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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI**

IN RE:

CHAPTER 9

NATCHEZ REGIONAL MEDICAL CENTER

CASE NO. 14-01048-NPO

Debtor

Hon. Neil P. Olack

**DISCLOSURE STATEMENT WITH RESPECT TO
THE PLAN FOR THE ADJUSTMENT OF DEBTS OF
NATCHEZ REGIONAL MEDICAL CENTER**

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I. INTRODUCTION AND OVERVIEW

A. Introduction

Natchez Regional Medical Center ("*the Hospital*") is the Debtor in the above-captioned Chapter 9 Case pending before the Honorable Neil P. Olack, Chief United States Bankruptcy Judge for the Southern District of Mississippi. The Hospital filed a Voluntary Petition for relief under Chapter 9 of the United States Bankruptcy Code on March 26, 2014, and the Bankruptcy Court entered an Order for Relief on May 27, 2014.

The definitions contained in the Bankruptcy Code are incorporated herein by this reference. The definitions set forth in Article I of the Plan shall also apply to capitalized terms used herein that are not otherwise defined.

The Hospital filed its First Amended Chapter 9 Plan of Adjustment (the "*Plan*") [Docket No. 368] on August 4, 2014, a copy of which is attached hereto as **Exhibit "A."** Because 11 U.S.C. §1125 requires that a Disclosure Statement contain "adequate information" concerning the proposed bankruptcy Plan, this Disclosure Statement contains information regarding the Hospital's pre-petition operating and financial history, significant events leading up to the commencement of this case, significant events that occurred during the pendency of this bankruptcy proceeding, the assets available for distribution under the Plan, and a summary of the Plan. This Disclosure Statement also describes the Plan and the confirmation process. A copy of the Plan accompanies this Disclosure Statement. The Hospital strongly urges you to review carefully the contents of this Disclosure Statement and the Plan (including the exhibits to each) before making a decision to accept or reject the Plan.

On August ___, 2014, the Bankruptcy Court held a hearing and approved this Disclosure Statement as containing sufficient information to enable a hypothetical reasonable investor to

make an informed judgment about the Plan. The Bankruptcy Court has not passed on the Plan itself or conducted a detailed investigation into the contents of this Disclosure Statement.

Your vote on the Plan is important. Absent acceptance of the Plan, there may be delays which could jeopardize the proposed Sale of the Hospital, which is the means of funding the Distributions to Creditors under the terms of the Plan. Any alternative to this Plan is unlikely to provide for Distribution of as much value to Holders of Allowed Claims as the Plan. Accordingly, the Hospital urges you to accept the Plan by completing and returning the enclosed ballot(s) no later than September ___, 2014, at 5:00 p.m. Central Time.

B. Disclaimer

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE HOSPITAL'S PROPOSED PLAN. PLEASE READ THIS DOCUMENT WITH CARE. THE PURPOSE OF THE DISCLOSURE STATEMENT IS TO PROVIDE "ADEQUATE INFORMATION" OF A KIND, AND IN SUFFICIENT DETAIL, AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE HOSPITAL AND THE CONDITION OF THE HOSPITAL'S BOOKS AND RECORDS, THAT WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR TYPICAL OF HOLDERS OF CLAIMS OR INTERESTS OF THE RELEVANT CLASS TO MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN. SEE 11 U.S.C. § 1125(A).

FOR THE CONVENIENCE OF CREDITORS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ANY SUMMARY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

NO REPRESENTATIONS CONCERNING THE HOSPITAL'S FINANCIAL CONDITION OR ANY ASPECT OF THE PLAN ARE AUTHORIZED BY THE HOSPITAL OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION THAT ARE OTHER THAN AS CONTAINED IN OR INCLUDED WITH THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION.

THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE INDICATED, IS UNAUDITED. MOREOVER, BECAUSE OF THE HOSPITAL'S FINANCIAL DIFFICULTIES, AS WELL AS THE COMPLEXITY OF

THE HOSPITAL'S FINANCIAL MATTERS, THE BOOKS AND RECORDS OF THE HOSPITAL, UPON WHICH THIS DISCLOSURE STATEMENT IN PART IS BASED, MAY BE INCOMPLETE OR INACCURATE. HOWEVER, REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT ALL SUCH INFORMATION IS FAIRLY PRESENTED.

INSOLVENCY COUNSEL TO THE HOSPITAL HAVE RELIED UPON INFORMATION PROVIDED BY THE HOSPITAL AND ITS FINANCIAL ADVISOR IN CONNECTION WITH PREPARATION OF THIS DISCLOSURE STATEMENT. COUNSEL HAS NOT INDEPENDENTLY VERIFIED ALL OF THE INFORMATION CONTAINED HEREIN.

THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH CREDITOR SHOULD CONSULT HIS OR HER OWN LEGAL COUNSEL AND ACCOUNTANT AS TO LEGAL, TAX AND OTHER MATTERS CONCERNING HIS, HER OR ITS CLAIM.

C. An Overview of the Chapter 9 Process

Chapter 9 of the Bankruptcy Code contains numerous provisions, the general effect of which is to provide the Hospital, as a “governmental unit” with “breathing space” within which to propose a restructuring of its obligations to third parties. The filing of Petition for Relief under Chapter 9 of the Bankruptcy Code gives rise to the “automatic stay” which generally enjoins creditors from taking any action to collect or recover obligations owed by a debtor prior to the commencement of a Chapter 9 case. The Bankruptcy Court can grant relief from the automatic stay under certain specified conditions. The governmental unit debtor also continues to operate in the ordinary course on a day-to-day basis without Bankruptcy Court approval. Bankruptcy Court approval is only required for various enumerated kinds of transactions (such as certain financing transactions).

The Bankruptcy Code authorizes the creation of an official committee to protect the interests of unsecured creditors. The fees and expenses of counsel and other professionals employed by the official committee and approved by the Bankruptcy Court are generally borne

by the debtor. One official committee has been appointed in this Chapter 9 Case and represents the collective interests of general unsecured creditors (the “*Committee*”).

A Chapter 9 debtor emerges from bankruptcy by successfully confirming a plan for the adjustments of its obligations. This plan can provide for the sale of the debtor’s assets, as the Hospital’s Plan does in this case, with the proceeds distributed to creditors according to the terms of a plan approved by the Bankruptcy Court. A plan may be either consensual or non-consensual and provide, among other things, for the treatment of the claims of creditors and the sale of assets. The provisions of the Debtor's Plan are summarized below.

D. Plan Overview

The following is a brief overview of the material provisions of the Plan. This overview is qualified in its entirety by a summary of the Plan provisions below, as well as to a reference to the full text of the Plan. The Plan is a plan of liquidation and provides for the distribution of the proceeds from the Debtor's liquidation of its assets (as discussed in more detail below).

The Plan provides for the classification and treatment of Claims against the Debtor. For classification and treatment of claims against Debtor, the Plan designates five (5) classes of Claims. These classes and the proposed treatments for Holders of Claims in each class under the terms of the Plan take into account the differing nature and priority under the Bankruptcy Code of the various Claims. Pursuant to the Plan, the Debtor ultimately will be dissolved. A Liquidating Trust will be established which will become responsible for the collection and liquidation of the remaining assets of the Hospital after the Allowed Claims of the Secured Creditors are paid.

E. Summary of Classification and Treatment of Claims and Interests under the Plan

The following chart briefly summarizes the treatment of Creditors under the Plan. Actual amounts of Claims and Distributions will vary depending upon, among other things, the amount of Claims filed, outcome of objections to Claims, the results of the sales process for the Purchased Assets, collections of Retained Accounts Receivable, recoveries on Retained Claims, and costs of administration, among other factors.

1. Unclassified Claims

CLASS	DESCRIPTION	TREATMENT
N/A	Administrative Claims	Unless the Person holding an Allowed Administrative Claim agrees to different treatment, or already has been paid the full amount of such Allowed Administrative Claim, the Liquidation Trust shall pay to that Person Cash in an amount equal to the Allowed amount of such Administrative Claim, without interest, on or before the later of (i) twenty (20) Business Days after the Effective Date, or (ii) twenty (20) Business Days after the date on which any order determining such Claim is an Allowed Administrative Claim becomes a Final Order.
N/A	Professional Fee Claims	Professionals and other persons asserting administrative claims pursuant to Section 503(b) of the Bankruptcy Code for services rendered and/or costs or expenses incurred prior to the Effective Date must present a final invoice to the Liquidation Trust on or before forty-five (45) days after the Effective Date, and such invoice shall include any amounts previously paid on an interim basis. If the Liquidation Trust objects to the fees or expenses of a Professional within thirty (30) days of the submission of such invoice, the Professional shall File a fee application with respect to such disputed fees or expenses with the Bankruptcy Court and shall promptly obtain a hearing date from the Bankruptcy Court. Any amounts not disputed may be paid by the Liquidation Trustee according to the Plan.

The Liquidation Trust, in the ordinary course of its business and without the requirement for Bankruptcy Court approval, will pay for professional services rendered and expenses incurred on its behalf following the Effective Date.

2. Classified Claims

CLASS	DESCRIPTION	TREATMENT
Class 1	Secured Claim of Regions Bank, as the Indenture Trustee for the Bondholders and the Development Bank.	<p>Classification: Class 1 consists of the Secured Claim of the Indenture Trustee for the Bondholders and the Development Bank.</p> <p>Upon the Sale of the Hospital, the amount necessary to defease the Bonds will be deposited with the Bond Escrow Agent and invested and applied pursuant to the Bond Escrow Agreement to pay debt service on the Bonds until July 1, 2016 and to redeem the Bonds on July 1, 2016. This amount necessary to defease the Bonds includes the purchase price of the SLGS (and the initial Cash deposit) necessary to fund the Bond Escrow Fund and thereby provide for the defeasance of the Bonds as required under the Indenture. The total amount necessary to fund the Bond Escrow Fund is estimated to be \$15,100,580.00, which estimated amount to fund the Bond Escrow Fund to be funded through proceeds from the Sale of the Hospital (including the Prepaid Taxes) and amounts held by the Indenture Trustee in the Debt Service Reserve Fund and the General Account of the General Fund. Additional closing costs related to the defeasance of the Bonds are estimated to be \$125,000.00. The amounts necessary to defease the Bonds set forth above are estimates calculated as of July 29, 2014 and include costs of escrow necessary to fund negative arbitrage from September 30, 2014 through July 1, 2016.</p> <p>Class 1 is not Impaired and the Holder of Class 1 Claims is not entitled to vote on the Plan.</p>
Class 2	Secured Claim of United Mississippi Bank	<p>Class 2 consists of the Secured Claim of United Mississippi Bank, secured by a Lien on the Hospital's accounts, accounts receivables, chattel paper and intangibles, including the Retained Accounts Receivable. Class 2 is an Impaired Class and Holder of an Allowed Class 2 Claim and will be paid in full in the amount of its Allowed Claim. The Class 2 Claim is Impaired and is entitled to vote to accept or reject the Plan.</p>

