to an independent third party. The contract terminated on November 30, 2013.

In 2012, COUMRF entered into a contract for the design and construction of the expansion and renovation of living facilities on the Epworth Villa Campus. The contract includes compensation for the design phase which varies based on the design services provided for renovation and new construction. The design compensation is a percentage ranging from 5.5%-7% of the actual construction costs currently estimated at \$43,226,980 for total compensation of approximately \$2,538,000.

NOTE H--401 (K) PLAN

COUMRF sponsors a 401 (k) Retirement Plan (the "Plan") which covers substantially all COUMRF employees. Employees become eligible for participation in the Plan in the first month following 90 days of their hire date. COUMRF matches 50% of the employee contributions up to 4% of an employee's salary. New participants become fully vested in the Plan after three years of service. In 2013 and 2012, COUMRF contributed approximately \$104,000 and \$81,000, respectively, to the Plan.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE I--RELATED PARTY TRANSACTIONS

From 2012 through February 2013, the expenses of The Ranch, including services and costs associated with payroll and personnel were paid by COUMRF. The remaining balance is presented as due from related party in the statement of financial position:

	2013	2012
Balance at January 1	\$ 1,775,859	\$ 138,677
Operating expenses	-	211,421
Note payable	-	212,732
Construction in progress	245,251	1,212,029
Advances	-	1,000
Balance at December 31	<u>\$ 2,021,110</u>	<u>\$ 1,775,859</u>

NOTE J--FAIR VALUE OF FINANCIAL INSTRUMENTS

Following is a description of methodologies used to estimate the fair value of financial instruments on a non-recurring basis:

Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable and Accrued Liabilities - the carrying amounts approximate fair value due to their short maturity.

Split Interest Agreements - the carrying value of the receivable is based on the underlying investment assets less the estimated liability for annuity payments to be made over the estimated remaining life of the donors, using a discount rate of 6%. Carry value approximates fair value.

Long-term Debt - the fair value of long-term debt (including current portions) approximates carrying value as current interest rates are believed to approximate the rates on COUMRF's outstanding obligations.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE J--FAIR VALUE OF FINANCIAL INSTRUMENTS--Continued

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Short-term money market funds	\$ 5,615,432	\$ -	\$ -	\$ 5,615,432
Certificate of deposit	-	2,596,000	-	2,596,000
U.S. treasury notes and government agency obligations	-	2,752,785	-	2,752,785
Mutual funds - fixed income	32,816,121	-	-	32,816,121
Mutual funds - equities	2,081,537	-	-	2,081,537
Common stock	4,450,177	-	-	4,450,177
Commingled funds managed by The Oklahoma United Methodist Foundation, Inc. (OUMF)	-	48,325	354,426	402,751
Total investments measured at fair value on a recurring basis	<u>\$44,963,267</u>	<u>\$5,397,110</u>	<u>\$ 354,426</u>	<u>\$50,714,803</u>

	As of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Short-term money market funds	\$78,685,391	\$ -	\$ -	\$78,685,391
Certificate of deposit	-	2,661,364	-	2,661,364
U.S. treasury notes and government agency obligations	-	207,669	-	207,669
Municipal obligations	-	484,145	-	484,145
Corporate obligations	-	375,519	-	375,519
Mutual funds - fixed income	2,811,281	-	-	2,811,281
Mutual funds - equities	2,517,414	-	-	2,517,414
Common stock	4,230,729	-	-	4,230,729
Commingled funds managed by The Oklahoma United Methodist Foundation, Inc. (OUMF)	-	42,867	305,703	348,570
Total investments measured at fair value on a recurring basis	<u>\$88,244,815</u>	<u>\$3,771,564</u>	<u>\$ 305,703</u>	<u>\$92,322,082</u>

COURMF has no liabilities measured at fair value on a recurring basis.

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE J--FAIR VALUE OF FINANCIAL INSTRUMENTS--Continued

Following is a description of methodologies used for assets measured at fair value on a recurring basis:

Short-term Money Market Funds - the fair values are based on a broker quote based on highly determinable fair values in an active market. The amounts held are classified as Level 1 in the fair value hierarchy.

U.S. Treasury Notes, Municipal and Government Agencies Obligations, and Certificates of Deposit - the fair values are based on a broker quote in a non-active market or provided by investment manager which use recent trades (not active trades), yield curves, and/or interest rates to determine the estimated values. Due to the non-active markets, maturities and redemption terms, these assets are classified as Level 2 in the fair value hierarchy.

Corporate Obligations - the fair values are based on a broker quote in a non-active market. Due to the non-active markets, these assets are classified as Level 2 in the fair value hierarchy.

Mutual Funds and Common Stock - when quoted market prices are available in an active market, securities in these classifications are classified as Level 1 in the fair value hierarchy.

Commingled Funds Managed by OUMF - the fair values are derived by OUMF and provided to COUMRF. OUMF's fair value is based on frequency of subscriptions and redemptions and the fund's net asset values are not publicly available but are provided to fund holders. The portion of investments upon which there are no restrictions or fees on redemptions is classified as Level 2 in the fair value hierarchy. Investments remaining with restrictions on redemption terms are classified as Level 3 in the fair value hierarchy.

The following table summarizes the changes in the fair value of the COUMRF's Level 3 financial asset, commingled funds management by OUMS, for the years ending December 31, 2013 and 2012:

	2013	2012
Balance at beginning of year	\$ 305,703	\$ 297,264
Change in value of beneficial interest in assets held by others	46,002	7,230
Distributions	(17,994)	-
Contributions	20,715	1,209
Balance at end of year	<u>\$ 354,426</u>	<u>\$ 305,703</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE J--FAIR VALUE OF FINANCIAL INSTRUMENTS--Continued

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those included in the statements of operations and those provided to the COUMRF by OUMF. COUMRF's investment of comingled funds which are managed by OUMF includes funds held as a beneficial interest in endowment as reflected in the statement of financial position. OUMF calculates net asset value per share which is measured at fair value and includes the following:

Investments that are reflected at net asset value per share totals \$402,751 and \$348,570 at December 31, 2013 and 2012, respectively. These investments consist of various common and preferred stocks, asset backed obligations, mutual and index funds, government obligations, and cash equivalent funds. These investments are directed by OUMF and the portfolio is designed to achieve endowment returns consistent with OUMF's adopted investment policies. Investments in this category totaling \$354,426 and \$305,703 at December 31, 2013 and 2012, respectively, cannot be redeemed at the current net asset value per share as COUMRF is only the beneficiary of the investment earnings which are distributed in accordance with OUMF's spending policy.

NOTE K--GOODWILL

Changes in the carrying amount of goodwill are as follows for the years ended December 31:

	2013	2012
Balance beginning of year	\$ 749,800	\$ 749,800
Addition to goodwill resulting from acquisition	-	-
Balance at end of year	<u>\$ 749,800</u>	<u>\$ 749,800</u>

At December 31, 2013, no impairment of goodwill has been recognized.

NOTE L--CONCENTRATION OF CREDIT RISK

COUMRF grants credit without collateral to its residents and patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2013 and 2012, was as follows:

	2013	2012
Resident's monthly service fees	15%	10%
Medicare	85%	90%
Deferred entrance fees	0%	0%
	<u>100%</u>	<u>100%</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CENTRAL OKLAHOMA UNITED METHODIST
RETIREMENT FACILITY, INC.

December 31, 2013

NOTE M--RISK MANAGEMENT

COURMF is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage has been obtained for claims arising from such matters with the exception of employee health insurance. To protect against large health losses, COURMF has purchased stop-loss insurance from a commercial carrier whereby all individual losses in excess of \$100,000 in 2013 and \$85,000 in 2012 are covered by the excess carrier, up to a \$1,000,000 aggregate limit. As of December 31, 2013, COURMF has approximately \$39,000 accrued to cover anticipated claims from 2013 not paid until 2014.

After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on COURMF's future financial position or results from operations.

In 2013 and 2012, COURMF received insurance proceeds relating multiple storm claims of approximately \$2,252,000 and \$1,272,000, respectively. Proceeds from insurance will be utilized by COURMF to restore property and equipment to their pre-damage state. At December 31, 2013 and 2012, COURMF had unused insurance proceeds totaling \$1,581,959 and \$416,982, respectively.

NOTE N--CLASSIFICATION OF EXPENSES

COURMF's expenses presented by functional classification for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Program activities	\$ 20,660,348	\$ 19,624,842
General and administrative	2,287,632	1,942,755
	<u>\$ 22,947,980</u>	<u>\$ 21,567,597</u>

NOTE O--SUBSEQUENT EVENTS

The Board of Directors of COURMF approved the sale its home health and hospice operations to Epworth at Home, LLC ("Epworth at Home"), whose sole member is Epworth at Home, Inc., which is a subsidiary of Epworth Living. The initial transfer date was December 31, 2013; however, subsequent to year end, the Board extended the date of transfer to March 1, 2014. Epworth at Home will assume all assets and liabilities of the home health and hospice operations for \$1,000,000 to be paid pursuant to the terms of a promissory note between COURMF and Epworth at Home.

EXHIBIT “3-2”

(Audited Financial Statements for 2014)

**Central Oklahoma United Methodist Retirement
Facility, Inc. d/b/a Epworth Villa**

(Debtor-in-Possession)

Auditor's Report and Financial Statements

December 31, 2014



Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
December 31, 2014

Contents

Independent Auditor's Report.....	1
--	----------

Financial Statements

Balance Sheet	3
Statement of Operations	4
Statement of Changes in Net Assets.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Two Warren Place // 6120 S. Yale Avenue, Suite 1400 // Tulsa, OK 74136-4223
918.584.2900 // fax 918.584.2931 // bkd.com

Independent Auditor's Report

Board of Directors
Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa (Debtor-in-Possession), which comprise the balance sheet as of December 31, 2014, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa (Debtor-in-Possession) (Epworth Villa) as of December 31, 2014, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The accompanying financial statements have been prepared assuming Epworth Villa will continue as a going concern. As discussed in *Note 2*, on July 9, 2014, a money judgment for approximately \$15,200,000 was entered against Epworth Villa. That judgment is being appealed to the Oklahoma Supreme Court. In order to afford an opportunity to continue operations and reorganize its affairs and to avoid precipitous collection of the judgment during its appeal, Epworth Villa voluntarily filed for Chapter 11 bankruptcy protection on July 18, 2014. The judgment, which remains on appeal, and the pending Chapter 11 case, raise substantial doubt about Epworth Villa's ability to continue as a going concern. Management's plan in regard to this matter is also described in *Note 2*. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The 2013 financial statements, before they were restated for the matter discussed in *Note 17*, were audited by other auditors and their report thereon, dated April 17, 2014, expressed an unmodified opinion.

Our opinion is not modified with respect to these matters.

BKD, LLP

Tulsa, Oklahoma
April 30, 2015

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Balance Sheet
December 31, 2014

Assets**Current Assets**

Cash and cash equivalents	\$ 2,101,039
Assets limited as to use – current	2,093,278
Patient accounts receivable, net of allowance	775,679
Other receivables	1,367,302
Due from related parties	2,020,885
Prepaid expenses and other	<u>670,588</u>
Total current assets	<u>9,028,771</u>

Assets Limited as to Use

Held by trustee	15,318,395
Externally restricted	180,000
Board-designated funds	5,432,590
Benevolent funds	3,074,712
Beneficial interest in endowments	<u>382,952</u>
	24,388,649
Less amounts required to meet current obligations	<u>2,093,278</u>
	<u>22,295,371</u>

Property and Equipment, Net85,223,203**Other Assets**

Note receivable – related party	949,791
Other assets	<u>21,442</u>
Total other assets	<u>971,233</u>
Total assets	<u><u>\$ 117,518,578</u></u>

Liabilities and Net Assets (Deficit)**Liabilities Not Subject to Compromise – Current**

Accounts payable	\$ 5,045,531
Accrued payroll and related expenses	914,688
Due to related party	58,669
Other accrued expenses	<u>732,299</u>

Total current liabilities 6,751,187

Liabilities Not Subject to Compromise – Entrance Fees

Refundable entrance fees	22,273,271
Deferred revenue from entrance fees	<u>4,497,849</u>

Total liabilities not subject to compromise 33,522,307

Liabilities Subject to Compromise

Accounts payable	648,445
Accrued expenses	291,000
Accrued interest	1,143,231
Litigation payable	16,244,182
Long-term debt	<u>87,835,000</u>

Total liabilities subject to compromise 106,161,858

Total liabilities 139,684,165

Net Assets (Deficit)

Unrestricted	(22,643,576)
Temporarily restricted	83,070
Permanently restricted	<u>394,919</u>

Total net assets (deficit) (22,165,587)

Total liabilities and net assets (deficit) \$ 117,518,578

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Statement of Operations
Year Ended December 31, 2014

Unrestricted Revenues, Gains and Other Support	
Resident and net patient service revenue	\$ 19,108,555
Amortization of entrance fees	2,158,340
Other	<u>409,619</u>
Total unrestricted revenues, gains and other support	<u>21,676,514</u>
Expenses	
Salaries, wages and employee benefits	9,275,685
Purchased services and professional fees	2,695,992
Supplies	1,883,185
Insurance	508,818
Utilities	1,025,484
Other expenses	1,780,318
Depreciation and amortization	2,322,541
Interest	3,071,884
Loss on litigation judgment	16,244,182
Loss on sale of property and equipment	<u>368,148</u>
Total expenses	<u>39,176,237</u>
Operating Loss	<u>(17,499,723)</u>
Other Income	
Contributions received	58,621
Investment return	<u>1,273,344</u>
Total other income	<u>1,331,965</u>
Deficiency of Revenues over Expenses Before Reorganization Items	(16,167,758)
Reorganization Items	<u>(1,846,098)</u>
Deficiency of Revenues over Expenses	(18,013,856)
Net assets released from restriction used for purchase of property and equipment	<u>23,242</u>
Decrease in Unrestricted Net Assets	<u><u>\$ (17,990,614)</u></u>

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Statement of Changes in Net Assets
Year Ended December 31, 2014

Unrestricted Net Assets	
Deficiency of revenues over expenses	\$ (18,013,856)
Net assets released from restriction used for purchase of property and equipment	<u>23,242</u>
Decrease in unrestricted net assets	<u>(17,990,614)</u>
Temporarily Restricted Net Assets	
Contributions received and investment return	23,052
Net assets released from restriction used for purchase of property and equipment	<u>(23,242)</u>
Decrease in temporarily restricted net assets	<u>(190)</u>
Permanently Restricted Net Assets	
Contributions received	25,000
Change in value of split-interest agreements	(3,496)
Change in value of endowment funds	<u>(4,464)</u>
Increase in permanently restricted net assets	<u>17,040</u>
Change in Net Deficit	<u>(17,973,764)</u>
Net Deficit, Beginning of Year, as Previously Reported	(6,075,656)
Adjustments applicable to prior years (<i>Note 17</i>)	<u>1,883,833</u>
Net Deficit, Beginning of Year, as Restated	<u>(4,191,823)</u>
Net Deficit, End of Year	<u><u>\$ (22,165,587)</u></u>