CLASS	DESCRIPTION	TREATMENT
Class 3	General Unsecured Convenience Claims	<p>Class 3 consists of the Holders of General Unsecured Claims against the Hospital that are equal to or less than \$1,000.00, or Holders of General Unsecured Claims in excess of \$1,000.00 who elect to reduce the amount of their General Unsecured Allowed Claims to \$1,000.00.</p> <p>Holders of an Allowed Class 3 Claim will be paid in full in the amount of its Allowed Claim.</p> <p>The Class 3 Claims are not Impaired and are not entitled to vote to accept or reject the Plan.</p>
Class 4	Unsecured Claim Claims	<p>Class 3 consists of the Holders of General Unsecured Claims against the Hospital that are not Class 3 Claims or Class 5 Claims.</p> <p>Each Holder of an Allowed Class 4 Claim shall receive its <i>Pro Rata</i> share of the payments received by the Liquidation Trust on account of Cash realized from the collection and liquidation of accounts receivable and the other remaining assets of the Hospital after the payment of all Allowed Administrative Claims and all Allowed Claims of Classes 1, 2, and 3.</p> <p>Class 4 is Impaired and therefore is entitled to vote to accept or reject the Plan.</p>
Class 5	Tort Claims and Employment Claims	<p>Class 5 consists of the Holders of any Tort Claims asserted against the Hospital for which there is any General Liability Insurance Coverage and the Holders of any Employment Claims asserted against the Hospital for which there is any EPLI Coverage.</p> <p>If there is no General Liability Insurance Coverage for any aspect of the Tort Claim, the Tort Claim shall be treated as a Class 4 Claim. If there is no EPLI Coverage for any aspect of the Employment Claim, the Employment Claim shall be treated as a Class 4 Claim.</p> <p>Class 5 is Impaired and therefore is entitled to vote to accept or reject the Plan.</p>

F. Voting on the Plan

1. Who May Vote

Each Holder of an Allowed Claim in Classes 2, 4, and 5 is entitled to vote either to accept or to reject the Plan. Only those votes cast by Holders of Allowed Claims shall be counted in determining whether acceptances have been received sufficient in number and amount to obtain Confirmation. An Impaired Class of Claims shall have accepted the Plan if: (a) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds ($\frac{2}{3}$) in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated under Section 1126(e) of the Bankruptcy Code) of more than one-half ($\frac{1}{2}$) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan. The Holders of Class 5 Interests shall not receive any distributions under the Plan and are therefore deemed to reject the Plan and are not entitled to vote. Because Class 5 is deemed to reject the Plan by operation of law, the Debtor will request the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code. Without limiting the foregoing, in the event that any Class of Claims entitled to vote on the Plan fails to accept the Plan as required by section 1129(a) of the Bankruptcy Code, the Plan may be amended and, in any event, the Debtor reserves the right to seek confirmation of the Plan over such rejection pursuant to section 1129(b) of the Bankruptcy Code.

2. How to Vote

All votes to accept or to reject the Plan must be cast by using the appropriate form of Ballot. No votes other than ones using such Ballots will be counted except to the extent ordered otherwise by the Bankruptcy Court. A form of Ballot is being provided to Creditors in Classes 2, and 4 by which Creditors in such Classes may vote their acceptance or rejection of the Plan. The

Ballot for voting on the Plan gives Holders of Class 2 and 4 Claims one important choice to make with respect to the Plan – you can vote “for” or “against” the Plan. To vote on the Plan, after carefully reviewing the Plan and this Disclosure Statement, please complete the Ballot, as indicated thereon, (1) by indicating on the enclosed ballot that (a) you “accept” the Plan or (b) “reject” the Plan and (2) by signing your name and mailing the ballot in the envelope provided for this purpose. The Hospital selected William H. Gillon, III, CPA, a certified public accountant in Natchez, Mississippi to serve as the Voting Tabulator and Balloting Agent (the “*Voting Tabulator*”), and the Voting Tabulator will count the Ballots and report the results to the Court.

IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED AND RECEIVED BY THE VOTING TABULATOR NO LATER THAN 5:00 P.M. CENTRAL TIME ON SEPTEMBER ___, 2014 AT THE FOLLOWING ADDRESS:

**William H. Gillon, III, CPA
The Gillon Group, PLLC
Post Office Box 1103
Natchez, MS 39121**

DO NOT SEND YOUR BALLOT VIA FACSIMILE OR E-MAIL. IF YOUR BALLOT IS NOT PROPERLY COMPLETED, SIGNED AND RECEIVED AS DESCRIBED, IT WILL NOT BE COUNTED. IF YOUR BALLOT IS DAMAGED OR LOST, YOU MAY REQUEST A REPLACEMENT BY MAKING A WRITTEN REQUEST TO THE ADDRESS SHOWN ABOVE. FACSIMILE OR ELECTRONICALLY TRANSMITTED BALLOTS WILL NOT BE COUNTED.

G. Confirmation of the Plan

1. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to conduct a Confirmation Hearing at which it will hear objections and consider evidence with respect to whether the Plan should be confirmed. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 943(b) of the Bankruptcy Code described below are met.

The Bankruptcy Court will conduct a hearing on whether to approve this Disclosure Statement as containing “adequate information” of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Hospital and the condition of the Hospital’s books and records, that would enable a hypothetical reasonable investor typical of Holders of Claims or interests of the relevant Class to make an informed judgment concerning the Plan (the “*Disclosure Statement Hearing*”).

The Court has set the Disclosure Statement Hearing for August 26, 2014, beginning at 1:30 p.m. Central Time, at the United States Bankruptcy Court for the Southern District of Mississippi, Courtroom 4C, 501 East Court Street, 4th Floor, Jackson, MS 39201, before the Honorable Neil P. Olack, Chief United States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of Mississippi. The Court has set the deadline by which any objection to the Disclosure Statement must be filed as August 25, 2014, at 5:00 p.m. Central Time.

The Court also has set the Confirmation Hearing in this Case for September 25-26, 2014, beginning at 10:30 a.m. Central Time, at the United States Courthouse, Courtroom 1, 109 South Pearl Street, 2nd Floor, Natchez, MS 39121, before the Honorable Neil P. Olack, Chief United

States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of Mississippi. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing.

2. Deadlines to Object to Confirmation

The Court will enter an Order approving the Hospital's Disclosure Statement prior to any solicitation of votes under the Plan, which Order will establish deadlines with respect to objections to the Plan (the "***Disclosure Statement Order***"). Generally, objections to the confirmation of the Plan must: (1) be in writing; (2) state the name and address of the objecting party and the nature of the Claim of such party; (3) state with particularity the basis and nature of any objection; and (4) be filed with the Bankruptcy Court, and served on the parties specified in the Disclosure Statement Order.

II. OVERVIEW OF NATCHEZ REGIONAL MEDICAL CENTER, INCLUDING ITS ASSETS AND LIABILITIES

A. Information about Natchez Regional Medical Center

1. History

The Hospital, a political subdivision of the State of Mississippi, is a community hospital governed by Section 41-13-10 *et seq.* of the Mississippi Code of 1972, as amended (the "***Hospital Act***") and owned by the Board of Supervisors (the "***Board***") of Adams County, Mississippi (the "***County***"). Pursuant to the Hospital Act, the Board of Trustees of the Hospital (the "***Trustees***") are appointed by the Board for the purpose of operating and governing the Hospital.

The Hospital opened in 1960 and is currently licensed as a 179-bed general acute care hospital. The Hospital is owned by Adams County, Mississippi, administered by the Adams

County Board of Supervisors, which appoints a seven-member Board of Trustees as the Governing Body. There is also another smaller privately owned hospital in Natchez.

2. Description of Facility

The Hospital is located at the intersections of U.S. Highways 61 and 84 in Natchez, Mississippi. There was construction of this major intersection in 2009 which greatly improved access to the Hospital and a much needed renovation of the patient parking area in 2012 improved appearances and increased convenience.

The Hospital has a 22.5-acre campus with a Medical Office Building which is connected to the hospital at two levels. The Medical Office Building is privately owned. Additional specs of the Hospital are as follows:

- Hospital Building (185,000 GSF)
- Five floors plus basement
- Six large operating rooms, two adjacent Endoscopy suites and two C-Section suites
- Hospital is licensed for 179 beds including:
 - 128 Medical/Surgical Beds (includes 19 Obstetrics, 7 Pediatric, 16 Nursery)
 - 12 Geriatric Psychiatric
 - 20 Rehabilitation
 - 8 ICU
 - 11 Telemetry
- Ancillary Services includes Radiology, Cardiac Catheterization Lab, Laboratory, Outpatient Physical/Occupational Therapy, Cardiac Rehabilitation and 10 bed Emergency Department

Medical Office Building (51,000 GSF)

- Opened in 2006
- Three floors without basement
- Fully leased, including one floor leased to the Hospital

As part of the restructuring project and in anticipation of a sale, independent assessments of the buildings, grounds and equipment have been completed in the past year by the following organizations:

- Real Estate Appraisal Hospital: Integra Realty Resources, Houston, TX
- Level I Environmental: Terracon, Nashville, TN
- Equipment Inventory and Valuation: Partners Healthcare Group, Brentwood, TN
- Engineering Assessment: Building Trust, Inc., Dickson, TN
- Valuation of the Medical Office Building: Decosimo & Co., Chattanooga, TN

Copies of each of the above reports as well as detailed architectural drawings and equipment inventory are available to qualified and interested parties in the virtual dataroom which has been prepared to facilitate the sales process.

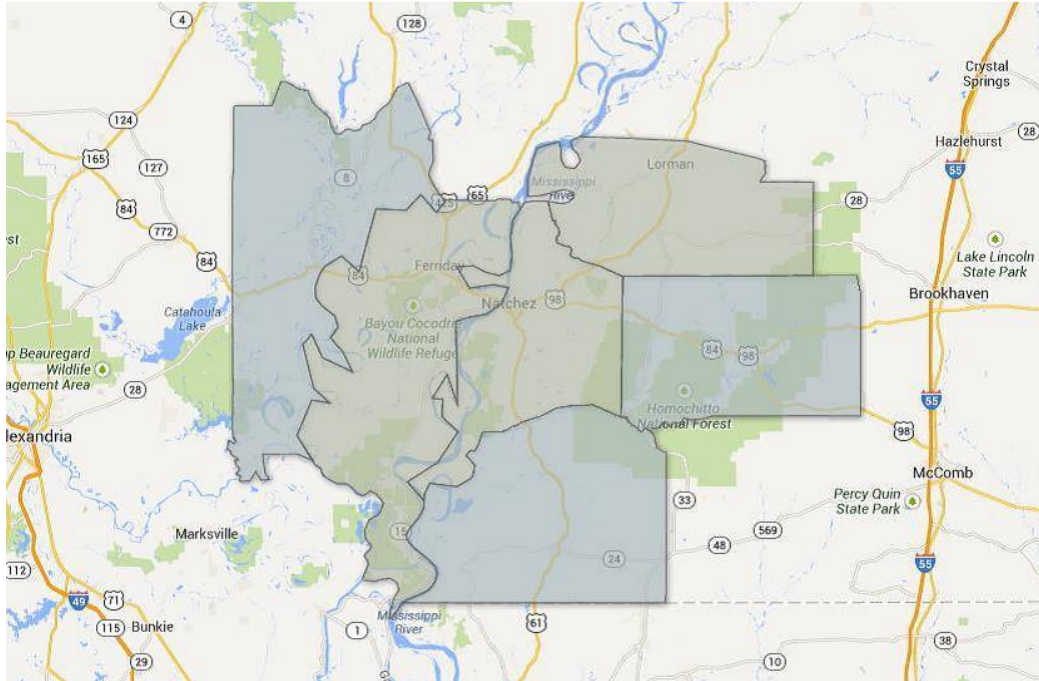
3. Description of the Service Area

(a) Patient Service Area

The Hospital's primary and secondary patient service areas consist of Adams, Franklin, Wilkinson and Jefferson counties in Mississippi and Concordia Parish, Louisiana. As summarized in Exhibits 1 and 2 below, the total service area population is approximately 90,000 and is growing at the rate of 1% to 2% per year. Approximately 60% of the service area population resides within a twenty-minute drive from the Hospital.

The Hospital is located in Historic Natchez, Mississippi. Natchez is sited on the bluffs above the Mississippi River and connected to Vidalia, Louisiana by a bridge located approximately two miles from the Hospital. Natchez and Adams County are both currently enjoying robust job growth in Hospitality, Institutional Services and Oil and Chemical Processing.

Map of Patient Service Areas for Natchez Regional Medical Center

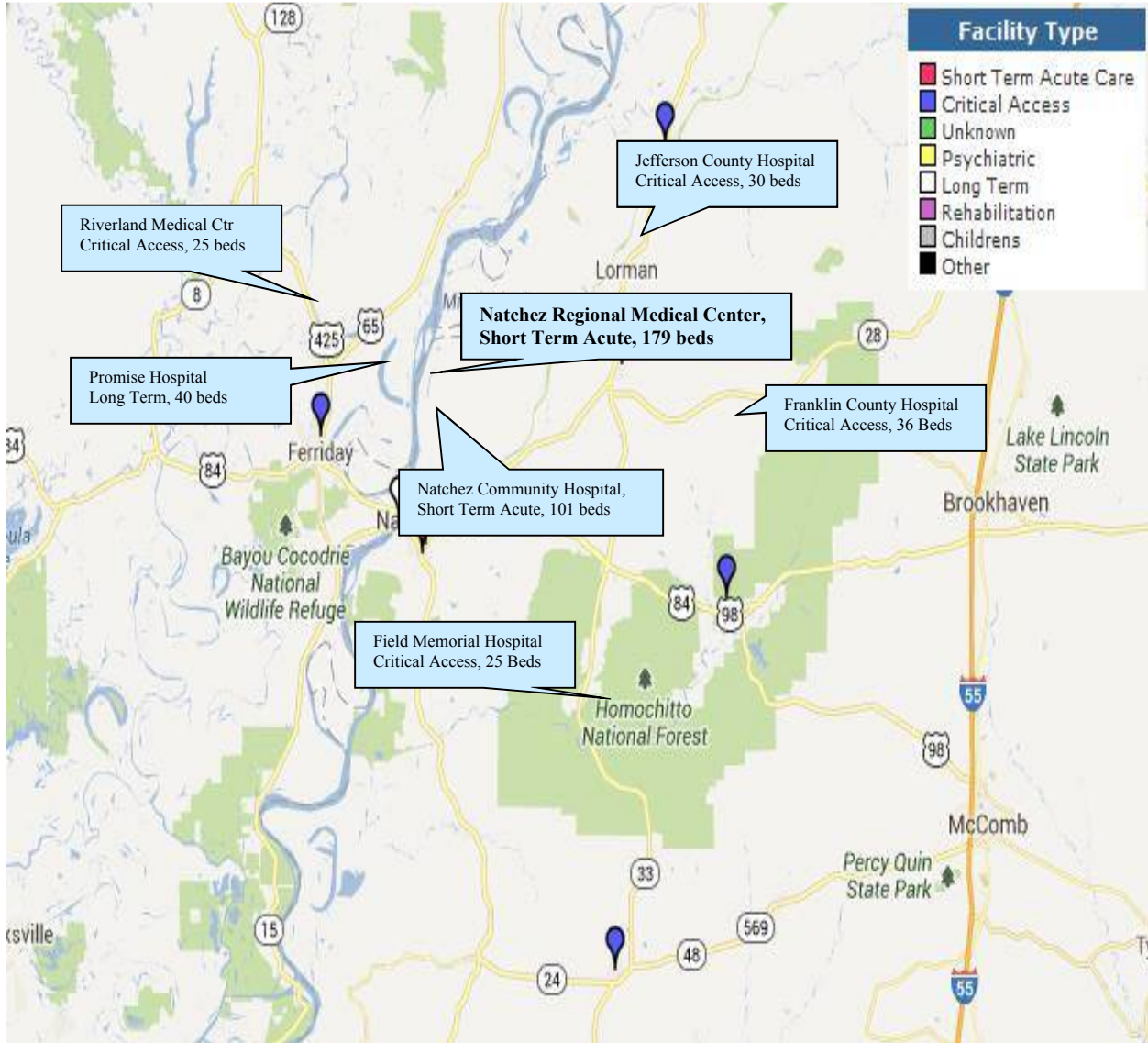


(a) Competition

There are only two primary general acute care hospitals and four critical access hospitals (ranging in size from 12 to 25 beds) located within Hospital’s five-county service area. Beyond the service area, the nearest competing full-service hospital is located in Alexandria, Louisiana. See Exhibit 2 for additional details on the size and location of competing facilities.

Natchez Community Hospital (“*NCH*”) is owned by Community Hospital Systems (“*CHS*”) and is located approximately one-half mile from the Hospital on a side street in a mixed residential and commercial neighborhood. *NCH* is a forty-year-old non-conforming structure, licensed for 111 beds (it operates around 80) and is located on a small land-locked campus.

Locations of General Acute Care Hospitals in the Service Areas of Natchez Regional Medical Center



(b) Market Opportunity

A detailed examination of patient utilization patterns has revealed that with the exception of obstetrics, almost half (in dollars) of all inpatient services provided to residents of the primary and secondary service areas is provided at hospitals located outside the service area. Excluding Geri-Psych, all inpatient psychiatric services are provided outside the service area. (Note: Mississippi Medicaid is a “full cost” payer.) Significant opportunities exist in cardiology, psychiatry, orthopedics, neurology, vascular surgery and general surgery. There is also a corresponding opportunity to establish a dedicated referral pattern for secondary and tertiary services from the service area to a regional tertiary facility. Currently, these referrals which have an estimated annual value in excess of \$25 million are spread across a broad geography (Jackson, Mississippi and Alexandria and Baton Rouge, Louisiana).

4. Medical Staff

Currently, there are approximately 43 physicians practicing at the Hospital. Physician services include General Surgery, Orthopedics, Obstetrics, Psychiatry, Cardiology, Gastroenterology, Pulmonology, Oncology, Internal Medicine and Family Medicine. Much of the outbound patient migration pattern is associated with the lack of adequate numbers of medical and surgical specialists. There is a shortage of physicians in the service area as well as specialty services.

With the proper owner, the Hospital is uniquely positioned to respond to this opportunity to attract high quality physicians. It has a large and attractive facility, a modern medical office building which is physically attached to the hospital, and a good mix of contemporary medical technologies (MRI, CTA, Cardiac Cath, etc.), which, together, can provide quality physicians with a legitimate and asset rich business investment opportunity.

B. Summary of Natchez Regional Medical Center's Prepetition Indebtedness.

1. The Mississippi Development Bank Special Obligations Bonds, Series 2006 (Adams County, Mississippi Hospital Revenue Refunding and Improvement Bond Project)

In 2006, the Mississippi Development Bank (the "*Development Bank*") issued Special Obligation Bonds, Series 2006 (Adams County, Mississippi Hospital Revenue Refunding and Improvement Bond Project), dated September 28, 2006, in the original principal amount of \$18,075,000 and currently outstanding in the principal amount of \$14,520,000 (the "*2006 Bonds*")¹ for the purpose of purchasing the Adams County, Mississippi Hospital Revenue Refunding Improvement Bond, Series 2006 (Natchez Regional Medical Center Project) dated September 28, 2006 (the "*County Bond*") in the original principal amount of \$18,075,000 and currently outstanding in the principal amount of \$13,975,000 issued pursuant to that certain Trust Indenture dated September 1, 2006 (the "*Original County Indenture*"), by and between the County, the Trustees of the Hospital and Regions Bank ("*Bond Trustee*"), as amended by the First Supplement to Trust Indenture (the "*First Supplement*") and collectively, with the Original County Indenture, (the "*County and Hospital Indenture*") dated as of July 10, 2008. The County and Hospital Indenture permits the Hospital only to enter into certain financing transactions and in July 2008, the County, the Hospital and the Bond Trustee, with the consent of the Development Bank and MBIA Insurance Corporation, amended the Original County Indenture by entering into the First Supplement to provide for, among other things, certain revisions to the Original County Indenture, and to allow for the original line of credit with United Mississippi Bank ("*UMB*") and the \$875,000 Irrevocable Standby Letter of Credit dated

¹ The Development Bank Bonds were issued pursuant to Trust Indenture (the "*Development Bank Indenture*") dates as of September 1, 2006 by and between the Development Bank and Regions Bank, as Trustee.

August 5, 2008. At the time this Case was filed, the Hospital was indebted to the Bond Trustee for the County Bond in the aggregate principal amount of \$14,520,000.

2. United Mississippi Bank

United Mississippi Bank was owed approximately \$3.5 million on the Petition Date. UMB has continued to provide the post-petition financing pursuant to the *Order Granting Amended Motion for a Final Order for (i) Obtaining Credit, (ii) Modifying Automatic Stay, and (iii) Granting Post-Petition Liens* [Docket No. 122] (the “**Financing Order**”) and the *Order Approving Amended Motion for Extension of Final Order Granting Amended Motion for a Final Order for (i) Obtaining Credit, (ii) Modifying Automatic Stay, and (iii) Granting Post-Petition Liens, Through and Including December 31, 2014* [Docket No. 295] (the “**Amended Financing Order**”).

Pursuant to the Financing Order and the Amended Financing Order, UMB provided a line of credit for the Hospital’s use during the pendency of the Bankruptcy up to \$1.5 million dollars. UMB holds “valid, perfected, and enforceable liens and security interests in NRMC’s accounts, deposits, accounts receivables, including DSH and UPL installment payments, as described in the UMB Security Agreement and the Financing Statements.” See Amended Financing Order, ¶ 7, at 3.