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Statement of Cash Flows
Year Ended December 31, 2014

Operating Activities

Change in net deficit	\$ (17,973,764)
Adjustments to reconcile change in net deficit to net cash provided by operating activities	
Loss on disposal of property and equipment	368,148
Depreciation and amortization	2,322,541
Reorganization items – write-off of deferred assets and liabilities	1,026,091
Amortization of bond premium included in interest expense	(32,678)
Entrance fees received	4,565,871
Amortization of entrance fees	(2,158,340)
Realized and unrealized gain on investments, net	157,480
Change in value of split-interest agreements	3,686
Contributions restricted by donor	(25,000)
Changes in	
Accounts receivable, net	352,594
Prepaid expenses and other	(1,165,077)
Accounts payable and accrued expenses	1,085,581
Other accrued liabilities	17,124,314
Net cash provided by operating activities	<u>5,651,447</u>

Investing Activities

Purchase of assets limited as to use	(18,667,878)
Proceeds from sale of assets limited as to use	45,235,825
Change in benevolent funds and endowments, net	(218,955)
Payments received on note receivable	50,209
Purchase of property and equipment	(24,594,820)
Net cash provided by investing activities	<u>1,804,381</u>

Financing Activities

Refunds of entrance fees	(2,923,790)
Principal payments on long-term debt	(6,360,000)
Proceeds from restricted contributions	25,000
Net cash used in financing activities	<u>(9,258,790)</u>

Decrease in Cash and Cash Equivalents (1,802,962)

Cash and Cash Equivalents, Beginning of Year 3,904,001

Cash and Cash Equivalents, End of Year \$ 2,101,039

Supplemental Cash Flows Information

Interest paid	\$ 4,663,332
Property and equipment purchases included in accounts payable	\$ 2,241,342
Entrance fees included in other receivables	\$ 634,302
Note receivable for sale of operating division	\$ 1,000,000
Reorganization items	
Write-off of net deferred financing costs	\$ 1,921,130
Write-off of unamortized bond premiums	\$ 895,039
Payment of professional fees	\$ 820,007

**Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014**

Note 1: Nature of Operations

Nature of Operations

Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa (Epworth Villa) is an Oklahoma nonprofit public benefit corporation. The sole corporate member of Epworth Villa is Epworth Living, Inc. (Epworth Living).

Epworth Villa owns and operates a continuing care retirement community (CCRC) in Oklahoma City, Oklahoma. At December 31, 2014, the CCRC consisted of 228 independent living apartment units, 30 independent living duplex cottage units, six garden homes, a Medicare-certified 87-bed nursing care center and an assisted living care center containing 78 traditional assisted living beds and 38 assisted living memory care beds.

Note 2: Liquidity and Petition for Relief Under Chapter 11

In 2011, a resident filed suit against Epworth Villa for claims arising out of alleged malpractice during care received while living at Epworth Villa. On July 9, 2014, a money judgment was entered on claims for alleged negligence, breach of contract, intentional infliction of emotional distress and punitive damages resulting from this suit against Epworth Villa for approximately \$15,200,000, which has been included in the accompanying consolidated balance sheet as litigation payable (along with related interest and plaintiff attorney fees). The judgment is being appealed to the Oklahoma Supreme Court. In order to protect interests of other stakeholders, including residents and bondholders, and afford an opportunity for Epworth Villa to continue operations and reorganize its affairs and to preclude precipitous collection of the judgment while on appeal, on July 18, 2014, Epworth Villa filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of Oklahoma (the Bankruptcy Court). Under Chapter 11, all claims against Epworth Villa existing on the date of its Chapter 11 filing, including the judgment, are stayed while Epworth Villa continues business operations as debtor-in-possession.

Basis of Presentation

The accompanying financial statements have been prepared assuming that Epworth Villa will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. Epworth Villa's ability to continue as a going concern is contingent upon the Bankruptcy Court's approval of its reorganization plan, among other things. While operating as debtor-in-possession under the Bankruptcy Code, Epworth Villa may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business, in amounts other than those reflected in the accompanying financial statements. Further, a plan of reorganization could materially change the amounts and classifications in the historical financial statements. The accompanying financial statements do not include any direct adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities or any other adjustments that might be necessary should Epworth Villa be unable to continue as a going concern or as a consequence of its Chapter 11 filing.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

The accompanying financial statements have also been prepared in accordance with Accounting Standards Codification (ASC) 852, *Reorganizations*. All prepetition liabilities subject to compromise have been segregated in the accompanying balance sheet and classified as liabilities subject to compromise at the estimated amount of the allowable claims. Liabilities not subject to compromise are separately classified as current or noncurrent. Epworth Villa's statement of operations includes the results of operations during the reorganization. As such, any revenues, expenses and gains and losses realized or incurred that directly related to its Chapter 11 filing are reported separately as reorganization items.

Reorganization Items

Professional advisory fees and other costs directly associated with the reorganization are reported separately as reorganization items pursuant to ASC 852. Professional fees include legal and other advisory fees related to the bankruptcy proceedings. Reorganization items also include adjustments to reflect the carrying value of certain prepetition liabilities at their estimated allowed claim amounts. The reorganization items included in the accompanying statement of operations for the year ended December 31, 2014, consisted of the following items:

Professional fees	\$ 820,007
Adjustment of deferred financing costs, net	1,921,130
Adjustment of unamortized bond premium	<u>(895,039)</u>
	<u>\$ 1,846,098</u>

Liabilities Subject to Compromise

Liabilities subject to compromise refer to liabilities incurred prior to its Chapter 11 filing for which Epworth Villa has not received approval from the Bankruptcy Court to pay or otherwise honor. The amounts represent estimates of known or potential prepetition claims that may be allowed by the Bankruptcy Court. Such claims are subject to future adjustments and may result from negotiated settlements with creditors, rejection or assumption of executory contracts and unexpired leases, confirmation of a reorganization plan or other events, all of which will require approval by the Bankruptcy Court. Liabilities subject to compromise may change due to reclassifications, settlements or reorganization activities that give rise to new claims or increases in existing claims.

Magnitude of Potential Claims

As of December 31, 2014, claims totaling \$18,828,558 have been filed with the Bankruptcy Court against Epworth Villa, none of which have been withdrawn. Epworth Villa has identified certain claims it believes should be disallowed by the Bankruptcy Court because they are duplicative, have been later amended or superseded, are without merit, are overstated or for other reasons. It is expected the claims resolution process may take considerable time to complete. Accordingly, the ultimate number and amount of allowed claims is not presently known.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Liquidity During Reorganization

Epworth Villa's liquidity needs arise primarily from interest and principal payments on the indebtedness, payment of ongoing construction costs and the receipt and refunding of entrance fees from residents. Epworth Villa has taken the following actions to address their liquidity needs:

- As requested by a motion by Epworth Villa, the Bankruptcy Court entered a cash collateral order allowing Epworth Villa to pay principal and interest payments on secured debt.
- As ordered by the Bankruptcy Court, Epworth Villa has been authorized to pay construction contractors and vendors in order to complete the ongoing construction and remodel project.
- With approval of the Bankruptcy Court, Epworth Villa assumed the residency agreements, including related entrance fee obligations. The assumed entrance fee obligations are treated as administrative priority claims not subject to compromise.

While there is no assurance that these actions will result in improved financial performance, Epworth Villa believes it currently has sufficient financial cash available to meet its liquidity requirements.

Management's Plans

Epworth Villa filed a plan of reorganization with the Bankruptcy Court on December 22, 2014. The Bankruptcy Court has extended until June 15, 2015, the time within which only Epworth Villa may file a plan of reorganization with the Bankruptcy Court. That time may be subject to further extension.

Note 3: Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Epworth Villa considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014, cash equivalents consisted primarily of money market accounts with brokers or financial institutions.

At December 31, 2014, Epworth Villa's cash accounts exceeded federally insured limits by approximately \$2,208,000.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the accompanying statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use include 1) assets held by a trustee, 2) assets pledged as collateral for workers' compensation insurance, 3) assets restricted by donors and 4) assets set aside by the Board of Directors for debt service, emergency repair and replacement, the Benevolent Fund and cash reserves over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of Epworth Villa are included in current assets.

Resident and Patient Accounts Receivable

Epworth Villa reports resident and patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. Epworth Villa provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, Epworth Villa bills third-party payers directly and bills the patient when the patient's liability is determined. Resident and patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5–40 years
Equipment	3–20 years

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Epworth Villa capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred for the year ended December 31, 2014, was:

Total interest expense incurred on borrowings for project	\$ 2,343,997
Interest income from investment of proceeds of borrowings for project	<u>651,124</u>
Net interest cost capitalized	<u>\$ 1,692,873</u>
Interest capitalized	\$ 1,692,873
Interest charged to expense	<u>2,882,575</u>
Total interest incurred	<u>\$ 4,575,448</u>

Long-Lived Asset Impairment

Epworth Villa evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended December 31, 2014.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Prior to the Chapter 11 filing, such costs were being amortized over the term of the respective debt using the straight-line method. In connection with the Chapter 11 filing, the unamortized deferred financing costs were written off to reorganization items as part of the adjustment of the carrying value of long-term debt pursuant to ASC 852.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Deferred Revenue from Entrance Fees

Fees paid by residents upon entering into a continuing care contract, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and are amortized into income using the straight-line method over the estimated remaining life expectancy of the resident.

Estimated Future Service Obligation

Annually, Epworth Villa calculates the present value of the net cost of future services and the use of facilities to be provided to current residents by contract type and compares those amounts with the balance of deferred revenues from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (estimated future service obligation) with a corresponding charge to income. As of December 31, 2014, there was no estimated future service obligation related to Epworth Villa's contracts.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Epworth Villa has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Epworth Villa in perpetuity.

Resident and Net Patient Service Revenue

Resident and net patient service revenue includes monthly fees from residents and patient service revenue. Resident revenue consists of payments from residents for monthly service fees. Net patient service revenue is recognized as care is provided. Reimbursement for services provided to Medicare patients is based upon the Medicare Prospective Payment System (PPS) for long-term care providers. Under PPS, routine, ancillary and capital costs are pulled into a revised, single-payment stream. Reimbursement is made prospectively according to resident care classifications with each class assigned a fixed reimbursement rate. Through March 1, 2014, Epworth Villa also provided home health and hospice services (see *Note 13*). Home health services to Medicare beneficiaries were paid at prospectively determined rates per 60-day episode while hospice services were paid at prospectively determined per diem or per hour rates subject to a cap based on annual admissions.

Charity Care

Epworth Villa provides charity care to residents who are unable to pay for services or monthly service fees. The amount of charity care is included in net revenue and is not separately classified from the provision for uncollectible accounts.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Contributions

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Gifts of property and equipment (or other long-lived assets) are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassifications of temporarily restricted net assets as unrestricted are reported when the long-lived assets are placed in service.

Professional Liability Claims

Epworth Villa recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Notes 2 and 7*.

Self-Insurance

Epworth Villa has elected to self-insure certain risks related to employee health and workers' compensation claims. Costs resulting from noninsured losses are charged to income when incurred. Self-insurance claims are described more fully in *Note 8*.

Income Taxes

Epworth Villa has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Epworth Villa is subject to federal income tax on any unrelated business taxable income.

Epworth Villa files tax returns in the U.S. federal jurisdiction. With a few exceptions, Epworth Villa is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Deficiency of Revenues over Expenses

The accompanying statement of operations includes deficiency of revenues over expenses. Changes in unrestricted net assets which are excluded from deficiency of revenues over expenses, consistent with industry practice, include net assets released from restrictions used for capital expenditures.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued.

Note 4: Concentration of Credit Risk

Epworth Villa grants credit without collateral to its skilled nursing patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables related to these patients and third-party payers at December 31, 2014, is:

Medicare	78%
Patients and other	22%
	<hr/>
	100%
	<hr/> <hr/>

Note 5: Investments and Investment Return

Assets limited as to use, at December 31, 2014, include:

Certificates of deposit	\$ 2,139,936
Money market mutual funds	3,714,395
Repurchase agreements	4,063,594
Mutual funds – equity	1,051,499
Mutual funds – fixed income	3,703,997
Equity securities – consumer	771,344
Equity securities – financial	783,725
Equity securities – information technology	687,139
Equity securities – health care	571,052
Equity securities – industrial	445,008
Equity securities – other	395,965
Corporate bonds	4,338,427
U.S. Treasury and U.S. agency securities	1,290,176
Investment in pooled funds held by the Oklahoma United Methodist Foundation (OUMF)	432,392
	<hr/>
	\$ 24,388,649
	<hr/> <hr/>

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Total investment return is comprised of the following for the year ended December 31, 2014:

Interest and dividend income	\$ 1,138,874
Realized losses on sales of investments, net	(829,914)
Unrealized gains on investments valued at fair value, net	672,434
Other investment income	291,950
Change in value of split-interest agreements	(3,686)
Change in value of endowment funds	(4,464)
	<u>\$ 1,265,194</u>

Total investment return is reflected in the accompanying statements of operations and changes in net assets for the year ended December 31, 2014, as follows:

Unrestricted net assets	\$ 1,273,344
Temporarily restricted net assets	(190)
Permananetly restricted net assets	<u>(7,960)</u>
	<u>\$ 1,265,194</u>

Note 6: Property and Equipment

A summary of property and equipment at December 31, 2014, follows:

Land	\$ 2,688,010
Land improvements	294,640
Buildings and building improvements	73,408,163
Equipment	4,559,285
Construction in progress	<u>28,415,737</u>
	109,365,835
Less accumulated depreciation	<u>24,142,632</u>
	<u>\$ 85,223,203</u>

Note 7: Professional Liability Claims

Epworth Villa purchases general and professional liability insurance under a claims-made policy on a fixed premium basis. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. Epworth Villa also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Based upon Epworth Villa's claims experience, with the exception of the claim noted in *Note 2*, an accrual had been made for Epworth Villa's estimated malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$630,000 as of December 31, 2014, which is included in other accrued expenses on the accompanying balance sheet. It is reasonably possible that this estimate could change materially in the near term.

Professional liability risks, in excess of certain per claim and aggregate deductible amounts, are insured through unrelated commercial insurance carriers. The amount receivable under these insurance contracts as of December 31, 2014, was approximately \$480,000 and is included in other receivables on the accompanying balance sheet.

Note 8: Self-Insured Claims

Health Insurance

Epworth Villa sponsors a health care plan for its employees. This plan is self-insured up to \$100,000 under the excess risk insurance policy Epworth Villa has obtained. An accrual for unpaid claims in the amount of approximately \$112,000 is included in accrued payroll and related expenses on the accompanying balance sheet at December 31, 2014.