3. General Unsecured Creditors

As of the Petition Date, the Hospital projected that its unsecured liabilities were \$4,271,695.81. This amount includes balances due to creditors whose indebtednesses were incurred on open account, as well as the projected balance of lease payments that were due on the date of filing.

C. Summary of Natchez Regional Medical Center's Assets

As of the Petition Date, the Hospital's assets consisted primarily of the following:

- 1. Three CMS Provider Numbers**
- 2. Net receivables on a consolidated basis as of June 30, 2014 - \$3,830,596**
- 3. Moveable equipment as of June 30, 2014 - \$2,538,801²**
- 4. Equipment/Furniture Medical Foundation - \$100,000³**

D. Adams County Board of Supervisors' Assets

The Hospital is located on real property owned by the County, and its assets and operations are governed by the Hospital Act. Because the County owns the land and building on which the Hospital is located, as well as some equipment, the Board of Supervisors of the County is proceeding to sell the Hospital and its 22.5 acre campus through the process required by the Hospital Act, Miss. Code Ann. §41-13-15 *et seq.* In order to be able to sell the Hospital, the Hospital Act requires the sales proceeds to defease the Bonds issued by the Development Bank.

E. Significant Events Leading to Commencement of Chapter 9 Case

The following four significant events led to the commencement of the Chapter 9 Case:

1. Declining Patient Volumes and Associated Revenues

The operation of a modern general acute care hospital is largely a fixed-cost business. Most of the underlying costs for both facilities and equipment are fixed over a significant range of patient volumes. In most cases approximately 70-80% of the cost of providing services is fixed. Accordingly, when patient volumes decline rapidly, hospitals do not have the ability to

² Equipment was appraised on July 9, 2013 for \$2,505,280.

³ Net Book Value.

shed cost at a rate that matches the loss of marginal revenues. The Hospital has had declining patient volumes over much of the past ten years.

2. Difficulty of the Hospital to Recruit and Retain Qualified Medical Doctors

The principal driver behind the decline in patient volumes has been the continuous decline in the number of practicing physicians in the Hospital's services area over the past 20 years. In 2014 the number of practicing physicians is half of what it was just 20 years ago. Currently, more than half of the inpatient services provided to residents of the Hospital's patient service area is provided at hospitals located outside the Hospital's patient service area. The high level of patient out-migration to hospitals 75 or more miles away is principally due to a local shortage of qualified specialty and subspecialty physicians.

3. Inability of the Hospital to Increase Unit Patient Revenues

Due to the combination of high fixed cost, declining patient volumes and the increased costs of diagnostic and therapeutic technologies, average unit patient costs have been increasing at a rate in excess of the rate of increase in patient unit revenues. As a result the hospital has had a net loss from operations every year since 2011 and is projected to lose more than \$4 million from continuing operations during the fiscal year ending September 30, 2014.

4. Inability of the Hospital to Make Necessary Capital Expenditures

Due to continuous innovation in diagnostic and therapeutic technologies, hospitals have become very capital intensive enterprises. The ability of a rural hospital to attract and retain well trained physicians is directly linked to its ability to construct, equip and maintain facilities and equipment that reflect the demands of modern medical practice. Due to historically very unstable financial performance, the Hospital has not had the ability to invest in facilities and equipment

on a rate that is comparable nationally with other hospitals of similar size. The Hospital does not anticipate a significant turnaround in this regard.

III. SIGNIFICANT EVENTS IN THE CHAPTER 9 CASE

A. Ombudsman

On April 24, 2014, the Bankruptcy Court held a hearing on the Hospital's *Motion for Determination that Appointment of Patient Care Ombudsman is Unnecessary* [Docket No. 5], and the *United States Trustee's Response to Hospital's Motion for Determination that Appointment of Patient Care Ombudsman is Unnecessary* [Docket No. 119]. After considering the evidence presented at that trial, the Bankruptcy Court entered an Order on April 25, 2014 [Docket No. 138] holding that the appointment of an Ombudsman was unnecessary.

B. Determination of eligibility

On April 16, 2014, an *Order (A) Approving Form and Publication of Noticing Required by 11 U.S.C. §923; and (B) Establishing a Deadline for Objections to Eligibility* [Docket No. 113] was entered. Notice was provided to creditors by United States Mail, and was published in The Natchez Democrat, The Clarion Ledger and The Bond Buyer. No objections were filed to the Hospital's eligibility to file a Chapter 9, and an Order for Relief was entered effective May 27, 2014.

C. Post-Petition Financing

UMB has continued to provide the post-petition financing pursuant to the *Order Granting Amended Motion for a Final Order for (i) Obtaining Credit, (ii) Modifying Automatic Stay, and (iii) Granting Post-Petition Liens* [Docket No. 122] (the "**Financing Order**") and the *Order Approving Amended Motion for Extension of Final Order Granting Amended Motion for a Final Order for (i) Obtaining Credit, (ii) Modifying Automatic Stay, and (iii) Granting Post-Petition*

Liens, Through and Including December 31, 2014 [Docket No. 295] (the “**Amended Financing Order**”).

Pursuant to the Financing Order and the Amended Financing Order, UMB provided a line of credit for the Hospital’s use during the pendency of the Bankruptcy up to \$1.5 million dollars. UMB holds “valid, perfected, and enforceable liens and security interests in NRMC’s accounts, deposits, accounts receivables, including DSH and UPL installment payments, as described in the UMB Security Agreement and the Financing Statements.” See Amended Financing Order, ¶ 7, at 3.

D. Establishment of Bar Dates

In the Bar Date Order, the Bankruptcy Court established the following Bar Dates for Proofs of Claim:

- | | |
|------------------------------|---|
| General Bar Date: | October 10, 2014 at 5:00 p.m.,
Central Time. |
| Governmental Unit Bar Date | November 28, 2014 at 5:00 p.m.,
Central Time |
| Rejections Damages Bar Date: | 30 calendar days after the entry of any order authorizing the rejection of an executory contract or unexpired lease and (ii) either (A) the General Bar Date or (B) if such Entity is a Governmental Unit, the Governmental Unit Bar Date. |
| Amended Claims Bar Date: | Affected Claimant shall have until the later of (i) either (a) the General Bar Date, or (b) if such claimant is a Governmental unit, the Governmental Unit Bar Date, or (ii) thirty (30) days after the date that said claimant is Served with notice of the amendment to the Schedules altering the amount, nature or classification of such claimant’s Claim. |

E. Sales Procedures

On July 18, 2014, the Bankruptcy Court entered the *Order Approving: (A) Bidding Procedures in Connection with Sale of Assets of the Debtor; (B) Approving Form and Manner of Notice; and (C) Granting Related Relief* [Docket No. 332] (the “**Sales Procedures Order**”). The Sales Procedures Order specifies in detail the sales process, including the Auction. The Sales Procedures Order generally provides as follows:

(a) Only the Stalking Horse Bidder and Qualified Bidders (as defined in the Sales Procedures Order) who have submitted the Auction Deposit (as defined in the Sales Procedures Order) are entitled to make bids at the Auction.

(b) Every Acceptable Topping Bid (as defined in the Sales Procedures Order) must be a bid to purchase all of the Assets under substantially similar terms, conditions, representations, warranties and covenants set forth in the Stalking Horse Purchase Agreement, with only those changes that are necessary to conform the Stalking Horse Purchase Agreement for the terms of the Acceptable Topping Bid.

(c) A Qualified Bidder may make an Acceptable Topping Bid by submitting a cash bid that is equal to or greater than One Million and 00/100 Dollars (\$1,000,000.00) in excess of Eighteen Million and 00/100 Dollars (\$18,000,000.00), which amount represents the total consideration to be paid by the Stalking Horse Bidder and is comprised of a purchase price of Ten Million and 00/100 Dollars (\$10,000,000.00) and the prepayment of estimated property taxes to be assessed by the County and the City relating to the Hospital real property in the amount of Eight Million and 00/100 Dollars (\$8,000,000.00). In making an Acceptable Topping Bid, a Qualified Bidder is not permitted to allocate more than Eight Million and 00/100 Dollars (\$8,000,000.00) of its Acceptable Topping Bid to the prepayment of property taxes.

(d) Upon the conclusion of the Auction, the Hospital shall File with the Court written notice of the results of the Auction, including the identity of the Successful Buyer and a copy of the Successful Buyer Asset Purchase Agreement.

(e) Without limitation, the Sale of the Purchased Assets shall be free and clear of all Liens, claims, encumbrances and other interests pursuant to Section 1123(a)(5)(D) of the Bankruptcy Code, as made applicable by Section 901 of the Bankruptcy Code (except for the Permitted Encumbrances (as defined in the Successful Bidder Asset Purchase Agreement that are specifically identified in the Successful Bidder Asset Purchase Agreement), with all such Liens, claims, encumbrances and other interests attaching to the Net Sales Proceeds (as defined in the Successful Bidder Asset Purchase Agreement) subject to the terms and conditions of the Plan.

(f) The Confirmation Order shall contain such terms and provisions as necessary to effectuate the Sale pursuant to Sections 901 and 1123(a)(5)(D) of the Bankruptcy Code in accordance with the terms and conditions of this Plan. The Confirmation Order shall authorize and direct the Sellers to take all actions and steps necessary or appropriate to consummate the Sale as soon as reasonably practicable on the terms and conditions set forth in the Successful Buyer Asset Purchase Agreement and this Plan.

(g) The Closing of the Sale shall occur on the Closing Date, which date shall be the same as the Effective Date of this Plan. The Closing of the Sale shall be subject to the Closing conditions as set forth in the Successful Buyer Asset Purchase Agreement.

IV. SUMMARY OF THE PLAN

Pursuant to §§1122 and 1123 of the Bankruptcy Code, Claims are classified under the Plan for all purposes including the voting and Confirmation. A claim shall be deemed classified in a particular class only to the extent that the claim qualifies within the description of that class

and shall be deemed classified in a different class to the extent that any remainder of such claim qualifies within the description of such other class. Notwithstanding the foregoing, in no event shall any Holder of an Allowed Claim be entitled to receive payments or distributions under the Plan that, in the aggregate, exceed the allowed amount of such Holder's Claim.

The following is a summary of the substantive provisions of the Plan, and is not, nor is it intended to be, a complete description or substitute for the Plan. All holders of claims are encouraged to read and study the Plan, a copy of which is attached hereto as **Exhibit "A."**

Section 1123 of the Bankruptcy Code provides that, except for Administrative Claims, a Plan of Adjustment must categorize claims against the Hospital into individual classes. The Plan identifies five Classes of Claims. Administrative Claims are not classified for purposes of voting or receiving distributions under the Plan but are treated separately as Unclassified Claims.

The Plan provides specific treatment for each Class of Claims. Only certain Holders of Claims that are impaired under the Plan are entitled to vote and receive distributions under the Plan.

Unless otherwise provided in the Plan or the Confirmation Order, the treatment of any Claim under the Plan will be in full satisfaction, settlement, release and discharge of such Claim.

If the Plan is confirmed by the Bankruptcy Court, each Allowed Claim in a particular Class will receive the same treatment as the other allowed claims in such class, whether or not the Holder of such claim voted to accept the Plan. Upon confirmation, the Plan will be binding on all Holders of a claim regardless of whether such Holders voted to accept the Plan.

A. Unclassified Claims – Allowance and Treatment of Administrative Claims.

In accordance with Section 1123(a)(1) of the Bankruptcy Code, the following Claims (“**Non-Classified Claims**”) are not classified under the Plan. Non-Classified Claims are treated in the following manner:

1. Administrative Claims Generally.

Unless otherwise expressly provided in the Plan or agreed to by the Hospital, Administrative Claims will be Allowed only if:

- (b) **On or before the Administrative Claims Bar Date, the Person holding such Administrative Claim Files with the Bankruptcy Court a motion requesting allowance of the Administrative Claim; and**
- (c) **The Bankruptcy Court enters a Final Order finding that such asserted Administrative Claim is an Allowed Administrative Claim.**

The Liquidation Trust may File an objection to such motion within such period of time permitted for Filing such objection. The failure to File a motion requesting an allowance of an Administrative Claim or before the Administrative Claims Bar Date, or the failure to serve such Motion timely and properly, shall result in the Administrative Claim being forever barred and disallowed without further Order of the Bankruptcy Court and the Holder of such Administrative Claim shall have no recourse to any property sold, distributed or otherwise administered pursuant to the Plan.

Treatment: Unless the Person holding an Allowed Administrative Claim agrees to different treatment, or already has been paid the full amount of such Allowed Administrative Claim, the Liquidation Trust shall pay to that Person Cash in an amount equal to the Allowed amount of such Administrative Claim, without interest, on or before the later of (i) twenty (20) Business Days after the Effective Date, or (ii) twenty (20) Business Days after the date on which any order determining such Claim is an Allowed Administrative Claim becomes a Final Order.

2. Cure Payments.

Cure Payments shall be determined and Allowed in accordance with the procedures set forth in Article VI. A. 2 of the Plan.

Treatment: Cure Payments will be made to the counterparties to the subject executory contracts or unexpired leases in accordance with Article VI. A. 2 of the Plan.

3. 503(b)(9) Claims.

Unless otherwise expressly provided in the Plan or agreed to by the Liquidation Trust, a 503(b)(9) Claim will be Allowed only if:

(1) The 503(b)(9) Claim is Filed by the 503(b)(9) Bar Date, or is deemed timely Filed; and

(2) Regardless of whether any objection to such 503(b)(9) Claim is Filed by the Liquidation Trust on or before the Claim Objection Deadline, the Bankruptcy Court enters a Final Order finding that such asserted 503(b)(9) Claim is allowed.

Treatment: Unless the Person holding an Allowed 503(b)(9) Claim agrees to different treatment, or already has been paid the full amount of such Allowed 503(b)(9) Claim, the Liquidation Trust shall pay to that Person, Cash in an amount equal to the Allowed amount of such 503(b)(9) Claim, without interest, on or before the later of (i) twenty (20) Business Days after the Effective Date, or (ii) twenty (20) Business Days after the date on which any order determining such Claim to be an Allowed 503(b)(9) Claim becomes a Final Order.

4. Professional Fee Claims.

Although Sections 327 – 331 of the Bankruptcy Code are not applicable in a Chapter 9 case, pursuant to Bankruptcy Code Section 943(b)(3), all amounts to be paid for services or

expenses in the Case or incident to the Plan must be fully disclosed to the Bankruptcy Court and must be reasonable.

Treatment: Professionals and other persons asserting administrative claims pursuant to Section 503(b) of the Bankruptcy Code for services rendered and/or costs or expenses incurred prior to the Effective Date will have their Allowed Claim paid in full. Professionals must present a final invoice to the Liquidation Trust on or before forty-five (45) days after the Effective Date, and such invoice shall include any amounts previously paid. If the Liquidation Trustee does not dispute the fees and expenses of the Professional within fifteen (15) days of the submission of the invoice, the fees and expenses are deemed to be reasonable, and the Liquidation Trustee shall promptly pay to the Professional the unpaid amounts reflected on the invoice. If the Liquidation Trustee objects within fifteen (15) days of the submission of the invoice, the Professional shall meet and confer with the Liquidation Trustee within thirty (30) days in an attempt to resolve any such disputed fees or expenses. In the event the Professional and the Liquidation Trustee are unable to resolve the dispute, the Professional may obtain a hearing date from the Bankruptcy Court to determine the reasonableness of the fees and expenses in dispute.

The Liquidation Trustee, in the ordinary course of its business and without the requirement for Bankruptcy Court approval, may pay for professional services rendered and expenses incurred on its behalf following the Effective Date.

5. No Other Priority Claims.

The only category of Priority Claims incorporated into a Chapter 9 case through Bankruptcy Code Section 901(a) are Administrative Claims allowable under Bankruptcy Code Section 507(a)(2). The treatment of Allowed Administrative Claims under the Plan is described in Article III A. of the Plan. No other kinds of Priority Claims set forth in Bankruptcy Code

Section 507 are recognized or entitled to priority in Chapter 9 or in this Case, but rather are treated in this Chapter 9 Case, and are classified in the Plan, as General Unsecured Claims.

B. Classification and Treatment of Classified Claims.

1. Class 1: Secured Claims of Indenture Trustee for the Bondholders and the Development Bank

The Hospital projects that, as of September 30, 2014, it will be indebted to the Development Bank for the Bonds in the aggregate principal amount of \$13,965,000.00, and the Bonds will accrue interest from July 1, 2014 to July 1, 2016 in the approximate amount of \$1,237,220.00 prior to their redemption on July 1, 2016. On the Closing Date, with the deposit into the Bond Escrow Fund of certain funds from the Sale of the Hospital (including the Prepaid Taxes) and the Treasury Securities – State and Local Government Series (“SLGS”) purchased, there will be sufficient moneys and securities on deposit with the Indenture Trustee (taking into account amounts on deposit with the Indenture Trustee in the Debt Service Reserve Fund (as defined in the Indenture) and the General Account of the General Fund (as defined in the Indenture)) to legally defease the Bonds on the Closing Date as described further below. Once the Bond Escrow Fund is fully funded on the Closing Date, and with the necessary documents and certificates being delivered to the Indenture Trustee as provided for under the Indenture, the Indenture will be discharged in accordance with the provisions of Article IX of the Indenture and the County Indenture will be discharged and satisfied in accordance with the provisions of Article IX of the County Indenture.

Pursuant to Section 3.01 of the County Indenture and Section 4.01(a) of the Indenture, the County and the Hospital shall provide written notice to the Development Bank and the Indenture Trustee of their decision to redeem the outstanding Bonds on July 1, 2016. Funds from the Sale of the Hospital, along with funds on deposit with the Indenture Trustee pursuant to

the Indenture in (1) the Debt Service Reserve Fund (as of July 29, 2014 in the amount of \$1,219,087.10) and (2) the general account of the General Fund (as of September 30, 2014 in the estimated amount of \$311,149.86) will be deposited into the Bond Escrow Fund that will be held by the Bond Escrow Agent pursuant to the Bond Escrow Agreement, and used to pay the scheduled debt service on the Bonds until July 1, 2016 and to redeem the Bonds on July 1, 2016. In order to comply with the Internal Revenue Code of 1986 and the regulations thereunder applying to tax-exempt obligations, such as the Bonds, the funds in the Bond Escrow Fund will be invested in SLGS, assuming SLGS are available for purchase on the Closing Date. The Development Bank, the County, the Hospital, the Indenture Trustee, and the Bond Insurer will receive a verification report that confirms that the Bond Escrow Fund has sufficient funds on deposit, including the initial deposit and the investment earnings on that initial deposit, to pay the scheduled debt service on the Bonds until July 1, 2016 and to redeem the Bonds on July 1, 2016.

Upon the Sale of the Hospital, the amount necessary to defease the Bonds will be deposited with the Bond Escrow Agent and invested and applied pursuant to the Bond Escrow Agreement to pay debt service on the Bonds until July 1, 2016 and to redeem the Bonds on July 1, 2016. This amount necessary to defease the Bonds includes the purchase price of the SLGS (and the initial Cash deposit) necessary to fund the Bond Escrow Fund and thereby provide for the defeasance of the Bonds as required under the Indenture. The total amount necessary to fund the Bond Escrow Fund is estimated to be \$15,100,580.00, which estimated amount to fund the Bond Escrow Fund to be funded through proceeds from the Sale of the Hospital (including the Prepaid Taxes) and amounts held by the Indenture Trustee in the Debt Service Reserve Fund and the General Account of the General Fund. Additional closing costs related to the defeasance of the Bonds are estimated to be \$125,000.00. The amounts necessary to defease the Bonds set

forth above are estimates calculated as of July 29, 2014 and include costs of escrow necessary to fund negative arbitrage from September 30, 2014 through July 1, 2016.

In consideration of the foregoing, on the Effective Date, the Indenture Trustee and the Development Bank shall release, or cause to be released, any and all Liens, security interests, mortgages, and other interests that they have or may have on the Purchased Assets, including without limitation any and all Purchased Assets titled in the name of any of the Sellers other than the Hospital.

Class 1 is not Impaired and therefore is not entitled to vote to accept or reject the Plan.

2. Class 2: Secured Claim of United Mississippi Bank

As stated previously, Class 2 consists of the Secured Claim of United Mississippi Bank, which Claim is secured by a Lien on the Hospital's accounts, accounts receivables, chattel paper and intangibles (the "UMB Collateral"). The Lien on the UMB Collateral extends to and includes Retained Accounts Receivable. United Mississippi Bank shall be paid in full, plus interest and reasonable legal fees. In the event that there are not funds sufficient from the Sale of the Hospital (including the full funding of any Escrow Account required by the Successful Buyer Asset Purchase Agreement) to pay the Secured Claim of United Mississippi Bank in full at Closing, United Mississippi Bank will be paid from the first recoveries of the collection by the Successful Buyer of the UMB Collateral, provided United Mississippi Bank consents to such treatment. The Hospital will work with the Successful Buyer and United Mississippi Bank to establishing appropriate collection, payment and reporting mechanisms and procedures so as to provide adequate protection and to protect the interests of United Mississippi Bank. This treatment is intended to be consistent with the provisions or protections provided to United Mississippi Bank set forth in that certain *Order Approving Amended Motion for Extension of*

Final Order for (I) Obtaining Credit, (II) Modifying Automatic Stay, and (III) Granting Post-Petition Liens through and including December 31, 2014 [Dkt. # 295].

Class 2 is Impaired and therefore is entitled to vote to accept or reject the Plan.