Workers' Compensation

Effective April 1, 2013, Epworth Villa became self-insured for its workers' compensation plan up to \$225,000 under the commercial insurance policy Epworth Villa has obtained. Management has estimated an accrual for unpaid claims in the amount of approximately \$325,000 at December 31, 2014. This amount is included on the accompanying balance sheet at December 31, 2014, as follows:

Liabilities not subject to compromise	
Other accrued expenses	\$ 34,000
Liabilities subject to compromise	
Accrued expenses	291,000
	<u>\$ 325,000</u>

A related receivable of approximately \$253,000 for amounts due to Epworth Villa under insurance policies before April 1, 2013, is included in other receivables on the accompanying balance sheet at December 31, 2014.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Note 9: Long-Term Debt

Oklahoma County Finance Authority	
Revenue Refunding Bonds Series 2004B (A)	\$ 3,500,000
Revenue Refunding Bonds Series 2005A (B)	10,480,000
Revenue Refunding Bonds Series 2005B (C)	2,000,000
Revenue Bonds Series 2012A (D)	71,310,000
Revenue Bonds Series 2012B (E)	545,000
	<u>87,835,000</u>
Less current maturities	<u>1,610,000</u>
	<u><u>\$ 86,225,000</u></u>

- (A) Due April 1, 2027; payable in annual installments from April 1, 2010 through maturity in amounts ranging from \$15,000 to \$1,550,000, plus semiannual interest payments at an interest rate of 6%.
- (B) Due April 1, 2030; payable in annual installments ranging from \$285,000 to \$2,425,000, plus semiannual interest payments at interest rates from 5.0% to 5.875%.
- (C) Due April 1, 2030; principal payable in full at the maturity date, plus interest payable semiannually at 6%.
- (D) Due April 1, 2042; payable in annual installments ranging from \$365,000 to \$8,645,000, plus semiannual interest payments at interest rates from 2.5% to 5.125%.

The 2012A Bonds were issued, net of discounts, at a premium of approximately \$1,014,000. Prior to the Chapter 11 filing, the bond premium was being amortized as a component of interest expense based on the straight-line method over the life of the bonds. In connection with the Chapter 11 filing, the unamortized bond premium of \$895,039 was written off to reorganization items as part of the adjustment of the carrying value of long-term debt pursuant to ASC 852.

- (E) Due April 1, 2018; principal payable in full at the maturity date, plus interest payable semiannually at 4.25%.

The Oklahoma County Finance Authority (the Authority) issued all of the bonds above (the Bonds) on behalf of Epworth Villa. The Bonds are secured by certain property and equipment as well as the net revenues and accounts receivable of Epworth Villa and the assets restricted under the bond indenture agreements. The Bonds have not been guaranteed by the Authority.

The bond indenture agreements require certain funds be established with the trustee. Accordingly, these funds are included as assets limited as to use held by trustee in the accompanying financial statements. The bond indenture agreements also require Epworth Villa to comply with certain restrictive covenants, including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.2 to 1.0, maintaining days cash on hand of at least 180 days and restrictions on incurrence of additional debt.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

As discussed in *Note 2*, Epworth Villa filed for bankruptcy protection under Chapter 11 in July 2014. The filing for bankruptcy protection is an event of default under the bond indenture agreements, which would normally allow for the Bonds to have accelerated payment. However, the provisions of Chapter 11 bankruptcy protection and orders of the Bankruptcy Court allow Epworth Villa to continue to make debt service payments as originally scheduled under the bond indenture agreements.

Aggregate annual maturities and sinking fund requirements of long-term debt at December 31, 2014, are:

2015	\$ 1,610,000
2016	1,425,000
2017	1,500,000
2018	1,580,000
2019	1,665,000
Thereafter	<u>80,055,000</u>
	<u><u>\$ 87,835,000</u></u>

Note 10: Temporarily and Permanently Restricted Net Assets

Temporarily restricted and permanently restricted net assets are available for the following purposes at December 31, 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Capital expenditures	\$ 1,108	\$ 229,166
Benevolent funds	33	19,070
Education	-	19,675
Other	<u>81,929</u>	<u>127,008</u>
	<u><u>\$ 83,070</u></u>	<u><u>\$ 394,919</u></u>

During 2014, net assets of \$23,242 were released for capital expenditures.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Note 11: Functional Expenses

Epworth Villa provides services through independent retirement living, assisted living, memory care, skilled nursing and other services. Expenses related to providing these services, before reorganization items, for the year ended December 31, 2014, are as follows:

Patient and resident care services	\$ 17,520,762
General and administrative	<u>21,655,475</u>
	<u><u>\$ 39,176,237</u></u>

Note 12: 401 (k) Profit-Sharing Plan

Epworth Villa has a 401(k) profit-sharing plan covering substantially all employees. Epworth Villa's contributions to the plan are determined annually by the Board of Directors. Contributions to the plan were approximately \$95,000 for 2014.

Note 13: Related-Party Transactions

From acquisition through February 2013, Epworth Villa paid all expenses for White Woods Retirement Facility, Inc. (the Ranch). Epworth Villa entered into a Reimbursement Agreement with the Ranch in January 2012, which provides for the Ranch to reimburse Epworth Villa for the full amount of expenses incurred on the Ranch's behalf. The Ranch is not obligated to repay Epworth Villa until such a time as the Ranch obtains permanent bank financing or tax-exempt bond financing. As of December 31, 2014, the Ranch had not yet obtained financing. At December 31, 2014, \$2,020,885 is due from the Ranch and is included in due from related parties on the accompanying balance sheet.

Effective March 1, 2014, Epworth Villa sold its home health and hospice service lines to Epworth at Home, LLC (Epworth at Home), a wholly owned subsidiary of Epworth Living, for \$1,000,000. Epworth at Home funded the purchase with the issuance of a note receivable to Epworth Villa for the sale amount. The note receivable is payable \$100,000 annually, including interest at 4%. At December 31, 2014, the balance of the note receivable was \$949,791.

The following table summarizes the amounts of assets and liabilities sold to Epworth at Home at the sale date:

Working capital	\$ 250,200
Goodwill	<u>749,800</u>
	<u><u>\$ 1,000,000</u></u>

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

**Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa**

**(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014**

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 2,139,936	\$ -	\$ 2,139,936	\$ -
Money market mutual funds	\$ 3,714,395	\$ 3,714,395	\$ -	\$ -
Repurchase agreements	\$ 4,063,594	\$ 4,063,594	\$ -	\$ -
Mutual funds – equity	\$ 1,051,499	\$ 1,051,499	\$ -	\$ -
Mutual funds – fixed income	\$ 3,703,997	\$ 3,703,997	\$ -	\$ -
Equity securities – consumer	\$ 771,344	\$ 771,344	\$ -	\$ -
Equity securities – financial	\$ 783,725	\$ 783,725	\$ -	\$ -
Equity securities – information technology	\$ 687,139	\$ 687,139	\$ -	\$ -
Equity securities – health care	\$ 571,052	\$ 571,052	\$ -	\$ -
Equity securities – industrial	\$ 445,008	\$ 445,008	\$ -	\$ -
Equity securities – other	\$ 395,965	\$ 395,965	\$ -	\$ -
Corporate bonds	\$ 4,338,427	\$ -	\$ 4,338,427	\$ -
U.S. Treasury and U.S. agency securities	\$ 1,290,176	\$ 402,574	\$ 887,602	\$ -
Investment in pooled funds held by OUMF	\$ 432,392	\$ -	\$ -	\$ 432,392

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include various mutual funds, repurchase agreements, U.S. Treasury securities and equity securities. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. Level 2 investments include certificates of deposit, corporate bonds and U.S. agency securities. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 investments. Level 3 investments include investments in pooled funds at the Oklahoma United Methodist Foundation (OUMF).

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

	Investment in Pooled Funds Held by OUMF
Balance, January 1, 2014	\$ 402,752
Purchases	35,667
Disbursements	(19,717)
Change in value of investment	<u>13,690</u>
Balance, December 31, 2014	<u><u>\$ 432,392</u></u>

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
 (Debtor-in-Possession)
 Notes to Financial Statements
 December 31, 2014

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value	Valuation Technique	Adjustment to NAV
Investment in pooled funds held by OUMF	\$ 432,392	NAV as practical expedient*	None

*Unobservable valuation input

The pooled investments that are reflected at net asset value per share are directed by OUMF and consist of various equity securities, asset-backed obligations, mutual and index funds, government obligations and cash equivalent funds. The portfolio at OUMF is designed to achieve endowment returns consistent with OUMF's adopted investment policies.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Fair Value of Financial Instruments

The following table presents estimated fair values of Epworth Villa's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Carrying Amount			
Financial assets				
Cash and cash equivalents	\$ 2,101,039	\$ 2,101,039	\$ -	\$ -
Certificates of deposit	\$ 2,139,936	\$ -	\$ 2,139,936	\$ -
Money market mutual funds	\$ 3,714,395	\$ 3,714,395	\$ -	\$ -
Repurchase agreements	\$ 4,063,594	\$ 4,063,594	\$ -	\$ -
Mutual funds – equity	\$ 1,051,499	\$ 1,051,499	\$ -	\$ -
Mutual funds – fixed income	\$ 3,703,997	\$ 3,703,997	\$ -	\$ -
Equity securities – consumer	\$ 771,344	\$ 771,344	\$ -	\$ -
Equity securities – financial	\$ 783,725	\$ 783,725	\$ -	\$ -
Equity securities – information technology	\$ 687,139	\$ 687,139	\$ -	\$ -
Equity securities – health care	\$ 571,052	\$ 571,052	\$ -	\$ -
Equity securities – industrial	\$ 445,008	\$ 445,008	\$ -	\$ -
Equity securities – other	\$ 395,965	\$ 395,965	\$ -	\$ -
Corporate bonds	\$ 4,338,427	\$ -	\$ 4,338,427	\$ -
U.S. Treasury and U.S. agency securities	\$ 1,290,176	\$ 402,574	\$ 887,602	\$ -
Investment in pooled funds held by OUMF	\$ 432,392	\$ -	\$ -	\$ 432,392
Note receivable	\$ 949,791	\$ -	\$ 949,791	\$ -
Financial liabilities				
Long-term debt	\$ 87,835,000	\$ 74,877,396	\$ -	\$ -

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheet at amounts other than fair value.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Cash and Cash Equivalents

The carrying amount approximates fair value.

Note Receivable

Fair value is estimated by discounting the cash flows of the future payments expected to be received using rates of return on assets with similar cash flows, which approximates carrying value.

Long-Term Debt

Fair values of Epworth Villa's long-term debt are based on current trading values.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Note 3*.

Self-Insurance Claims

Estimates related to the accrual for self-insured health and workers' compensation claims are described in *Notes 3* and *8*.

Liabilities Subject to Compromise

Estimates related to liabilities subject to compromise are described in *Note 2*.

Litigation

In the normal course of business, Epworth Villa is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by Epworth Villa's self-insurance program or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. Epworth Villa evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014

Investments

Epworth Villa invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheet.

Note 16: Entrance Fees

Epworth Villa currently offers two basic types of residency agreements, no refund plans and refundable plans. For the right to occupy a unit for life and to receive certain services at Epworth Villa, residents are required to pay an upfront entrance fee. The entrance fee is based upon the type of unit rented and the monthly payment plan selected by the resident. In addition, residents are charged monthly service fees. Service fees are established at the inception of residency and may be increased by Epworth Villa, provided a 30-day advance notice is given to the resident.

The resident may voluntarily withdraw from Epworth Villa upon rendering proper notification. Upon voluntary withdrawal, a repayment of part or all of the entrance fees may occur. The following is a summary of the withdrawal clauses:

- If the resident is unable to occupy the unit due to death, illness, injury or other incapacity, all amounts will be repaid, less any costs of preparation of the unit.
- For amortized contracts, if voluntary withdrawal occurs after occupancy, the amount repaid shall be equal to the entrance fee, less a 10% cancellation fee and an amount amortized on a basis of 60 months from the date of the residency agreement. If voluntary withdrawal occurs after the amortization period, entrance fees are either retained by Epworth Villa or partially refunded based upon the individual contract.
- For repayable contracts, upon withdrawal of a resident for any reason, the repayable percentage of the entrance fee will be repaid to the resident, estate, trust, heirs or representatives upon receipt of a new entrance fee for the unit.

At December 31, 2014, approximately \$22,275,000 is contractually repayable under these agreements, which represents the amount due to residents if all residents were to cancel their contracts at that date based on the repayment policies above.

**Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
(Debtor-in-Possession)
Notes to Financial Statements
December 31, 2014**

Note 17: Restatement of Prior Year's Financial Statements

During 2012 and 2013, Epworth Villa sustained significant damage to certain property related to hail storms. Epworth Villa filed insurance claims for approximately \$1,904,000 and \$1,643,000 related to the storm in 2012 and 2013, respectively. During 2012 and 2013, Epworth Villa received approximately \$1,272,000 and \$2,178,000, respectively, related to these claims. Approximately \$1,582,000 was recognized as deferred revenue in the 2013 financial statements. A correction to the 2014 beginning net assets of approximately \$1,884,000 was required to properly record the activity associated with these storm damage claims.



Two Warren Place // 6120 S. Yale Avenue, Suite 1400 // Tulsa, OK 74136-4223
918.584.2900 // fax 918.584.2931 // bkd.com

Independent Auditor's Report

Board of Directors
Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa

Board of Directors
BancFirst

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Central Oklahoma United Methodist Retirement Facility, Inc. d/b/a Epworth Villa (Epworth Villa), which comprise the balance sheet as of December 31, 2014, and the related statements of operations and cash flows for the year then ended, and have issued our report thereon dated April 30, 2015, which contained *Emphasis of Matters* paragraphs regarding the impact of filing Chapter 11 bankruptcy on Epworth Villa's ability to continue as a going concern and for the restatement of the 2013 financial statements.

In connection with our audit, we noted Epworth Villa failed to comply with the terms, covenants, provisions or conditions of Sections 9.9 and 9.16 of the Mortgage and Security Agreement dated as of March 15, 1997, between Epworth Villa and the Oklahoma County Finance Authority (OCFA), as amended and supplemented, insofar as they relate to accounting matters. The rights of OCFA have been assigned BancFirst as Trustee under a Bond Indenture dated March 15, 1997, between Epworth Villa and Bank One Trust Company, N.A. (now BancFirst), as amended and supplemented. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Epworth Villa's noncompliance with the above-referenced terms, covenants, provisions or conditions of the Mortgage and Security Agreement, insofar as they relate to accounting matters.

The "Historical Debt Service Coverage Ratio" and "Days Cash on Hand" calculations for the year ended December 31, 2014, are attached as Exhibits A and B, respectively.