3. Class 3: General Unsecured Allowed Convenience Claims

The Hospital will pay the Holders of General Unsecured Allowed Convenience Claims in Class 3 in full, on the Effective Date of the Plan.

Class 3 is not Impaired and therefore is not entitled to vote to accept or reject the Plan.

4. Class 4: General Unsecured Claims

Each Holder of an Allowed Class 4 Claim shall receive its *Pro Rata* share of the payments received by the Liquidation Trust on account of Cash realized from the collection and liquidation of accounts receivable and the other remaining assets of the Hospital after the payment of all Allowed Administrative Claims and all Allowed Claims of Classes 1, 2, and 3.

Class 4 is Impaired and therefore is entitled to vote to accept or reject the Plan.

5. Class 5: Tort Claims and Employment Claims

Class 5 consists of the Holders of any Tort Claims asserted against the Hospital for which there is any General Liability Insurance Coverage and the Holders of any Employment Claims asserted against the Hospital for which there is any EPLI Coverage. Holders of Class 5 Tort Claims or Employment Claims shall look solely to the General Liability Insurance Policy or the EPLI Policy for their recovery. If there is no General Liability Insurance Coverage for any aspect of the Tort Claim, the Tort Claim shall be treated as a Class 4 Claim. If there is no EPLI Coverage for any aspect of the Employment Claim, the Employment Claim shall be treated as a Class 4 Claim.

Class 5 is Impaired and therefore is entitled to vote to accept or reject the Plan.

C. Treatment of Executory Contracts and Unexpired Leases

1. Assumption and Assignment of Agreements.

On the Effective Date, the Hospital shall assume and assign to the Successful Buyer all executory contracts and unexpired leases specifically identified on the Schedule of Assigned Agreements as reflected in the Successful Buyer Asset Purchase Agreement.

The Hospital reserves the right, in consultation with the Successful Buyer, to amend the Schedule of Assigned Agreements at any time prior to the Effective Date (i) to delete any executory contract or unexpired lease and provide for its acceptance under the Plan or otherwise, or (ii) to add any executory contract or unexpired lease and provide for its assumption and assignment to the Successful Buyer under the Plan. The Hospital will provide notice of any amendment to the Schedule of Assigned Agreements to the party or parties to those agreements affected by the amendment.

Unless otherwise specified on the Schedules of Assigned Agreements, each executory contract and unexpired lease listed or to be listed therein shall include any and all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease.

The terms and conditions of any Order previously entered in this proceeding regarding the rejection or acceptance are incorporated herein.

The Confirmation Order will constitute a Bankruptcy Court Order approving, as of the Effective Date, the Hospital's assumption and assignment to the Successful Buyer of all executory contracts and unexpired leases identified on the Schedule of Assigned Agreements.

2. Cure Payments.

The Hospital anticipates Filing a *Motion to Determine Cure Amount* shortly after the Plan is Filed in order to adjudicate the cure amounts under any executory contract or unexpired lease as of the Petition Date and also as of July 31, 2014. The Court's determination of the Cure Amount will be binding on any counterparty to an unexpired lease or executory contract, regardless of whether the Hospital assumes and assigns the unexpired lease or executory contract to the Successful Buyer.

Any amount that must be paid under Bankruptcy Code section 365(b)(1) to cure a default under and compensate the non-debtor party to an executory contract or unexpired lease to be assumed under the Plan is identified as the "Cure Payment" on the Schedule of Assigned Agreements. Unless the parties mutually agree to a different date, such payment shall be made in Cash, within twenty (20) business Days following the later of: (i) the Effective Date or (ii) entry of a Final Order resolving any disputes regarding (y) the amount of any Cure Payment, or (z) any other matter pertaining to assumption and assignment.

3. Objections to Assumption/Cure Payment Amounts.

Any counterparty to an executory contract or unexpired lease that will be assumed by the Hospital and assigned to the Successful Buyer under the Plan and that objects to such assumption and assignment (including the proposed Cure Payment) must File with the Bankruptcy Court and serve upon parties entitled to notice a written statement and supporting declaration stating the basis for its objection at a time to be determined by the Court. Any Person that fails to timely File and serve such a statement and declaration shall be deemed to waive any and all objections to the proposed assumption and assignment (including the proposed Cure Payment) of its contract or lease. In the absence of a timely objection by a Person that is a party to an executory

contract or unexpired lease, the Confirmation Order shall constitute a conclusive determination regarding the amount of any cure and compensation due under the applicable executory contract or unexpired lease, as well as a conclusive finding that the Hospital has demonstrated adequate assurance of future performance with respect to such executory contract or unexpired lease, to the extent required.

4. Resolution of Claims Relating to Assumed and Assigned Contracts and Leases.

Payment of the Cure Payment established under the Plan, by the Confirmation Order, or by any other order of the Bankruptcy Court, with respect to an assumed and assigned executory contract or unexpired lease, shall be deemed to satisfy, in full, any pre-petition or post-petition arrearage or other Claim (including any Claim asserted in a Filed Proof of Claim or listed on the List of Creditors) with respect to such contract or lease (irrespective of whether the Cure Payment is less than the amount set forth in such Proof of Claim or the List of Creditors). Upon the tendering of the Cure Payment, any such Filed or scheduled Claim shall be disallowed with prejudice, without further order of the Bankruptcy Court or action by any person.

5. Rejection of Executory Contracts and Unexpired Leases.

(a) Rejected Agreements.

On the Effective Date, all executory contracts and unexpired leases that the Hospital entered into on or before the Petition Date that (i) have not been previously assumed or rejected by the Hospital and (ii) are not set forth on the Schedule of Assigned Agreements shall be rejected. The Confirmation Order will constitute a Bankruptcy Court Order approving the rejection, on the Effective Date, of the executory contracts and unexpired leases to be rejected under the Plan.

(b) Rejection Bar Date.

Any Rejection Damage Claim or other claim for damages arising from the rejection under the Plan of an executory contract or unexpired lease must be Filed and served on the Hospital by the Rejection Bar Date. Any such Claims that are not timely Filed and served will be forever barred and unenforceable against the Hospital and its property, and persons holding such Claims will not receive, and will be barred from receiving, any Distributions on account of such untimely Claims.

V. IMPLEMENTATION OF THE PLAN

A. Consent under 11 U.S.C. § 904.

Pursuant to and for purposes of Bankruptcy Code section 904, the Hospital consents to entry of the Confirmation Order on the terms and conditions set forth herein and to entry of any further orders as necessary or required to implement the provisions of the Plan or any and all related transactions.

B. Sale of Purchased Assets.

Confirmation of the Plan shall constitute approval of the Sale of the Purchased Assets pursuant to the terms of the Successful Buyer Asset Purchase Agreement, which terms are incorporated into the Plan by reference. The Successful Buyer shall be determined at the Auction in accordance with the Sale Procedures Order and the Hospital Act.

The Sales Procedures Order specifies in detail the sales process, including the Auction. The Sales Procedures Order generally provides as follows:

Only the Stalking Horse Bidder and Qualified Bidders (as defined in the Sales Procedures Order) who have submitted the Auction Deposit (as defined in the Sales Procedures Order) are entitled to make bids at the Auction.

Every Acceptable Topping Bid (as defined in the Sales Procedures Order) must be a bid to purchase all of the Assets under substantially similar terms, conditions, representations, warranties and covenants set forth in the Stalking Horse Purchase Agreement, with only those changes that are necessary to conform the Stalking Horse Purchase Agreement for the terms of the Acceptable Topping Bid.

A Qualified Bidder may make an Acceptable Topping Bid by submitting a cash bid that is equal to or greater than One Million and 00/100 Dollars (\$1,000,000.00) in excess of Eighteen Million and 00/100 Dollars (\$18,000,000.00), which amount represents the total consideration to be paid by the Stalking Horse Bidder and is comprised of a purchase price of Ten Million and 00/100 Dollars (\$10,000,000.00) and the prepayment of estimated property taxes to be assessed by the County and the City relating to the Hospital real property in the amount of Eight Million and 00/100 Dollars (\$8,000,000.00). In making an Acceptable Topping Bid, a Qualified Bidder is not permitted to allocate more than Eight Million and 00/100 Dollars (\$8,000,000.00) of its Acceptable Topping Bid to the prepayment of property taxes.

Upon the conclusion of the Auction, the Hospital shall File with the Court written notice of the results of the Auction, including the identity of the Successful Buyer and a copy of the Successful Buyer Asset Purchase Agreement.

Without limitation, the Sale of the Purchased Assets shall be free and clear of all Liens, claims, encumbrances and other interests pursuant to Section 1123(a)(5)(D) of the Bankruptcy Code, as made applicable by Section 901 of the Bankruptcy Code (except for the Permitted Encumbrances (as defined in the Successful Bidder Asset Purchase Agreement that are specifically identified in the Successful Bidder Asset Purchase Agreement), with all such Liens,

claims, encumbrances and other interests attaching to the Net Sales Proceeds (as defined in the Successful Bidder Asset Purchase Agreement) subject to the terms and conditions of the Plan.

The Confirmation Order shall contain such terms and provisions as necessary to effectuate the Sale pursuant to Sections 901 and 1123(a)(5)(D) of the Bankruptcy Code in accordance with the terms and conditions of this Plan. The Confirmation Order shall authorize and direct the Sellers to take all actions and steps necessary or appropriate to consummate the Sale as soon as reasonably practicable on the terms and conditions set forth in the Successful Buyer Asset Purchase Agreement and this Plan.

The Closing of the Sale shall occur on the Closing Date, which date shall be the same as the Effective Date of this Plan. The Closing of the Sale shall be subject to the Closing conditions as set forth in the Successful Buyer Asset Purchase Agreement.

C. Liquidation Trust.

The Liquidation Trust shall be established and shall become effective on the Effective Date in accordance with the provisions of Article VII below. On the Effective Date, any property of the Hospital not otherwise treated or administered by the Plan shall vest in the Liquidation Trust and shall thereafter be administered, liquidated (by sale, collection, recovery or other disposition), or distributed by the Liquidation Trust in accordance with the terms of the Liquidation Trust Agreement and the Plan. For purposes of clarification, none of the Purchased Assets shall vest in or otherwise be subject in any respect to the Liquidation Trust.

D. Corporate Governance, Trustees, and Officers.

1. Directors and Officers of the Hospital.

- (A) Directors. After the Effective Date, the trustees of the Hospital remain the same as those who served on the Board of Trustees as of the date of this Plan.

- (B) Officers. Rev. LeRoy White shall continue to serve as Chairman of the Board of Trustees after the Effective Date.

2. Hospital's Existence.

Following the Effective Date, the Hospital shall remain in existence solely for the purpose of effectuating the Plan and winding up the business of the Hospital. The Board of Trustees shall not take any action to dissolve voluntarily until the earlier of: (a) the date on which the Indenture Trustee redeems the Bonds, or (b) the date on which the Board of Supervisors consents in writing to the Board's dissolution.