This report is intended solely for the information and use of the Board of Directors and management of Epworth Villa and BancFirst and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Tulsa, Oklahoma
April 30, 2015

Exhibit A

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
Historical Debt Service Coverage Ratio
Year Ended December 31, 2014

Historical debt service coverage ratio

Net income available for debt service
Debt service

\$ (11,593,878) *
10,952,733

Historical debt service coverage ratio as defined by Section 9.9 of
the Mortgage and Security Agreement

(1.059)

Net income available for debt service

Revenues

Resident and net patient service revenue	\$ 19,108,555
Other operating revenue	409,619
Nonoperating revenue	1,331,965
Add: entrance fees received	4,565,871
Less: entrance fees refunded	(2,923,790)
Less: unrealized gain on investments	<u>(672,434)</u>

Revenues as defined by Section 9.9 of the Mortgage and
Security Agreement

\$ 21,819,786

Expenses

Total operating expenses	39,176,237
Less: depreciation and amortization	(2,322,541)
Less: interest expense	(3,071,884)
Less: loss on sale of property	<u>(368,148)</u>

Expenses as defined by Section 9.9 of the Mortgage and
Security Agreement

33,413,664

Net income available for debt service as defined by Section 9.9 of
the Mortgage and Security Agreement

\$ (11,593,878)

Historical debt service requirement

Principal	\$ 6,360,000
Interest	4,663,332
Less: earnings on reserve funds	<u>(70,599)</u>

Historical debt service requirement as defined by Section 9.9 of
the Mortgage and Security Agreement

\$ 10,952,733

* Net income available for debt service is calculated, as required by generally accepted accounting principles and the definitions of Revenues and Expenses as defined in the Mortgage and Security Agreement (the Agreement) as it relates to the rate covenant in Section 9.9 of the Agreement, by including as an Expense (an operating expense) \$16,244,182 related to the Hicks judgment.

Exhibit B

Central Oklahoma United Methodist Retirement Facility, Inc.
d/b/a Epworth Villa
Days Cash on Hand
Year Ended December 31, 2014

<u>Days cash on hand</u>		
<u>Unrestricted cash, cash equivalents and board-designated assets</u>		\$ 10,608,341
Daily operating expenses		<u>100,969</u>
Days cash on hand as defined by Section 9.16 of the Mortgage and Security Agreement		<u>105.065</u>
<u>Unrestricted cash, cash equivalents and board-designated assets</u>		
Unrestricted cash and cash equivalents	\$ 2,101,039	
Board-designated assets	<u>8,507,302</u>	
Total unrestricted cash, cash equivalents and board-designated assets		<u>\$ 10,608,341</u>
<u>Daily operating expenses</u>		
Operating expenses	39,176,237 *	
Less: depreciation and amortization	<u>(2,322,541)</u>	
		\$ 36,853,696
Divided by 365		<u>365</u>
Daily operating expenses		<u>\$ 100,969</u>

* Operating expenses are calculated, as required by generally accepted accounting principles and the definitions of Revenues and Expenses as defined in the Mortgage and Security Agreement (the Agreement) as it relates to the liquidity covenants in Section 9.16 of the Agreement, to include in operating expenses \$16,244,182 related to the Hicks judgment.

EXHIBIT “4”

(Liquidation Analysis)

LIQUIDATION ANALYSIS*

The Plan does not provide for liquidation of the assets of Epworth Villa. Epworth Villa does not believe that liquidation of its assets is in the best interests of its creditors. However, the Bankruptcy Code requires as a condition of plan confirmation that a debtor demonstrate compliance with Bankruptcy Code Section 1129(a)(7). Proof of such compliance is customarily provided through a “liquidation analysis”, such as this Exhibit, to describe what would occur in a hypothetical liquidation under chapter 7 of the Bankruptcy Code.

Under Section 1129(a)(7) each Holder of an Impaired Claim must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting Holder would receive or retain if Epworth Villa were liquidated under Chapter 7 of the Bankruptcy Code. In connection with this requirement -- the so-called “Best Interests Test” -- the following hypothetical liquidation analysis (the “Liquidation Analysis”) has been prepared by Epworth Villa.

THIS LIQUIDATION ANALYSIS IS A STATEMENT OF THE PROJECTED OUTCOME, VIS-À-VIS CREDITORS, OF A HYPOTHETICAL CHAPTER 7 LIQUIDATION OF THE ASSETS OF EPWORTH VILLA. UNDERLYING THE LIQUIDATION ANALYSIS ARE ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT LEGAL, ECONOMIC AND OPERATIONAL CONTINGENCIES BEYOND THE CONTROL OF EPWORTH VILLA’S MANAGEMENT AND THEIR ADVISORS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS AND ESTIMATES EMPLOYED IN DETERMINING THE LIQUIDATION VALUES OF EPWORTH VILLA’S ASSETS WILL RESULT IN THE SAME OUTCOME THAT MAY OCCUR IF IT WERE TO UNDERGO AN ACTUAL LIQUIDATION.

General Assumptions

It is assumed for purposes of this analysis that the Chapter 11 Case is converted to a case under Chapter 7 on October 1, 2015, a trustee is appointed to oversee the liquidation, and the liquidation occurs over a period of six (6) months. It is further assumed that the highest value to be obtained for the assets of Epworth Villa would be through sale of all such assets as a “going concern”.

* All capitalized terms used in this Liquidation Analysis, not otherwise defined herein, shall have the same meaning ascribed to them in the Plan.

Analysis of Distribution of Proceeds of Liquidation

Based upon the advice of an experienced appraiser of continuing care retirement communities, it is believed that the value of all of its Epworth Villa's assets, if sold as a going concern, would realize less than \$50 million. Because such value is less than the presumed Allowed secured amount of the Claim of the Indenture Trustee -- which Claim Epworth Villa believes is secured by first priority liens in substantially all of its assets -- no Chapter 7 Estate distribution could be made to the pre-petition creditors and Interest Holder in Classes 1, 4, 5, 6, 7, and 8. Thus, the value that such creditors and Interest Holder will receive or retain under the Plan, as of the Effective Date, is not less than the value they would receive in a hypothetical Chapter 7 liquidation.

EXHIBIT “5”

(Bank Account Balances)

- to be updated at the time of approval of the Disclosure Statement -

PO BOX 26788
OKLAHOMA CITY, OK 73126-0788
(405) 272-8862



To Oklahoma & You™

Dir 4 251 4

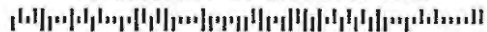
4001X0C.002 BNCF:0006794



24-Hour
Automated
Account Information
(405) 495-2489

2 *0006794

ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069



PAGE 1

ACCOUNT NUMBER
3572
STATEMENT DATE
8/31/15

YOUR LOAN

W W W . B A N C F I R S T . C O M

*Annual percentage rate for qualified borrowers with auto debit from BancFirst account, on new loans or refinance of non-BancFirst loans. Model year limits may apply.

MEMBER FDIC

SMALL BUSINESS A/A

Beginning Balance	8/01/15	534,510.75
Deposits / Misc Credits	1	176,417.86
Withdrawals / Misc Debits	5	157,029.34
** Ending Balance	8/31/15	553,899.27 **

Service Charge	15.00
Enclosures	4

DEPOSITS			OTHER DEBITS		
Date	Deposits	Withdrawals	Activity Description	Date	Check No.
8/11	176,417.86		BANCFIRST TRUST/BF ACH DEP	8/12	342
8/21		15.00	ACCOUNT ANALYSIS SERVICE CHARGE		

CHECKS			DAILY BALANCE SUMMARY		
Date	Check No.	Amount	Date	Check No.	Amount
8/06	338	347.71	8/11	341	143,540.05
8/13	340*	2,156.58	8/12		

Date	Balance	Date	Balance
8/06	534,163.04	8/12	556,070.85
8/11	567,040.85	8/31	553,914.27



PO BOX 1
STILLWATER, OK 74076-0001
(405) 742-6200



To Oklahoma & You™

Dir 1 251 0

5515X0C.003 BNCF:0007300



24-Hour
Automated
Account Information
(405) 495-2489

2 *0007300
ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069



PAGE 1

ACCOUNT NUMBER
██████████4290
STATEMENT DATE
8/31/15

TRADE IN **YOUR LOAN**

BancFirst Loyal To Oklahoma & You™

WWW.BANCFIRST.COM

*Annual percentage rate for qualified borrowers with auto debit from BancFirst account, on new loans or refinance of non-BancFirst loans. Model year limits may apply.

MEMBER FDIC

ACCOUNT ANALYSIS

Beginning Balance	8/01/15	.00
Deposits / Misc Credits	21	532,087.49
Withdrawals / Misc Debits	17	532,087.49
** Ending Balance	8/31/15	.00 **

Service Charge 5.00

DEPOSITS			
Date	Deposits	Withdrawals	Activity Description
8/03	13,222.42		NOVITAS SOLUTION/HCCLAIMPMT TRN*1*EFT6401718*1205296137*000004911\\ 375473 CENTRAL OKLAHOMA UNITE
8/05	562.47		J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2661254*1571062326*000011001- 377763 CENTRAL OKLAHOMA UNITE
8/07	1,790.73		NOVITAS SOLUTION/HCCLAIMPMT TRN*1*EFT6403308*1205296137*000004911\\ 375473 CENTRAL OKLAHOMA UNITE
8/07	5,608.80		J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2665500*1571062326*000011001- 377763 CENTRAL OKLAHOMA UNITE
8/12	7,468.21		J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2678394*1571062326*000011001- 377763 CENTRAL OKLAHOMA UNITE
8/13	4,497.94		J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2682528*1571062326*000011001-



www.bancfirst.com

Member
FDIC

8001-00000





Dir 1 251 0

5515X0C.003 BNCf:0007300

ACCOUNT NUMBER	██████████290
STATEMENT DATE	8/31/15

PAGE 2

8/13	55,754.79	377763 CENTRAL OKLAHOMA UNITE NOVITAS SOLUTION/HCCLAIMPMT TRN*1*EFT6404854*1205296137*000004911\\
8/14	1,486.70	375473 CENTRAL OKLAHOMA UNITE J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2686725*1571062326*000011001~
8/17	2,981.79	377763 CENTRAL OKLAHOMA UNITE J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2690965*1571062326*000011001~
8/18	22,081.24	377763 CENTRAL OKLAHOMA UNITE J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2695507*1571062326*000011001~
8/19	2,119.79	377763 CENTRAL OKLAHOMA UNITE J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2700003*1571062326*000011001~
8/20	3,144.36	377763 CENTRAL OKLAHOMA UNITE NOVITAS SOLUTION/HCCLAIMPMT TRN*1*EFT6406536*1205296137*000004911\\
8/20	3,536.45	375473 CENTRAL OKLAHOMA UNITE J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2704385*1571062326*000011001~
8/21	356,021.24	377763 CENTRAL OKLAHOMA UNITE NOVITAS SOLUTION/HCCLAIMPMT TRN*1*EFT6407280*1205296137*000004911\\
8/24	2,933.34	375473 CENTRAL OKLAHOMA UNITE NOVITAS SOLUTION/HCCLAIMPMT TRN*1*EFT6407547*1205296137*000004911\\
8/24	4,107.55	375473 CENTRAL OKLAHOMA UNITE J11 MAC SC/HHH-P/HCCLAIMPMT TRN*1*EFT2714024*1571062326*000011001~
8/26	5,050.51	377763 CENTRAL OKLAHOMA UNITE JM MAC SC/HHH-PA/HCCLAIMPMT TRN*1*EFT2719323*1571062326*000011001~
8/27	4,109.74	377763 CENTRAL OKLAHOMA UNITE JM MAC SC/HHH-PA/HCCLAIMPMT TRN*1*EFT2724040*1571062326*000011001~
8/27	15,702.83	377763 CENTRAL OKLAHOMA UNITE NOVITAS SOLUTION/HCCLAIMPMT TRN*1*EFT6409432*1205296137*000004911\\
8/28	4,029.49	375473 CENTRAL OKLAHOMA UNITE JM MAC SC/HHH-PA/HCCLAIMPMT TRN*1*EFT2728467*1571062326*000011001~
8/31	15,877.10	377763 CENTRAL OKLAHOMA UNITE JM MAC SC/HHH-PA/HCCLAIMPMT TRN*1*EFT2733014*1571062326*000011001~

OTHER DEBITS

Date	Deposits	Withdrawals	Activity Description
8/03		13,222.42	Trnsfr to Checking Acct Ending in 4026
8/06		562.47	Trnsfr to Checking Acct Ending in 4026
8/07		7,399.53	Trnsfr to Checking Acct Ending in 4026
8/12		7,468.21	Trnsfr to Checking Acct Ending in 4026
8/13		60,252.73	Trnsfr to Checking Acct Ending in 4026
8/14		1,486.70	Trnsfr to Checking Acct Ending in 4026
8/17		2,981.79	Trnsfr to Checking Acct Ending in 4026
8/18		22,081.24	Trnsfr to Checking Acct Ending in 4026
8/19		2,119.79	Trnsfr to Checking Acct Ending in 4026
8/20		6,680.81	Trnsfr to Checking Acct Ending in 4026
8/21		356,016.24	Trnsfr to Checking Acct Ending in 4026
8/21		5.00	ACCOUNT ANALYSIS SERVICE CHARGE
8/24		7,040.89	Trnsfr to Checking Acct Ending in 4026
8/26		5,050.51	Trnsfr to Checking Acct Ending in 4026
8/27		19,812.57	Trnsfr to Checking Acct Ending in 4026
8/28		4,029.49	Trnsfr to Checking Acct Ending in 4026
8/31		15,877.10	Trnsfr to Checking Acct Ending in 4026

DAILY BALANCE SUMMARY

Date	Balance	Date	Balance	Date	Balance
8/03	.00	8/06	.00	8/07	.00



MSI Rev 03/05

www.bancfirst.com

FBK13510

Member
FDIC

PO BOX 1
STILLWATER, OK 74076-0001
(405) 742-6200



To Oklahoma & You™

Dir 1 251 0

5516X0C.003 BNCF:0007300



24-Hour
Automated
Account Information
(405) 495-2489

2 *0007300
ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069

PAGE 3

ACCOUNT NUMBER
██████████4290
STATEMENT DATE
8/31/15

Date	Balance
8/12	.00
8/13	.00
8/14	.00
8/17	.00
8/18	.00

Date	Balance
8/19	.00
8/20	.00
8/21	.00
8/24	.00

Date	Balance
8/26	.00
8/27	.00
8/28	.00
8/31	.00

4021-00000



PO BOX 1
STILLWATER, OK 74076-0001
(405) 742-6200



To Oklahoma & You.