E. Dissolution of Committee.

On the Effective Date, the Committee will dissolve and the members of the Committee will be released and discharged from all duties and obligations arising or relating to the Case. The Professionals retained by the Committee and the members thereof will not be entitled to seek compensation or reimbursement of expenses for any services rendered after the Effective Date.

F. Objection to Claims

The Hospital's rights to object to, oppose and defend against all claims on any basis are fully preserved. Objections to, and requests for estimation of all claims may be interposed and prosecuted only by the Hospital.

G. Distribution Following Allowance

At such time as a Contingent Claim, a Disputed Claim or an Unliquidated Claim becomes an Allowed Claim, the Hospital, or its agent, shall distribute to the Holder thereof distributions, if any, to which such Holder is then entitled under the Plan. Such distributions, if any, shall be made as soon as practicable after the date on which the Order allowing such Claim becomes a Final Order, or pursuant to the Plan.

H. Distributions Under the Plan

1. The Liquidation Trust shall not be required to make a Distribution to the Holder of an Allowed Claim if the amount of the Distribution is less than \$10. All Cash not so distributed shall remain in the appropriate fund. The Liquidation Trustee may round all Distributions to the nearest whole dollar amount.

2. Delivery of Distributions; Undeliverable/Unclaimed Distributions

The Liquidation Trustee shall make distributions to each Holder of an Allowed Claim as follows:

- (1) by mail at the address set forth on the Proof of Claim filed with the Clerk of the United States Bankruptcy Court, unless such Holder has provided written notice of address change to the Court, the Hospital or the Liquidation Trustee; or
- (2) by mail at the address reflected in the List of Creditors if no Proof of Claim is filed with the Court and neither the Hospital nor the Liquidation Trustee has received a written notice of a change of address.

If a distribution is returned as “Undeliverable,” the Liquidation Trustee may cancel the distribution check and will not be obligated to re-attempt delivery, unless said Agent receives notification of the Holder’s new address within one hundred twenty (120) days.

The Liquidation Trustee shall reserve the funds with respect to all undeliverable distributions and unclaimed distributions for one hundred eighty (180) days. All undeliverable and unclaimed distributions shall then be paid over to the Secretary of State of Mississippi to be held as Unclaimed Funds.

I. Full, Final, and Complete Settlement and Satisfaction

The distributions to each Holder of an Allowed Claim shall be in full, final and complete satisfaction, discharge and release of such Holder’s Claim against the Hospital and its property.

J. Setoff, Recoupment and Other Rights

The Hospital may, but shall not be required to, setoff against or recoup from any Claim and any distributions to be made on said Claim any causes of action of any nature that the Hospital may have against the Claimant. If the Hospital elects to setoff or recoup, the allowed amount of the subject Claim shall be limited to the net amount after giving effect to the Hospital's setoff or recoupment.

K. Motion Under Section 364 of the Bankruptcy Code

The Plan constitutes a Motion by the Hospital for the Bankruptcy Court's approval of the incurrence of all indebtedness and extensions of credit necessary to implement the Plan pursuant to section 364 of the Bankruptcy Code. Confirmation of the Plan shall constitute a conclusive determination that the protections of section 364(e) of the Bankruptcy Code will apply to all such indebtedness or extensions of credit to the maximum extent permitted by law and will be a determination that all indebtedness or extensions of credit were extended and incurred in good faith and in compliance with all applicable provisions of the Bankruptcy Code and the Bankruptcy Rules.

L. The Effective Date

The Plan shall not become binding unless and until the Effective Date.

M. Binding Effect

Upon the Effective Date and pursuant to section 944(a) of the Bankruptcy Code, the Plan and the distributions shall be binding upon the Hospital and all creditors.

N. Discharge and Injunctions

On the Effective Date, the Hospital and its property will be discharged and released to the fullest extent permitted under section 944(b) of the Bankruptcy Code, from all claims that arose

before the Effective Date, including all debts and liabilities, and all debts of the kind specified in 11 U.S.C. §§502(g), 502(h) or 502(i).

O. Retention of Jurisdiction

The Bankruptcy Court shall retain exclusive jurisdiction over the case after the Effective Date, including the jurisdiction to:

1. Allow, classify, disallow, establish the priority or secured or unsecured status of, liquidate, or subordinate any Claim, in whole or in part;
2. Resolve any motions pending on the Effective Date to assume, assume and assign, or reject any executory contract or unexpired lease to which the Hospital is a party or with respect to which the Hospital may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom;
3. Resolve any and all other applications, motions, adversary proceedings, and other contested or litigated matters involving the Hospital that may be pending on the Effective Date or that may be instituted thereafter in accordance with the terms of the Plan;
4. Ensure that all distributions are accomplished pursuant to the provisions of the Plan;
5. Enter such orders as may be necessary or appropriate to implement or consummate the Plan and all contract, instruments, releases, and other agreements or documents entered into in connection with or related to the Plan;
6. Resolve any and all controversies, suits, or issues that may arise in connection with the implementation, interpretation, or enforcement of the Plan or the Confirmation Order, or any creditor's rights, obligations, or interests under the Plan or the Confirmation Order;

7. Remedy any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, the Plan, the Disclosure Statement or any contract, or other agreement or document created in connection with the Plan or the Disclosure Statement, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code;

8. Enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason modified, reversed, revoked, stayed or vacated; and

9. Enter an order closing the case pursuant to Bankruptcy Code section 945(b).

If the Bankruptcy Court abstains from exercising jurisdiction, declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter, there will be no prohibition of the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

P. Revocation of the Plan

The Hospital reserves the right to revoke or withdraw the Plan at any time prior to the Confirmation Date.

Q. Modification of the Plan

The Hospital reserves the right to alter, amend, or modify the Plan at any time before the Confirmation Date, subject to 11 U.S.C. §942.

R. Inconsistencies

The terms and provisions contained in the Plan shall govern in the event of any inconsistencies between the Plan and the Disclosure Statement.

S. Governing Law

The rights and obligations arising under the Plan and any contracts or documents executed in connection with the Plan shall be governed by and construed and enforced in

accordance with the laws of the State of Mississippi unless otherwise governed by the Bankruptcy Code and the Bankruptcy Rules.

T. Transactions on Business Days

In the event that the Effective Date or a date that a transaction is to occur is on a day that is not a business day, said action shall occur on the next succeeding business day.

U. Good Faith

Confirmation of the Plan shall constitute a conclusive determination that (a) the Plan and all transactions thereby have been proposed in good faith and in compliance with all applicable provisions of the Bankruptcy Code and the Bankruptcy Rules.

V. Effectuating Documents and Further Transactions

Each of the employees of the Hospital and the Escrow Agent and the Liquidation Trustee are authorized to execute, deliver any contracts, instruments, releases or other agreements or documents to implement the terms and provision of the Plan.

VI. REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 943(b) of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan: (1) is accepted by the requisite Holders of Impaired Classes of Claims or, if not so accepted, is “fair and equitable” and does not discriminate unfairly as to the non-accepting Class; (2) is in the “best interests” of each Holder of a Claim and each Impaired Class under the Plan; (3) is feasible; and (4) complies with the applicable provisions of the Bankruptcy Code.

A. Acceptance or Cramdown

A plan is accepted by an Impaired Class of Claims if Holders of two-thirds ($\frac{2}{3}$) in dollar amount and a majority in number of allowed Claims of that Class vote to accept the plan. Only

those Holders of Claims who actually vote to accept or reject the plan count in the tabulation. The Impaired Classes must accept the plan in order for the plan to be confirmed without application of the “cramdown” test contained in sections 1129(b)(i), (b)(2)(A) and (b)(2)(B) of the Bankruptcy Code.

1. Cramdown

The Bankruptcy Code provides that the Bankruptcy Court may confirm a plan that is not accepted by all Impaired Classes if at least one Impaired Class of Claims accepts the plan and the so-called “cramdown” provisions set forth in sections 1129(b)(1), (b)(2)(A) and (b)(2)(B) of the Bankruptcy Code are satisfied. The Plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of section 943(b) of the Bankruptcy Code, it (i) is “fair and equitable” and (ii) does not discriminate unfairly with respect to each Class of Claims that is Impaired under and has not accepted the Plan. The Hospital believes that the Plan and the treatment of all Classes of Claims under the Plan satisfy the following requirements for nonconsensual confirmation of the Plan.

(c) “Fair and Equitable”

Uncertainty exists as to the contours of the “fair and equitable” requirement in Chapter 9. Outside of the Chapter 9 context, the “fair and equitable” requirement generally requires, among other things, that, unless a dissenting unsecured Class of Claims receives payment in full for its allowed Claims, no Holder of allowed Claims in any Class junior to that Class may receive or retain any property on account of such Claims. This is known as the “absolute priority rule.” Few published opinions have addressed the meaning of the “fair and equitable” requirement in Chapter 9 cases. Some courts have suggested that, because there are no equity Holders in Chapter 9 cases (who, in theory, would be junior in priority to a municipal debtor’s general

unsecured creditors), the absolute priority rule serves no function in Chapter 9 cases and, thus, in Chapter 9 cases, the “fair and equitable” requirement should not be interpreted as synonymous with the absolute priority rule. In light of the scarcity of case law addressing the “fair and equitable” requirement in Chapter 9, it is suggested that, in Chapter 9, the “fair and equitable” requirement is properly understood as requiring that, where a Chapter 9 debtor seeks a nonconsensual confirmation of a plan of adjustment, the Impaired creditors of such debtor, under the proposed Plan, will receive all that they can reasonably expect under the circumstances.

The Hospital believes that the Plan is “fair and equitable” with respect to Holders of Claims against the Hospital because it provides such Holders of Claims with all they reasonably can expect under the circumstances of this Chapter 9 case. This is the second Chapter 9 bankruptcy case filed by the Hospital within the past five calendar years. The first bankruptcy filing occurred on February 12, 2009 (Case No. 09-00477-EE), from which the Hospital emerged successfully in July 2012 and in which all allowed claims were paid in full. In 2013, because of decreased reimbursements and out-migration, and the cost of replacing a significant amount of capital equipment, the Hospital decided to sell the Hospital or to explore potential joint venture scenarios, but it was not able to find an acceptable buyer or joint venturer. The immediate precipitating events that caused the Chapter 9 filing on March 26, 2014 were the cumulative effects of the following, among others: (i) the costs associated with the sales process for the Hospital; (ii) recoupments by the Center for Medicare and Medicaid Services (“*CMS*”) pursuant to a recovery audit (“*Recovery Audit*”) performed by a recovery audit contractor (a “*RAC*”) under the authority of the Medicare Modernization Act of 2003 (“*MMA*”) (the “*RAC Audit*”); and (iii) requirements for capital expenditures for necessary equipment. This resulted in a severe cash shortage and the Hospital’s increasing inability to provide reasonable levels of services to

Hospital patients on a long-term, going-forward basis. The Hospital believes that the Plan is “fair and equitable” because the proposed Sale of the Hospital is the optimal mechanism that will maximize the return to the Holders of Claims.