Dir 1 233 0

4833X0C.002 BNCF:0007020



24-Hour
Automated
Account Information
(405) 495-2489

1 *0007020

ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069



PAGE 1

ACCOUNT NUMBER
██████████ 5456
STATEMENT DATE
8/31/15

TRADE IN **YOUR LOAN**

BancFirst Loyal To Oklahoma & You.

WWW.BANCFIRST.COM

*Annual percentage rate for qualified borrowers with auto debit from BancFirst account, on new loans or refinance of non-BancFirst loans. Model year limits may apply.

MEMBER FDIC

TREASURY FUND

Beginning Balance	8/01/15	1,383,114.66
Deposits / Misc Credits	2	100,297.78
Withdrawals / Misc Debits	0	.00
** Ending Balance	8/31/15	1,483,412.44 **

Service Charge	.00
Interest Paid Thru 8/31/15	297.78
Interest Paid Year To Date	2,248.40

DEPOSITS			
Date	Deposits	Withdrawals	Activity Description
8/26	100,000.00		INTERNET TRANSFER FROM: xxxx4026
8/31	297.78		INTEREST PAID

DAILY BALANCE SUMMARY			
Date	Balance	Date	Balance
8/26	1,483,114.66	8/31	1,483,412.44

8021-00000



www.bancfirst.com

Member
FDIC

PO BOX 1
STILLWATER, OK 74076-0001
(405) 742-6200



To Oklahoma & You™

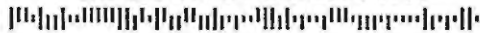
Dir 1 251 277

5482X0C.003 BNCF:0007293



24-Hour
Automated
Account Information
(405) 495-2489

17 *0007293
ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069



PAGE 1

ACCOUNT NUMBER
██████████ 4026
STATEMENT DATE
8/31/15

TRADE IN

YOUR

LOAN

WWW.BANCFIRST.COM

*Annual percentage rate for qualified borrowers with auto debit from BancFirst account, on new loans or refinance of non-BancFirst loans. Model year limits may apply.

ACCOUNT ANALYSIS

Beginning Balance	8/01/15	516,530.10
Deposits / Misc Credits	87	2,416,862.42
Withdrawals / Misc Debits	277	2,482,110.85
** Ending Balance	8/31/15	451,281.67 **

Service Charge	527.01
Enclosures	277

Date	Deposits	Withdrawals	Activity Description
8/03	63.40		DEPOSIT
8/03	60.00		1ST ISO 150801/ATM SETTLE 83931218 EPWORTH VILLA
8/03	460.00		1ST ISO 150731/ATM SETTLE 83931218 EPWORTH VILLA
8/03	13,222.42		Trnsfr from Checking Acct Ending in 4290
8/04	120.00		1ST ISO 150803/ATM SETTLE 83931218 EPWORTH VILLA
8/04	7,000.00		ACH Offset for Originated Debits
			Batch-0000001 FileID-AHF0803094 Epworth/consult
			ACH Offset Epworth
8/05	140.00		1ST ISO 150804/ATM SETTLE 83931218 EPWORTH VILLA
8/05	93,059.17		REMOTE DEPOSIT
8/06	20.00		1ST ISO 150805/ATM SETTLE 83931218 EPWORTH VILLA
8/06	562.47		Trnsfr from Checking Acct Ending in 4290
8/06	421,274.60		REMOTE DEPOSIT
8/07	51.38		DEPOSIT
8/07	132.10		DEPOSIT
8/07	100.00		1ST ISO 150806/ATM SETTLE 83931218 EPWORTH VILLA



www.bancfirst.com

Member
FDIC

0002-00000



Dir 1 251 277

5482X0C.003 BNCF:0007293



ACCOUNT NUMBER	██████████4026
STATEMENT DATE	8/31/15

PAGE 2

8/07	7,399.53	Trnsfr from Checking Acct Ending in 4290
8/07	77,367.33	REMOTE DEPOSIT
8/10	40.00	1ST ISO 150809/ATM SETTLE 83931218 EPWORTH VILLA
8/10	100.00	1ST ISO 150808/ATM SETTLE 83931218 EPWORTH VILLA
8/10	240.00	1ST ISO 150807/ATM SETTLE 83931218 EPWORTH VILLA
8/10	572,969.83	ACH Offset for Originated Debits
		Batch-0000001 FileID-AHF0805014 EPWORTH VILLA/STATEMENTS
		ACH Offset EPWORTH VILLA
8/11	141,613.79	ACH Offset for Originated Debits
		Batch-0000001 FileID-AHF0806089 EPWORTH VILLA/STATEMENTS
		ACH Offset EPWORTH VILLA
8/11	16,920.14	REMOTE DEPOSIT
8/11	51,049.87	REMOTE DEPOSIT
8/11	87,208.37	REMOTE DEPOSIT
8/12	19.10	DEPOSIT
8/12	61.00	DEPOSIT
8/12	74.35	DEPOSIT
8/12	104.10	DEPOSIT
8/12	163.75	DEPOSIT
8/12	7,468.21	Trnsfr from Checking Acct Ending in 4290
8/13	60,252.73	Trnsfr from Checking Acct Ending in 4290
8/13	4,400.00	INTERNET TRANSFER FROM: xxxx4004
8/13	41,884.97	REMOTE DEPOSIT
8/14	20.00	1ST ISO 150813/ATM SETTLE 83931218 EPWORTH VILLA
8/14	1,486.70	Trnsfr from Checking Acct Ending in 4290
8/14	4,743.72	REMOTE DEPOSIT
8/14	41,270.98	REMOTE DEPOSIT
8/17	50.00	DEPOSIT
8/17	85.90	DEPOSIT
8/17	106.95	DEPOSIT
8/17	400.00	1ST ISO 150814/ATM SETTLE 83931218 EPWORTH VILLA
8/17	2,981.79	Trnsfr from Checking Acct Ending in 4290
8/18	22,081.24	Trnsfr from Checking Acct Ending in 4290
8/19	200.00	1ST ISO 150818/ATM SETTLE 83931218 EPWORTH VILLA
8/19	2,119.79	Trnsfr from Checking Acct Ending in 4290
8/19	34,819.76	REMOTE DEPOSIT
8/19	45,976.60	REMOTE DEPOSIT
8/20	6,680.81	Trnsfr from Checking Acct Ending in 4290
8/21	43.60	DEPOSIT
8/21	77.45	DEPOSIT
8/21	82.45	DEPOSIT
8/21	147.75	DEPOSIT
8/21	80.00	1ST ISO 150820/ATM SETTLE 83931218 EPWORTH VILLA
8/21	356,016.24	Trnsfr from Checking Acct Ending in 4290
8/21	19,862.92	REMOTE DEPOSIT
8/21	20,500.00	REMOTE DEPOSIT
8/24	20.00	1ST ISO 150823/ATM SETTLE 83931218 EPWORTH VILLA
8/24	7,040.89	Trnsfr from Checking Acct Ending in 4290
8/25	100.00	1ST ISO 150824/ATM SETTLE 83931218 EPWORTH VILLA
8/25	13,000.00	INTERNET TRANSFER FROM: xxxx7105
8/26	138.65	DEPOSIT
8/26	25.80	OK-HEALTHCHOICE/HLTHCHOICE
		TRN*1*201508210004174*1731334923\\
		731292317NN0010 CENTRAL OKLAHOMA UNITE
8/26	5,050.51	Trnsfr from Checking Acct Ending in 4290
8/26	12,715.92	REMOTE DEPOSIT
8/26	45,965.24	REMOTE DEPOSIT
8/27	300.00	1ST ISO 150826/ATM SETTLE 83931218 EPWORTH VILLA
8/27	10,237.50	OK-HEALTHCHOICE/HLTHCHOICE
		TRN*1*201508240004835*1731334923\\
		731292317NN0010 CENTRAL OKLAHOMA UNITE
8/27	23,999.22	Epworth/Feb. Bills
8/27	23,999.22	ACH Offset for Originated Debits
		Batch-0000001 FileID-AHF0826201 Epworth/Feb. Bills
		ACH Offset Epworth
8/27	19,812.57	Trnsfr from Checking Acct Ending in 4290
8/28	91.55	DEPOSIT
8/28	97.55	DEPOSIT



MSI Rev. 03/06

www.bancfirst.com

FBK13510

Member
FDIC

PO BOX 1
STILLWATER, OK 74076-0001
(405) 712-6200



To Oklahoma & You™

Dir 1 251 277

5463X0C.003 BNCF:0007293



24-Hour
Automated
Account Information
(405) 495-2489

17 *0007293
ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069

PAGE 3

ACCOUNT NUMBER
██████████4026
STATEMENT DATE
8/31/15

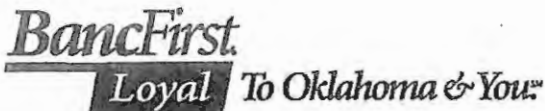
8/28	103.70		DEPOSIT
8/28	127.00		DEPOSIT
8/28	40.00		1ST ISO 150827/ATM SETTLE 83931218 EPWORTH VILLA
8/28	4,029.49		Trnsfr from Checking Acct Ending in 4290
8/28	3,550.00		INTERNET TRANSFER FROM: xxxx4004
8/28	285.00		REMOTE DEPOSIT
8/28	7,538.77		REMOTE DEPOSIT
8/31	370.00		DEPOSIT
8/31	40.00		1ST ISO 150828/ATM SETTLE 83931218 EPWORTH VILLA
8/31	4,785.88		NEWFIELD EXPL MI/ROYALTY
			PAYID 1529181 CENTRAL OKLAHOMA UNITE
8/31	15,877.10		Trnsfr from Checking Acct Ending in 4290
8/31	365.00		REMOTE DEPOSIT
8/31	2,914.22		REMOTE DEPOSIT
8/31	16,788.78		REMOTE DEPOSIT
8/31	32,015.60		REMOTE DEPOSIT
----- OTHER DEBITS -----			
Date	Deposits	Withdrawals	Activity Description
8/03		18,336.33	MG Trust/0000000107
8/04		6,448.33	US FOODSERVICE/VENDOR PAY
8/04		7,000.00	Epworth/consult
8/04		76,978.82	IRS/USATAXPYMT 270561665516343 CENTRAL OKLAHOMA UNITE
8/04		7,000.00	ACH Offset for Originated Credits
			Batch-0000001 FileID-AHF0803094 Epworth/consult
			ACH Offset Epworth
8/05		247.00	ST. HEALTH DEPT/HEALTH
8/06		45,984.39	Trnsfr to Checking Acct Ending in 4279
8/06		8,997.00	TAX PAYMENTS/OK TAX PMT
			TXP*GK*WTH*F*731292317*20150930*RTNPPYM*2 0150804*899700\
			2039114496 CENTRAL OKLAHOMA UNITE
8/07		7,453.21	US FOODSERVICE/VENDOR PAY
8/10		1.50	TRANSFIRST LLC/DISCOUNT
			39300980938848 CENTRAL OKLAHOMA UNITE D ISCOUNT
			39300980938848 CENTRAL OKLAHOMA UNITE
			US FOODSERVICE/VENDOR PAY
8/11		7,122.99	Trnsfr to Checking Acct Ending in 4279
8/13		11,923.29	ACH Return Debit David, Rae D Insufficient Funds
8/13		23,999.22	PAYMENT ALLIANCE/EFTRANSACT 24-0GCH4T EPWORTH VILLA
8/14		.28	US FOODSERVICE/VENDOR PAY
8/14		5,006.40	ACH Offset for Originated Credits
8/14		233,188.72	Batch-0000001 FileID-AHF0812097 EPWORTH VILLA/PAYROLL
			ACH Offset EPWORTH VILLA
8/17		932.10	US FOODSERVICE/VENDOR PAY
8/17		10,050.00	BANCFIRST TRUST/BF ACH DEP
8/17		17,886.25	BANCFIRST TRUST/BF ACH DEP
8/17		18,194.82	MG Trust/0000000107
8/17		74,520.09	BANCFIRST TRUST/BF ACH DEP
8/17		60,496.82	IRS/USATAXPYMT 270562990319600 CENTRAL OKLAHOMA UNITE
8/17		391,623.65	BANCFIRST TRUST/BF ACH DEP
8/18		7,436.76	US FOODSERVICE/VENDOR PAY
6/19		9,390.00	TAX PAYMENTS/OK TAX PMT
			TXP*GK*WTH*F*731292317*20150930*RTNPPYM*2 0150817*939000\
			766707456 CENTRAL OKLAHOMA UNITE
8/20		17,615.16	Trnsfr to Checking Acct Ending in 4279

4002-00000



Dir 1 251 277

5483X0C.003 BNCF:0007293



ACCOUNT NUMBER	0026
STATEMENT DATE	8/31/15

PAGE 4

8/20	141.77	US FOODSERVICE/VENDOR PAY
8/21	5.90	Trnsfr to Checking Acct Ending In 4279
8/21	13,376.83	US FOODSERVICE/VENDOR PAY
8/21	16,297.05	CARDMEMBER SERV/WEB PYMT
8/21	527.01	ACCOUNT ANALYSIS SERVICE CHARGE
8/24	45.36	US FOODSERVICE/VENDOR PAY
8/26	100,000.00	INTERNET TRANSFER TO: xxxx5456
8/27	36,799.50	Trnsfr to Checking Acct Ending in 4279
8/27	110.06	MG Trust/0000000107
8/27	308.88	MG Trust/0000000107
8/27	23,999.22	ACH Offset for Originated Credits Batch-0000001 FileID-AHF0826201 Epworth/Feb. Bills
		ACH Offset Epworth
8/28	19,158.03	Trnsfr to Checking Acct Ending In 4279
8/28	7,307.36	US FOODSERVICE/VENDOR PAY
8/28	234,146.72	ACH Offset for Originated Credits Batch-0000001 FileID-AHF0826104 EPWORTH VILLA/PAYROLL
		ACH Offset EPWORTH VILLA
8/31	14,013.32	OKC/WEB_PAY
8/31	81,603.91	IRS/USATAXPYMT 270564365695789 CENTRAL OKLAHOMA UNITE

CHECKS

* indicates skip in check numbers

Date	Check No.	Amount	Date	Check No.	Amount	Date	Check No.	Amount
8/31	11111	370.00	8/04	62853	495.00	8/19	62903	50.00
8/03	62676*	408.54	8/04	62854	1,509.22	8/12	62922*	207.16
8/05	62682*	1,424.27	8/05	62855	2,922.20	8/13	62923	68.64
8/04	62685*	354.69	8/12	62856	75.00	8/12	62924	3,327.48
8/06	62689*	639.89	8/05	62857	355.00	8/13	62925	393.58
8/03	62700*	53.84	8/05	62858	307.33	8/11	62926	650.00
8/17	62718*	23.67	8/05	62860*	192.60	8/17	62927	5,000.00
8/10	62733*	75.00	8/04	62861	595.76	8/12	62928	50.80
8/11	62792*	1,000.00	8/28	62863*	4,748.21	8/10	62929	3,044.50
8/07	62803*	246.40	8/05	62864	871.84	8/14	62931*	228.24
8/05	62807*	7,540.41	8/03	62885	95.00	8/10	62932	3,697.35
8/03	62811*	736.00	8/04	62866	8,453.64	8/12	62933	5,000.00
8/04	62812	642.74	8/04	62868*	2,092.70	8/27	62934	534.00
8/04	62813	533.50	8/07	62869	359.25	8/11	62935	72.40
8/05	62814	545.61	8/04	62870	2,100.00	8/12	62936	64.05
8/03	62815	692.67	8/03	62871	130,727.72	8/10	62937	495.00
8/13	62816	771.75	8/05	62872	315.77	8/12	62938	150.00
8/05	62817	596.09	8/05	62873	2,994.19	8/14	62939	1,351.00
8/06	62818	1,205.62	8/05	62874	59,955.00	8/11	62940	1,461.48
8/03	62819	827.54	8/04	62875	1,380.31	8/12	62941	1,881.56
8/03	62820	301.40	8/04	62876	505.15	8/13	62942	15,266.43
8/04	62826*	1,062.38	8/04	62877	234.88	8/11	62943	32.78
8/03	62828*	579.53	8/03	62878	72,343.33	8/11	62944	1,055.58
8/03	62829	511.27	8/04	62879	57.04	8/11	62945	870.24
8/03	62830	49.50	8/04	62880	218.18	8/12	62946	1,070.85
8/07	62831	648.45	8/04	62881	136.25	8/12	62947	18.00
8/05	62832	374.56	8/04	62882	863.66	8/11	62948	2,641.30
8/03	62834*	108.00	8/04	62883	1,765.17	8/11	62949	4,193.00
8/05	62835	438.80	8/04	62884	213.07	8/12	62950	17,774.00
8/06	62836	1,800.00	8/04	62885	1,367.36	8/11	62951	454.04
8/05	62837	366.19	8/04	62886	83.45	8/12	62952	344.88
8/04	62838	350.00	8/04	62887	60.50	8/11	62953	15,088.40
8/27	62839	250.00	8/04	62888	470.24	8/07	62954	1,545.35
8/03	62840	13,367.00	8/04	62889	325.49	8/17	62955	788.99
8/26	62841	275.00	8/05	62890	35.46	8/11	62956	2,287.50
8/17	62843*	300.00	8/07	62891	103.17	8/11	62957	110,683.82
8/03	62844	2,654.56	8/04	62892	670.00	8/11	62958	19.32
8/18	62845	2,669.00	8/13	62893	50.00	8/10	62959	10,473.22
8/06	62847*	92.36	8/03	62894	4,208.48	8/12	62961*	55.00
8/05	62848	673.75	8/06	62895	382.50	8/13	62965*	413.00
8/06	62849	2,253.99	8/07	62896	288.91	8/18	62966	640.22
8/04	62850	72.40	8/05	62897	71.25	8/18	62967	851.01
8/03	62851	238.00	8/13	62898	1,140.00	8/21	62968	112.51
8/11	62852	70.00	8/03	62902*	23.40	8/18	62969	630.62



MSI Rev. 08/06

www.bancfirst.com

FDK12510

Member
FDIC

PO BOX 1
STILLWATER, OK 74076-0001
(405) 742-6200



To Oklahoma & You™

Dir 1 251 277

5484X0C.003 BNCF:0007293



24-Hour
Automated
Account Information
(405) 495-2489

17 *0007293
ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069

PAGE 5

ACCOUNT NUMBER
██████████4026
STATEMENT DATE
8/31/15

Date	Check No.	Amount	Date	Check No.	Amount	Date	Check No.	Amount
8/26	62970	975.66	8/14	63008	180.00	8/25	63045	112.26
8/17	62971	166.42	8/24	63009	554.72	8/26	63046	1,159.01
8/18	62972	401.57	8/19	63010	2,035.60	8/25	63047	747.00
8/17	62973	685.98	8/18	63011	3,858.25	8/21	63048	9,855.12
8/18	62974	239.19	8/19	63012	398.53	8/25	63051*	1,045.76
8/14	62977*	1,642.83	8/18	63013	40.00	8/28	63052	370.98
8/17	62978	572.07	8/19	63014	929.68	8/31	63056*	721.54
8/18	62979	66.91	8/19	63015	406.19	8/31	63057	831.88
8/14	62980	699.27	8/17	63016	595.00	8/31	63058	1,053.26
8/14	62981*	152.91	8/19	63017	715.38	8/28	63059	1,257.81
8/19	62982*	115.86	8/19	63018	258.93	8/28	63063*	1,876.12
8/14	62983	41.24	8/17	63020*	95.00	8/28	63064	628.25
8/20	62984	579.58	8/18	63021	426.98	8/28	63065	587.11
8/19	62985	912.24	8/19	63022	433.48	8/31	63066	100.37
8/17	62987*	813.71	8/18	63023	44,769.74	8/28	63067	1,210.67
8/18	62988	294.96	8/19	63024	15.00	8/31	63088	259.84
8/19	62989	111.75	8/25	63025	1,000.00	8/31	63069	776.59
8/17	62990	1,045.08	8/19	63026	54.19	8/31	63072*	298.00
8/14	62991	1,155.26	8/18	63027	537.45	8/28	63073	382.11
8/17	62992	99.95	8/19	63029*	3,590.25	8/28	63074	622.67
8/17	62993	259.76	8/21	63030	104.31	8/31	63075	464.39
8/28	62994	528.53	8/21	63031	92.83	8/31	63077*	409.39
8/17	82995	136.38	8/18	83032	36.58	8/28	63078	587.72
8/18	82996	860.00	8/27	63033	50.00	8/28	63089*	1,485.00
8/17	62997	349.95	8/27	63034	235.00	8/28	63092*	1,868.00
8/18	82998	10,473.22	8/21	63035	245.91	8/31	63097*	999.98
8/20	62999	323.93	8/19	63036	1,210.17	8/28	63100*	225.00
8/20	63000	48,693.89	8/20	63037	3,669.48	8/31	63120*	68,911.48
8/24	63001	5,622.02	8/21	63038	1,885.15	8/31	63125*	2,500.00
8/24	63002	149.01	8/19	83039	6,000.00	8/31	63130*	67.84
8/14	83003	2,990.00	8/21	83040	3,032.40	8/28	63138*	452.24
8/18	63004	2,883.00	8/18	63041	368.55	8/25	114026*	84.36
8/18	63005	259.88	8/17	83042	2,200.00	8/25	114026*	583.53
8/17	63006	8,394.45	8/25	63044*	1,336.55	8/04	911140*	554.93
8/18	63007	96.70						

DAILY BALANCE SUMMARY

Date	Balance
8/03	284,073.81
8/04	166,598.95
8/05	179,570.80
8/06	540,072.12
8/07	614,477.72
8/10	1,170,040.98
8/11	1,319,130.30

Date	Balance
8/12	1,297,002.03
8/13	1,349,513.82
8/14	1,150,399.07
8/17	538,793.59
8/18	483,234.42
8/19	539,723.32
8/20	475,380.32

Date	Balance
8/21	828,655.71
8/24	827,345.49
8/25	835,538.03
8/26	797,022.48
8/27	813,084.33
8/28	551,506.86
8/31	451,281.67

C002-00000



www.bancfirst.com

Member
FDIC

PO BOX 1
STILLWATER, OK 74076-0001
(405) 742-6200



To Oklahoma & You™

Dir 1 251 0

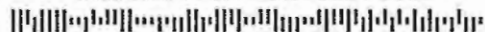
5514X0C.003 BNCF:0007299



24-Hour
Automated
Account Information
(405) 495-2489

1 *0007299

ESTATE OF CENTRAL OKLA UNITED METHODIST
RETIREMENT FACILITY INC
DEBTOR IN POSSESSION CASE 14-12995
14901 N PENNSYLVANIA AVE
OKLAHOMA CITY OK 73134-6069



PAGE 1

ACCOUNT NUMBER
██████████4279
STATEMENT DATE
8/31/15

YOUR

TRADE IN

LOAN

WWW.BANCFIRST.COM

*Annual percentage rate for qualified borrowers with auto debit from BancFirst account, on new loans or refinancing of non-BancFirst loans. Model year limits may apply.

MEMBER FDIC

ACCOUNT ANALYSIS

Beginning Balance	8/01/15	.00
Deposits / Misc Credits	6	131,486.27
Withdrawals / Misc Debits	6	131,486.27
** Ending Balance	8/31/15	.00 **

Service Charge 5.90

DEPOSITS			
Date	Deposits	Withdrawals	Activity Description
8/06	45,984.39		Trnsfr from Checking Acct Ending in 4026
8/13	11,923.29		Trnsfr from Checking Acct Ending in 4026
8/20	17,615.16		Trnsfr from Checking Acct Ending in 4026
8/21	5.90		Trnsfr from Checking Acct Ending in 4026
8/27	36,799.50		Trnsfr from Checking Acct Ending in 4026
8/28	19,158.03		Trnsfr from Checking Acct Ending in 4026
OTHER DEBITS			
Date	Deposits	Withdrawals	Activity Description
8/06		45,984.39	HNB - MAA/ACH XFR EV41B4 000000000343252
8/13		11,923.29	HNB - MAA/ACH XFR EV41B4 000000000344995
8/20		17,615.16	HNB - MAA/ACH XFR EV41B4 000000000346676
8/21		5.90	ACCOUNT ANALYSIS SERVICE CHARGE
8/27		36,799.50	HNB - MAA/ACH XFR EV41B4 000000000348328
8/28		19,158.03	HNB - MAA/ACH XFR EV41B4 000000000348460
DAILY BALANCE SUMMARY			
Date	Balance	Date	Balance
8/06	.00	8/13	.00
		8/20	.00



www.bancfirst.com

Member
FDIC

Dir 1251 0

5514X0C.003 BNCF:0007299



ACCOUNT NUMBER	██████████4279
STATEMENT DATE	8/31/15

PAGE 2

Date	Balance	Date	Balance	Date	Balance
8/21	.00	8/27	.00	8/28	.00



MSI Rev 08/06

www.bancfirst.com

FBK13510

Member
FDIC



MI
Last Statement: June 30, 2015
This Statement: July 31, 2015
Number of Items: 0
Page 1
3003

CENTRAL OK UNITED METHODIST RETIREMENT
14901 N PENN AVE
OKLAHOMA CITY OK 73134-6069

ZERO IN ON YOUR BUSINESS. ENJOY A LOW INTRODUCTORY APR ON PURCHASES AND BALANCE TRANSFERS FOR THE FIRST 12 BILLING CYCLES WITH A MIDFIRST BANK BUSINESS REWARDS VISA CREDIT CARD. PLUS, EARN REWARDS ON QUALIFYING BUSINESS PURCHASES. FOR DETAILS, VISIT MIDFIRST.COM/ZEROBIZ.

3003 Business Money Market

Low Balance:	\$74,073.45	Beginning Balance:	\$74,073.45
Average Balance:	\$74,073.45	Ending Balance:	\$74,086.03
Interest Paid This Statement:	\$12.58	Total No. of Additions:	0
Interest Paid Year to Date:	\$86.01	Total No. of Subtractions:	0

Date	Description	Additions	Subtractions	Balance
06-30	Beginning balance			\$74,073.45
07-31	#Interest Credit	12.58		74,086.03
07-31	Ending totals	12.58	00.00	\$74,086.03

Effective dates	INTEREST RATE
06-30-15	0.200%

Annual percentage yield earned	0.20 %
Interest-bearing days	31
Average balance for APY	\$74,073.45
Interest earned	\$12.58



GROUP EXHIBIT “6”

**(Balance Sheet and Income Statement from Epworth Villa’s Monthly
Operating Reports for monthly periods ending January 31, 2015
through August 31, 2015)**

**Epworth Villa
Balance Sheet
January 31, 2015**

ASSETS**Current Assets:**

Cash and cash equivalents	2,418,855
Accounts receivable	1,925,664
Prepaid expenses and other assets	445,394
Inventory	126,013
Assets held in trust, at fair value	<u>2,629,472</u>
Total Current Assets	<u>7,545,398</u>

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	12,378,375
Board designated funds	5,390,919
Benevolent fund	3,052,333
Beneficial interest in endowments	382,120
Due from related parties	2,851,456
Contributions receivable - net	<u>21,442</u>
Total Investments	<u>24,056,646</u>

Property and equipment, at cost:

Land	2,688,010
Building and improvements	71,371,294
Equipment and fixtures	4,581,412
Construction in progress	<u>28,816,861</u>

	107,257,677
Less: Accumulated Depreciation	<u>-24,381,654</u>

Net Property and equipment	<u>82,896,023</u>
-----------------------------------	--------------------------

Deferred Expenses:

Marketing and development costs	98,246
Financing Costs	<u>2,638,894</u>

	2,733,140
Less: Accumulated Amortization	<u>-771,974</u>

Net Deferred Expenses	<u>1,961,166</u>
------------------------------	-------------------------

TOTAL ASSETS	<u>116,459,233</u>
---------------------	---------------------------

LIABILITIES**Current Liabilities:**

Accounts Payable	4,129,959
Accrued payroll and employee benefits	737,332
Entrance fee refunds	1,547,080
Entrance fee deposits and accrued interest	68,300
Payable from assets held by trustee:	
Current maturities of long-term debt	1,355,000
Accrued interest	<u>1,524,309</u>
Total Current Liabilities	<u>9,361,980</u>

Long-term debt due after one year	103,405,826
Rental Deposits	25,000
Deferred and refundable entrance fees, net	<u>26,666,689</u>

TOTAL LIABILITIES	<u>139,489,496</u>
--------------------------	---------------------------

Commitments and contingencies**Net Assets (Deficit)**

Unrestricted:	
Operating	-33,741,668
Board designated funds	<u>10,178,111</u>
Total unrestricted	<u>-23,563,555</u>
Temporarily restricted	201,884
Permanently restricted	<u>331,407</u>

Total Net Assets (Deficit)	<u>-23,030,263</u>
-----------------------------------	---------------------------

TOTAL LIABILITIES & NET ASSETS (DEFICIT)	<u>116,459,233</u>
---	---------------------------

Epworth Villa
Unaudited Statement of Activities
Month Ending January 31, 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 674,858	\$ 705,009
Nursing	769,335	877,803
Assisted Living	240,032	263,248
Miscellaneous	7,290	7,069
Entrance Fees Earned	143,072	145,000
Amortization Recognized	-	42,500
Total Operating Revenue	\$ 1,834,588	\$ 2,040,629
<u>Operating Expenses:</u>		
G&A	\$ 344,341	\$ 269,233
Human Development & Engagement	32,123	50,849
Marketing	40,153	65,989
Funds Development	-	1,700
Independent Living/Chaplain	91,274	116,452
Plant Maintenance	62,972	155,734
Grounds	17,735	22,608
Safety	21,666	22,251
Housekeeping	52,969	55,977
Dining	163,632	164,211
Nursing	537,890	621,410
Assisted living	135,133	179,136
Interest Expense	276,497	134,257
Amortization and Depreciation	226,403	284,163
Total Operating Expenses	\$ 2,002,788	\$ 2,143,970
<u>Other Revenue:</u>		
Investment income	\$ 47,736	\$ 55,000
Donations	19,194	6,233
Oil and Gas Royalties	8,822	9,000
Total Other Revenues	\$ 75,752	\$ 70,233
<u>Other Expenses:</u>		
Benovelent Funds and Scholarships	\$ 1,338	\$ -
Strategic Initiative	-	-
Support of Outside Programs	-	-
Total Other Expenses	\$ 1,338	\$ -

Epworth Villa
 Unaudited Statement of Activities
 Month Ending January 31, 2015
 (Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ (93,786)	\$ (33,108)
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ (22,817)	\$ -
Change in Value of Split Interest	-	-
Total Non- Cash Income	\$ (22,817)	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ -	\$ -
Unrealized Gain (Loss) Investment	\$ (44,963)	\$ -
Total Non-Cash Expense	\$ (44,963)	\$ -
Total Net Income (Loss)	\$ (161,566)	\$ (33,108)
<u>Other Items:</u>		
Construction costs	\$ 572,510	

Epworth Villa
Balance Sheet
February 28, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	2,081,443
Accounts receivable	2,000,770
Prepaid expenses and other assets	406,524
Inventory	131,280
Assets held in trust, at fair value	<u>3,002,888</u>
Total Current Assets	<u>7,622,904</u>

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	11,648,530
Board designated funds	5,552,678
Benevolent fund	3,143,448
Beneficial interest in endowments	373,741
Due from related parties	2,830,382
Contributions receivable - net	<u>21,442</u>
Total Investments	<u>23,570,221</u>

Property and equipment, at cost:

Land	2,688,010
Building and improvements	71,371,294
Equipment and Fixtures	4,581,412
Construction in progress	<u>29,102,712</u>
	107,743,428
Less: Accumulated Depreciation	<u>-24,579,835</u>
Net Property and equipment	<u>83,163,592</u>

Deferred Expenses:

Marketing and development costs	87,493
Financing Costs	<u>2,636,894</u>
	2,724,387
Less: Accumulated Amortization	<u>-779,355</u>
Net Deferred Expenses	<u>1,945,032</u>

TOTAL ASSETS 116,301,749

LIABILITIES**Current Liabilities:**

Accounts Payable	3,713,624
Accrued payroll and employee benefits	618,872
Entrance fee refunds	1,611,390
Entrance fee deposits and accrued interest	138,000
Payable from assets held by trustee:	
Current maturities of long-term debt	1,355,000
Accrued interest	<u>1,905,386</u>
Total Current Liabilities	9,342,272

Long-term debt due after one year	103,464,223
Rental Deposits	25,000
Deferred and refundable entrance fees, net	<u>26,327,185</u>

TOTAL LIABILITIES 139,158,681

Commitments and contingencies

Net Assets (Deficit)

Unrestricted:	
Operating	-33,568,334
Board designated funds	<u>10,178,111</u>
Total unrestricted	-23,390,223
Temporarily restricted	201,884
Permanently restricted	<u>331,407</u>

Total Net Assets (Deficit) -22,856,932

TOTAL LIABILITIES & NET ASSETS (DEFICIT) 116,301,749

Epworth Villa
Unaudited Statement of Activities
Month Ending February 28, 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 661,822	\$ 714,244
Nursing	791,254	794,623
Assisted Living	228,508	290,068
Miscellaneous	4,349	9,520
Entrance Fees Earned	142,722	145,000
Amortization Recognized	10,515	43,000
Total Operating Revenue	\$ 1,839,170	\$ 1,996,455
<u>Operating Expenses:</u>		
G&A	\$ 283,110	\$ 258,141
Human Development & Engagement	18,931	36,440
Marketing	14,867	62,841
Funds Development	-	1,000
Independent Living/Chaplain	74,661	112,644
Plant Maintenance	77,604	174,661
Grounds	13,040	20,524
Safety	16,268	21,602
Housekeeping	37,049	54,807
Dining	138,179	161,842
Nursing	464,210	612,390
Assisted living	99,328	188,128
Interest Expense	481,657	134,257
Amortization and Depreciation	225,562	284,163
Total Operating Expenses	\$ 1,944,468	\$ 2,123,440
<u>Other Revenue:</u>		
Investment income	\$ 17,859	\$ 55,000
Donations	2,154	6,233
Oil and Gas Royalties	14,045	9,000
Total Other Revenues	\$ 34,058	\$ 70,233
<u>Other Expenses:</u>		
Benovelent Funds and Scholarships	\$ -	\$ -
Strategic Initiative	-	-
Support of Outside Programs	-	-
Total Other Expenses	\$ -	\$ -

Epworth Villa
 Unaudited Statement of Activities
 Month Ending February 28, 2015
 (Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ (71,240)	\$ (56,752)
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ (2,758)	\$ -
Change in Value of Split Interest	-	-
Total Non- Cash Income	\$ (2,758)	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ -	\$ -
Unrealized Gain (Loss) Investment	\$ 247,330	\$ -
Total Non-Cash Expense	\$ 247,330	\$ -
Total Net Income (Loss)	\$ 173,331	\$ (56,752)
<u>Other Items:</u>		
Construction costs	\$ 868,105	

Epworth Villa
Balance Sheet
March 31, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	2,347,838
Accounts receivable	2,071,292
Prepaid expenses and other assets	386,094
Inventory	124,415
Assets held in trust, at fair value	<u>3,376,156</u>
Total Current Assets	<u>8,305,795</u>

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	11,149,427
Board designated funds	5,534,766
Benevolent fund	3,132,630
Beneficial interest in endowments	371,203
Due from related parties	2,811,186
Contributions receivable - net	<u>21,442</u>
Total Investments	<u>23,020,653</u>

Property and equipment, at cost:

Land	2,688,010
Building and improvements	71,371,294
Equipment and Fixtures	4,592,455
Construction in progress	<u>31,563,807</u>
	110,215,566
Less: Accumulated Depreciation	<u>-24,797,024</u>
Net Property and equipment	<u>85,418,542</u>

Deferred Expenses:

Marketing and development costs	87,493
Financing Costs	<u>2,636,894</u>
	2,724,387
Less: Accumulated Amortization	<u>-786,736</u>
Net Deferred Expenses	<u>1,937,650</u>

TOTAL ASSETS 118,682,641

LIABILITIES**Current Liabilities:**

Accounts Payable	5,351,103
Accrued payroll and employee benefits	564,297
Entrance fee refunds	1,689,415
Entrance fee deposits and accrued interest	78,800
Payable from assets held by trustee:	
Current maturities of long-term debt	1,355,000
Accrued interest	<u>2,286,463</u>
Total Current Liabilities	11,325,079

Long-term debt due after one year	103,529,172
Deferred and refundable entrance fees, net	<u>26,712,166</u>

TOTAL LIABILITIES 141,566,417

Commitments and contingencies

Net Assets (Deficit)

Unrestricted:	
Operating	-33,595,178
Board designated funds	<u>10,178,111</u>
Total unrestricted	-23,417,067
Temporarily restricted	201,884
Permanently restricted	<u>331,407</u>
Total Net Assets (Deficit)	<u><u>-22,883,775</u></u>

TOTAL LIABILITIES & NET ASSETS (DEFICIT) 118,682,641

Epworth Villa
Unaudited Statement of Activities
Month Ending March 31, 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 666,265	\$ 723,779
Nursing	753,747	863,574
Assisted Living	272,924	299,655
Miscellaneous	69,563	9,521
Entrance Fees Earned	144,176	145,000
Amortization Recognized	12,819	42,500
Total Operating Revenue	\$ 1,919,494	\$ 2,084,029
<u>Operating Expenses:</u>		
G&A	\$ 363,944	\$ 245,728
Human Development & Engagement	19,123	24,570
Marketing	35,595	35,618
Funds Development	-	2,000
Independent Living/Chaplain	95,386	114,209
Plant Maintenance	217,178	175,326
Grounds	11,127	31,976
Safety	21,201	21,941
Housekeeping	51,799	55,408
Dining	175,325	168,364
Nursing	539,609	646,236
Assisted living	145,062	193,095
Interest Expense	63,784	134,257
Amortization and Depreciation	224,569	284,163
Total Operating Expenses	\$ 1,963,700	\$ 2,132,891
<u>Other Revenue:</u>		
Investment income	\$ 35,466	\$ 55,000
Donations	13,830	26,234
Oil and Gas Royalties	9,390	9,000
Total Other Revenues	\$ 58,685	\$ 90,234
<u>Other Expenses:</u>		
Benovelent Funds and Scholarships	\$ -	\$ -
Strategic Initiative	-	10,000
Support of Outside Programs	-	4,000
Total Other Expenses	\$ -	\$ 14,000

Epworth Villa
 Unaudited Statement of Activities
 Month Ending March 31, 2015
 (Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ 14,479	\$ 27,372
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ (2,594)	\$ -
Change in Value of Split Interest	-	-
Total Non- Cash Income	\$ (2,594)	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ "	\$ -
Unrealized Gain (Loss) Investment	\$ (38,728)	\$ -
Total Non-Cash Expense	\$ (38,728)	\$ -
Total Net Income (Loss)	\$ (26,844)	\$ 27,372
<u>Other Items:</u>		
Construction costs	\$ 590,607	

Epworth Villa
Balance Sheet
April 30, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	2,385,804
Accounts receivable	2,251,596
Prepaid expenses and other assets	382,599
Inventory	120,639
Assets held in trust, at fair value	532,060
Total Current Assets	5,672,698

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	9,869,122
Board designated funds	5,554,999
Benevolent fund	3,145,277
Beneficial interest in endowments	375,798
Due from related parties	2,788,397
Contributions receivable - net	21,442
Total Investments	21,755,035

Property and equipment, at cost:

Land	2,688,010
Building and improvements	71,371,294
Equipment and Fixtures	4,608,413
Construction in progress	31,705,468
	110,373,185
Less: Accumulated Depreciation	-25,013,809
Net Property and equipment	85,359,375

Deferred Expenses:

Marketing and development costs	87,493
Financing Costs	2,636,894
	2,724,387
Less: Accumulated Amortization	-764,593
Net Deferred Expenses	1,959,794

TOTAL ASSETS**114,746,902****LIABILITIES****Current Liabilities:**

Accounts Payable	4,638,582
Accrued payroll and employee benefits	548,575
Entrance fee refunds	1,584,328
Entrance fee deposits and accrued interest	78,600
Payable from assets held by trustee:	
Current maturities of long-term debt	1,475,000
Accrued interest	392,552
Total Current Liabilities	8,717,637

Long-term debt due after one year	102,178,006
Deferred and refundable entrance fees, net	26,779,657

TOTAL LIABILITIES**137,675,300**

Commitments and contingencies

Net Assets (Deficit)

Unrestricted:	
Operating	-33,639,800
Board designated funds	10,178,111
Total unrestricted	-23,461,688
Temporarily restricted	201,884
Permanently restricted	331,407

Total Net Assets (Deficit)**-22,928,397****TOTAL LIABILITIES & NET ASSETS (DEFICIT)****114,746,902**

Epworth Villa
Unaudited Statement of Activities
Month Ending April 30, 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 653,670	\$ 736,217
Nursing	732,316	822,538
Assisted Living	250,675	348,659
Miscellaneous	32,795	9,521
Entrance Fees Earned	143,615	145,000
Amortization Recognized	53,236	42,500
Total Operating Revenue	\$ 1,866,307	\$ 2,104,435
<u>Operating Expenses:</u>		
G&A	\$ 289,433	\$ 249,271
Human Development & Engagement	23,900	32,136
Marketing	37,384	78,851
Funds Development	512	7,628
Independent Living/Chaplain	88,455	120,071
Plant Maintenance	144,530	198,391
Grounds	15,316	23,496
Safety	19,498	21,841
Housekeeping	45,829	55,176
Dining	128,196	168,625
Nursing	566,934	628,799
Assisted living	155,796	201,257
Interest Expense	280,587	377,325
Amortization and Depreciation	194,642	284,163
Total Operating Expenses	\$ 1,991,011	\$ 2,447,030
<u>Other Revenue:</u>		
Investment income	\$ 34,807	\$ 5,000
Donations	14,744	6,233
Oil and Gas Royalties	8,865	9,000
Total Other Revenues	\$ 58,415	\$ 20,233
<u>Other Expenses:</u>		
Benovelent Funds and Scholarships	\$ -	\$ -
Strategic Initiative	-	10,000
Support of Outside Programs	-	4,000
Total Other Expenses	\$ -	\$ 14,000

Epworth Villa
 Unaudited Statement of Activities
 Month Ending April 30, 2015
 (Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ (66,289)	\$ (336,362)
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ (5,297)	\$ -
Change in Value of Split Interest	-	-
Total Non- Cash Income	\$ (5,297)	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ -	\$ -
Unrealized Gain (Loss) Investment	\$ 26,964	\$ -
Total Non-Cash Expense	\$ 26,964	\$ -
Total Net Income (Loss)	\$ (44,622)	\$ (336,362)
<u>Other Items:</u>		
Construction costs	\$ 1,026,912	

Epworth Villa
Balance Sheet
May 31, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	2,239,887
Accounts receivable	2,089,730
Prepaid expenses and other assets	335,559
Inventory	120,119
Assets held in trust, at fair value	<u>1,027,037</u>
Total Current Assets	<u>5,812,332</u>

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	8,799,340
Board designated funds	5,587,703
Benevolent fund	3,173,337
Beneficial interest in endowments	375,399
Due from related parties	2,860,888
Contributions receivable - net	<u>21,442</u>
Total Investments	<u>20,818,108</u>

Property and equipment, at cost:

Land	2,688,010
Building and improvements	73,702,803
Equipment and fixtures	4,615,467
Construction in progress	<u>32,683,622</u>
	113,689,902
Less: Accumulated Depreciation	<u>-25,249,572</u>
Net Property and equipment	<u>88,440,330</u>

Deferred Expenses:

Marketing and development costs	87,493
Financing Costs	<u>2,636,894</u>
	2,724,387
Less: Accumulated Amortization	<u>-764,593</u>
Net Deferred Expenses	<u>1,959,794</u>

TOTAL ASSETS 117,030,564

LIABILITIES**Current Liabilities:**

Accounts Payable	3,756,774
Accrued payroll and employee benefits	700,557
Entrance fee refunds	2,841,863
Entrance fee deposits and accrued interest	43,600
Payable from assets held by trustee:	
Current maturities of long-term debt	1,425,000
Accrued interest	<u>773,452</u>
Total Current Liabilities	9,541,246

Long-term debt due after one year	102,245,722
Deferred and refundable entrance fees, net	<u>26,535,008</u>

TOTAL LIABILITIES 138,321,976

Commitments and contingencies

Net Assets (Deficit)

Unrestricted:	
Operating	-32,002,815
Board designated funds	<u>10,178,111</u>
Total unrestricted	-21,824,704
Temporarily restricted	201,884
Permanently restricted	<u>331,407</u>
Total Net Assets (Deficit)	<u><u>-21,291,412</u></u>

TOTAL LIABILITIES & NET ASSETS (DEFICIT) 117,030,564

Epworth Villa
Unaudited Statement of Activities
Month Ending May, 31 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 646,203	\$ 748,881
Nursing	753,178	849,344
Assisted Living	248,168	359,306
Miscellaneous	27,233	9,521
Entrance Fees Earned	138,295	145,000
Amortization Recognized	54,783	43,000
Total Operating Revenue	\$ 1,867,860	\$ 2,155,052
<u>Operating Expenses:</u>		
G&A	\$ 338,546	\$ 189,453
Human Development & Engagement	32,109	43,884
Marketing	33,331	73,930
Funds Development	128	1,128
Independent Living/Chaplain	75,031	117,361
Plant Maintenance	111,147	202,443
Grounds	6,679	19,166
Safety	22,169	21,841
Housekeeping	48,447	55,194
Dining	144,046	172,737
Nursing	542,607	643,688
Assisted living	161,347	203,875
Interest Expense	271,580	377,326
Amortization and Depreciation	235,763	284,163
Total Operating Expenses	\$ 2,022,931	\$ 2,406,189
<u>Other Revenue:</u>		
Investment income	\$ 21,715	\$ 10,000
Donations	17,745	6,233
Oil and Gas Royalties	10,988	9,000
Total Other Revenues	\$ 50,447	\$ 25,233
<u>Other Expenses:</u>		
Benovolent Funds and Scholarships	\$ -	\$ -
Strategic Initiative	-	10,000
Support of Outside Programs	-	-
Total Other Expenses	\$ -	\$ 10,000

Epworth Villa
 Unaudited Statement of Activities
 Month Ending May, 31 2015
 (Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ (104,624)	\$ (235,904)
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ 135	\$ -
Change in Value of Split Interest	-	-
Total Non- Cash Income	\$ 135	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ -	\$ -
Unrealized Gain (Loss) Investment	\$ 37,765	\$ -
Total Non-Cash Expense	\$ 37,765	\$ -
Total Net Income (Loss)	\$ (66,724)	\$ (235,904)
<u>Other Items:</u>		
Construction costs	\$ 1,421,007	

Epworth Villa
Balance Sheet
June 30, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	2,920,885
Accounts receivable	1,832,157
Prepaid expenses and other assets	298,673
Inventory	123,644
Assets held in trust, at fair value	<u>1,511,918</u>
Total Current Assets	<u>6,687,277</u>

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	7,876,134
Board designated funds	5,511,693
Benevolent fund	3,129,610
Beneficial interest in endowments	370,194
Due from related parties	2,913,326
Contributions receivable - net	<u>21,442</u>
Total Investments	<u>19,822,399</u>

Property and equipment, at cost:

Land	2,688,010
Building and improvements	81,083,778
Equipment and Fixtures	4,618,337
Construction in progress	<u>25,639,230</u>
	114,029,355
Less: Accumulated Depreciation	<u>-25,484,925</u>
Net Property and equipment	<u>88,544,430</u>

Deferred Expenses:

Other deferred	<u>87,493</u>
	87,493
Net Deferred Expenses	<u>87,493</u>

TOTAL ASSETS**115,141,599****LIABILITIES****Current Liabilities:**

Accounts Payable	3,448,002
Accrued payroll and employee benefits	754,821
Entrance fee refunds	2,841,863
Entrance fee deposits and accrued interest	67,350
Payable from assets held by trustee:	
Current maturities of long-term debt	1,425,000
Accrued interest	<u>1,154,529</u>
Total Current Liabilities	9,691,566

Long-term debt due after one year	101,439,556
Deferred and refundable entrance fees, net	<u>26,575,555</u>

TOTAL LIABILITIES**137,706,676**

Commitments and contingencies

Net Assets (Deficit)

Unrestricted:	
Operating	-33,276,480
Board designated funds	<u>10,178,111</u>
Total unrestricted	-23,098,369
Temporarily restricted	201,884
Permanently restricted	<u>331,407</u>

Total Net Assets (Deficit)**-22,565,077****TOTAL LIABILITIES & NET ASSETS (DEFICIT)****115,141,599**

Epworth Villa
Unaudited Statement of Activities
Month Ending June 30, 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 670,677	\$ 761,140
Nursing	839,157	822,538
Assisted Living	255,569	395,414
Miscellaneous	30,032	9,521
Entrance Fees Earned	136,472	145,000
Amortization Recognized	-	42,500
Total Operating Revenue	\$ 1,931,907	\$ 2,176,113
<u>Operating Expenses:</u>		
G&A	\$ 351,876	\$ 202,475
Human Development & Engagement	30,958	36,392
Marketing	35,097	54,550
Funds Development	578	3,828
Independent Living/Chaplain	82,946	121,013
Plant Maintenance	137,392	200,061
Grounds	9,374	18,396
Safety	22,728	21,941
Housekeeping	47,717	55,443
Dining	132,953	172,987
Nursing	588,689	626,286
Assisted living	162,386	208,672
Interest Expense	271,580	377,326
Amortization and Depreciation	235,352	284,163
Total Operating Expenses	\$ 2,109,627	\$ 2,383,533
<u>Other Revenue:</u>		
Investment income	\$ 26,014	\$ 15,000
Donations	14,436	6,234
Oil and Gas Royalties	9,521	9,000
Total Other Revenues	\$ 49,971	\$ 30,234
<u>Other Expenses:</u>		
Benovelent Funds and Scholarships	\$ 200	\$ -
Strategic Initiative	-	-
Support of Outside Programs	-	-
Total Other Expenses	\$ 200	\$ -

Epworth Villa
Unaudited Statement of Activities
Month Ending June 30, 2015
(Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ <u>(127,949)</u>	\$ <u>(177,186)</u>
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ (3,410)	\$ -
Change in Value of Split Interest	<u>-</u>	<u>-</u>
Total Non- Cash Income	\$ (3,410)	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ -	\$ -
Unrealized Gain (Loss) Investment	\$ <u>(141,702)</u>	\$ -
Total Non-Cash Expense	\$ <u>(141,702)</u>	\$ -
Total Net Income (Loss)	\$ <u><u>(273,062)</u></u>	\$ <u><u>(177,186)</u></u>
<u>Other Items:</u>		
Construction costs	\$ 697,255	

**Epworth Villa
Balance Sheet**
July 31, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	2,288,603
Accounts receivable	1,732,422
Prepaid expenses and other assets	422,249
Inventory	137,031
Assets held in trust, at fair value	2,004,141
Total Current Assets	6,584,446

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	6,779,045
Board designated funds	5,574,129
Benevolent fund	3,163,724
Beneficial interest in endowments	370,115
Due from related parties	2,838,770
Contributions receivable - net	21,442
Total Investments	18,747,226

Property and equipment, at cost:

Land	2,688,010
Building and improvements	81,083,778
Equipment and Fixtures	4,618,337
Construction in progress	25,712,246

114,102,371

Less: Accumulated Depreciation -25,719,465

88,382,907

Deferred Expenses:

Other deferred 87,493

87,493

Net Deferred Expenses 87,493

TOTAL ASSETS **113,802,072**

LIABILITIES**Current Liabilities:**

Accounts Payable	2,407,397
Accrued payroll and employee benefits	575,917
Entrance fee refunds	2,925,308
Entrance fee deposits and accrued interest	43,850
Payable from assets held by trustee:	
Current maturities of long-term debt	1,425,000
Accrued interest	1,529,727
Total Current Liabilities	8,907,200

Long-term debt due after one year 101,507,272

Deferred and refundable entrance fees, net 26,242,247

TOTAL LIABILITIES **136,656,719**

Commitments and contingencies

Net Assets (Deficit)

Unrestricted:	
Operating	-33,566,050
Board designated funds	10,178,111
Total unrestricted	-23,387,939
Temporarily restricted	201,884
Permanently restricted	331,407

Total Net Assets (Deficit) **-22,854,647**

TOTAL LIABILITIES & NET ASSETS (DEFICIT) **113,802,072**

Epworth Villa
Unaudited Statement of Activities
Month Ending July 31, 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 655,821	\$ 773,729
Nursing	785,548	849,344
Assisted Living	269,833	378,341
Miscellaneous	13,786	9,521
Entrance Fees Earned	135,432	145,000
Amortization Recognized	49,951	42,500
Total Operating Revenue	\$ 1,910,370	\$ 2,198,435
<u>Operating Expenses:</u>		
G&A	\$ 580,995	\$ 204,687
Human Development & Engagement	35,014	59,875
Marketing	33,805	76,495
Funds Development	128	1,578
Independent Living/Chaplain	90,405	123,522
Plant Maintenance	73,574	200,874
Grounds	10,914	18,396
Safety	22,129	21,841
Housekeeping	48,505	55,365
Dining	136,301	175,278
Nursing	561,419	635,821
Assisted living	177,671	206,986
Interest Expense	307,047	377,326
Amortization and Depreciation	234,540	284,163
Total Operating Expenses	\$ 2,312,447	\$ 2,442,207
<u>Other Revenue:</u>		
Investment income	\$ 22,873	\$ 20,000
Donations	1,604	6,233
Oil and Gas Royalties	10,160	9,000
Total Other Revenues	\$ 34,637	\$ 35,233
<u>Other Expenses:</u>		
Benovelent Funds and Scholarships	\$ -	\$ -
Strategic Initiative	-	-
Support of Outside Programs	5,000	-
Total Other Expenses	\$ 5,000	\$ -

Epworth Villa
Unaudited Statement of Activities
Month Ending July 31, 2015
(Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ (372,440)	\$ (208,539)
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ 6,673	\$ -
Change in Value of Split Interest	-	-
Total Non- Cash Income	\$ 6,673	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ -	\$ -
Unrealized Gain (Loss) Investment	\$ 76,198	\$ -
Total Non-Cash Expense	\$ 76,198	\$ -
Total Net Income (Loss)	\$ (289,570)	\$ (208,539)
<u>Other Items:</u>		
Construction costs	\$ 1,072,830	

Epworth Villa
Balance Sheet
August 31, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	2,618,866
Accounts receivable	1,700,246
Prepaid expenses and other assets	470,907
Inventory	139,806
Assets held in trust, at fair value	2,495,372
Total Current Assets	7,425,196

Investments and other assets whose use is limited, at fair value:

Assets held in trust (for bonds)	6,602,270
Board designated funds	5,358,137
Benevolent fund	3,041,554
Beneficial interest in endowments	355,895
Due from related parties	2,834,182
Contributions receivable - net	21,442
Total Investments	18,213,480

Property and equipment, at cost:

Land	2,688,010
Building and improvements	81,083,778
Equipment and Fixtures	4,618,337
Construction in progress	26,167,551
	114,557,677
Less: Accumulated Depreciation	-26,014,287
Net Property and equipment	88,543,390

Deferred Expenses:

Other deferred	87,493
	87,493
Net Deferred Expenses	87,493

TOTAL ASSETS **114,269,559**

LIABILITIES**Current Liabilities:**

Accounts Payable	2,795,643
Accrued payroll and employee benefits	563,687
Entrance fee refunds	2,925,308
Entrance fee deposits and accrued interest	79,900
Payable from assets held by trustee:	
Current maturities of long-term debt	1,425,000
Accrued interest	1,902,216
Total Current Liabilities	9,691,753

Long-term debt due after one year	101,574,989
Deferred and refundable entrance fees, net	26,492,598

TOTAL LIABILITIES **137,759,340**

Commitments and contingencies

Net Assets (Deficit)

Unrestricted:	
Operating	-34,201,184
Board designated funds	10,178,111
Total unrestricted	-24,023,073
Temporarily restricted	201,884
Permanently restricted	331,407

Total Net Assets (Deficit) **-23,489,781**

TOTAL LIABILITIES & NET ASSETS (DEFICIT) **114,269,559**

Epworth Villa
Unaudited Statement of Activities
Month Ending August 31, 2015
(Accrual Basis)

	Actual	Budget
<u>Operating Revenue:</u>		
Independent Living	\$ 650,265	\$ 786,242
Nursing	748,353	849,344
Assisted Living	269,013	427,779
Miscellaneous	33,281	9,521
Entrance Fees Earned	134,975	145,000
Amortization Recognized	30,674	43,000
Total Operating Revenue	\$ 1,866,561	\$ 2,260,886
<u>Operating Expenses:</u>		
G&A	\$ 380,720	\$ 193,379
Human Development & Engagement	37,652	54,860
Marketing	26,628	72,673
Funds Development	128	1,128
Independent Living/Chaplain	101,213	118,074
Plant Maintenance	116,804	200,400
Grounds	10,883	19,166
Safety	21,597	21,841
Housekeeping	49,288	55,377
Dining	138,084	177,040
Nursing	542,463	632,692
Assisted living	168,875	212,804
Interest Expense	273,970	377,326
Amortization and Depreciation	294,822	284,163
Total Operating Expenses	\$ 2,163,126	\$ 2,420,923
<u>Other Revenue:</u>		
Investment income	\$ 19,156	\$ 25,000
Donations	1,224	6,233
Oil and Gas Royalties	8,932	9,000
Total Other Revenues	\$ 29,312	\$ 40,233
<u>Other Expenses:</u>		
Benovelent Funds and Scholarships	\$ -	\$ -
Strategic Initiative	-	-
Support of Outside Programs	-	-
Total Other Expenses	\$ -	\$ -

Epworth Villa
Unaudited Statement of Activities
Month Ending August 31, 2015
(Accrual Basis)

	Actual	Budget
Net Income Before Non-Cash	\$ (267,253)	\$ (119,804)
<u>Non-Cash Income:</u>		
Realized Gain(Loss) Investments	\$ (4,176)	\$ -
Change in Value of Split Interest	-	-
Total Non- Cash Income	\$ (4,176)	\$ -
<u>Non-Cash Expense:</u>		
Disposal of Assets	\$ -	\$ -
Unrealized Gain (Loss) Investment	\$ (363,704)	\$ -
Total Non-Cash Expense	\$ (363,704)	\$ -
Total Net Income (Loss)	\$ (635,134)	\$ (119,804)
<u>Other Items:</u>		
Construction costs	\$ 157,334	