(d) No Unfair Discrimination

A plan of reorganization does not “discriminate unfairly” if a dissenting Class is treated substantially equally with respect to other Classes similarly situated, and no Class receives more than it is legally entitled to receive for its Claims. The Hospital does not believe that the Plan discriminates unfairly against any Impaired Class of Claims.

IN THE EVENT OF REJECTION OF THE PLAN BY ONE OR MORE IMPAIRED CLASSES, THE HOSPITAL RESERVES THE RIGHT TO REQUEST THE BANKRUPTCY COURT TO CONFIRM THE PLAN IN ACCORDANCE WITH SECTION 1129(b)(1), (b)(2)(A) AND (b)(2)(B) OF THE BANKRUPTCY CODE. THE HOSPITAL HAS RESERVED THE RIGHT TO MODIFY THIS PLAN TO THE EXTENT, IF ANY, THAT CONFIRMATION OF THIS PLAN UNDER SECTIONS 943 AND 1129(b) OF THE BANKRUPTCY CODE REQUIRES MODIFICATION.

2. The “Best Interests of Creditors” Test

Notwithstanding acceptance of the Plan by each Impaired Class of Claims, the Bankruptcy Court also must determine that the Plan is in the best interests of creditors pursuant to section 943(b)(7) of the Bankruptcy Code. To satisfy this “best interests of creditors” test, a Chapter 9 debtor must establish that confirmation of its proposed plan of adjustment, more likely than not, would leave the debtor’s creditors in a better position than would dismissal of the debtor’s Chapter 9 bankruptcy case. Because the failure of plan confirmation and dismissal of a Chapter 9 debtor’s bankruptcy case in this instance would jeopardize the operational viability of

the Hospital and would leave many creditors with a substantially diminished recovery or no recovery at all, the best interests of creditors test is a flexible standard that is less stringent than a test requiring that a plan be “fair and equitable.”

A Chapter 9 debtor satisfies the best interests of creditors test if its plan of adjustment makes a reasonable effort to provide a recovery for creditors. The Hospital and the County must comply with the Hospital Act to sell the Hospital, and the Hospital Act requires that the Bonds be defeased in connection with the sale of the Hospital. The Hospital does not have the authority to raise taxes, and County and the City have agreed to permit the Successful Buyer to pre-pay eight million dollars (\$8,000,000) of future estimated *ad valorem* taxes to permit the Sale of the Hospital. Although the Hospital bears the burden of proving, by a preponderance of the evidence, that its Plan satisfies the best interests of creditors test, section 904 of the Bankruptcy Code instructs the Bankruptcy Court to conduct its examination of a Chapter 9 debtor’s ability to pay creditors in a manner that will not “interfere with” the “political or governmental powers of the debtor,” the debtor’s “property or revenues” or “the debtor’s use or enjoyment of any income producing property.”

The Hospital believes that its Plan satisfies the best interests of creditors test set forth at section 943(b)(7) of the Bankruptcy Code. Confirmation of the Plan permits the Hospital to sell the Facilities and thereby not only eliminate future operating losses, but also relieve the Hospital of a substantial portion of its debt burden, while at the same time providing the Hospital with the opportunity to pay its secured creditors in full and make a substantial distribution to its unsecured creditors. In the absence of a confirmation of the Plan and the accompanying Sale of the Facilities of the Hospital to the Successful Buyer, the Hospital, its creditors and, importantly, its patients, are compelled to return to the downward spiral that produced this Chapter 9 filing.

The Hospital believes that no creditor group opposes a Sale of the Hospital Facilities on the basis that such a Sale is not in the best interests of creditors in this Case. The adverse consequences of not having a confirmed Plan and a Sale of the Hospital will only ensure the continued deterioration of the financial status of the Hospital and the care it provides. Recoveries for the Hospital's unsecured creditors would diminish to practically nothing, and even the ability of its secured creditor to recover the full amount owed from its Collateral would be jeopardized.

The foregoing demonstrates the simple proposition that prompted the Hospital's Chapter 9 filing in the first instance: *there is no non-bankruptcy restructuring solution to the problems facing the Hospital, its creditors and its patients*. The Plan embodies the Hospital's attempt to provide creditors with the greatest possible recovery consistent with their relative rights. Accordingly, the Hospital believes that the Plan satisfies the "best interests of creditors" test set forth at section 943(b)(7) of the Bankruptcy Code.

3. Feasibility

Section 943(b)(7) of the Bankruptcy Code also requires that a plan of adjustment be feasible. While the best interests of creditors test establishes a "floor" with respect to how much a Chapter 9 debtor can be expected to pay creditors under a plan of adjustment, the feasibility standard of section 943(b)(7) of the Bankruptcy Code imposes a "ceiling" on creditor recoveries under such a plan. To satisfy the feasibility requirement, a Chapter 9 debtor must demonstrate, by a preponderance of the evidence, that it has the ability to make the payments set forth in the proposed plan of adjustment. The Confirmation of the Plan involves a Sale of the Hospital, which will eliminate the possibility of ongoing operating deficits. The Sale of the Hospital, will relieve the Hospital of concerns with respect to maintaining sufficient assets to (i) provide

adequate levels of services to patients, (ii) fund normal operations and (iii) remain financially viable after the conclusion of the Case and during the contemplated payment period.

To determine whether a proposed plan of adjustment satisfies the feasibility standard of section 943(b)(7) of the Bankruptcy Code, a bankruptcy court must analyze the debtor's income and expense projections. A plan of adjustment is feasible if the debtor's income and expense projections (i) are realistic, reliable and not unreasonably optimistic and (ii) the plan is workable and appears to have a reasonable prospect of success; *i.e.*, it appears reasonably probable that the debtor will be able to make the payments to creditors contemplated in the plan of adjustment. As with the determination of whether a plan of adjustment satisfies the best interests of creditors test, the scope of the bankruptcy court's inquiry into the feasibility of a plan of adjustment is limited by section 904 of the Bankruptcy Code. Accordingly, the feasibility inquiry is relatively narrow. The bankruptcy court simply must (i) determine whether the debtor's projected revenues and expenses are reasonable, and (ii) if so, decide whether the debtor will be able to make the contemplated payments while providing adequate services to patients and avoiding a recurrence of the type of financial distress that caused the debtor to commence this Case.

For purposes of determining whether the Plan meets this requirement, the Hospital has prepared a sources and uses of funds analysis that reflects the proposed distributions to each Class of Creditors under the Plan. Further, because a Liquidation Trust will be established to administer the remaining unsold assets of the Hospital, the unsecured creditors will have substantial input into their own destiny, both as to funds collected after the Effective Date and the Claims allowance process. The Hospital believes that its financial projections (and its underlying assumptions) are reasonable and, coupled with the structure of the Liquidation Trust, demonstrate a probability that the Hospital will be able to satisfy its obligations under the Plan.

Accordingly, the Hospital believes that the Plan meets the feasibility requirement of section 943(b)(7) of the Bankruptcy Code.

4. Compliance With Applicable Provisions of the Bankruptcy Code

In addition to the foregoing, the Plan must comply with other applicable provisions of the Bankruptcy Code, as follows:

- The Plan must comply with the provisions of the Bankruptcy Code made applicable by sections 103(e) and 901 of the Bankruptcy Code (11 U.S.C. § 943(b)(1));
- The Plan must comply with the provisions of Chapter 9 (11 U.S.C. § 943(b)(2));
- All amounts to be paid by the Hospital or by any person for services or expenses in the Hospital's Chapter 9 case or incident to the Plan must be fully disclosed and must be reasonable (11 U.S.C. § 943(b)(3));
- The Hospital must not be prohibited by law from taking any action necessary to carry out the Plan (11 U.S.C. § 943(b)(4));
- Except to the extent that the Holder of a particular Claim has agreed to a different treatment of such Claim, the Plan must provide that, on the Effective Date, each Holder of a Claim of a kind specified in section 507(a)(2) of the Bankruptcy Code will receive on account of such Claim cash equal to the allowed amount of such Claim (11 U.S.C. § 943(b)(5));
- Any regulatory or electoral approval necessary under applicable non-bankruptcy law in order to carry out any provision of the Plan must be obtained, or such provision must be expressly conditioned upon such approval (11 U.S.C. § 943(b)(6));
- The Plan must be in the best interests of creditors and be feasible (11 U.S.C. § 943(b)(7)) (this has been discussed in detail above);
- The Hospital, as the proponent of the Plan, must have complied with all provisions of the Bankruptcy Code (11 U.S.C. § 1129(a)(2)); and
- The Plan must have been proposed in good faith and not by any means forbidden by law (11 U.S.C. § 1129(a)(3)).

B. Alternatives to Confirmation and Consummation of the Plan

The Hospital has evaluated numerous alternatives to the Plan, including alternative structures and terms of the Plan. While the Hospital has concluded that its Plan is clearly the best

alternative to maximize recoveries by Holders of Claims, if the Plan is not confirmed, the Hospital could attempt to formulate and propose a different plan of adjustment. The formulation of an alternative plan of adjustment would consume additional time, and there can be no assurance that the Hospital can remain viable during that period of time, much less formulate and propose an acceptable alternative plan of adjustment. If no plan of adjustment can be confirmed, the Bankruptcy Court may dismiss this Case; in such event, Holders of Claims likely would compete for the limited resources of the Hospital that might be available to pay their Claims (assuming the Hospital remains viable as a going concern for this length of time). The Hospital, therefore, believes that Confirmation and consummation of the Plan is the most preferable when juxtaposed to the other alternatives described above.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN RELATED TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Circular 230 Disclosure: **TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, EACH HOLDER OF A CLAIM IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER OF A CLAIM FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "IRC"); (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE CONFIRMATION OF THE PLAN TO WHICH THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT ARE ANCILLARY; AND (C) ANY HOLDER OF A CLAIM SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

A DESCRIPTION OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO HOLDERS OF CERTAIN CLAIMS IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE IRC, TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT AND ALL SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION COULD CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. NO RULING HAS BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE (THE "IRS"); NO OPINION HAS BEEN REQUESTED FROM THE HOSPITAL'S COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THE DESCRIPTION THAT FOLLOWS DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, PASS-THROUGH ENTITIES AND INVESTORS THEREIN, TAX-EXEMPT ORGANIZATIONS, PERSONS SUBJECT TO THE ALTERNATIVE MINIMUM TAX AND NON-UNITED STATES TAXPAYERS. IN ADDITION, THE DESCRIPTION DOES NOT DISCUSS STATE, LOCAL OR NON-UNITED STATES INCOME OR OTHER TAX CONSEQUENCES (INCLUDING ESTATE OR GIFT TAX CONSEQUENCES).

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND NON-UNITED STATES TAX CONSEQUENCES OF THE PLAN.

The federal income tax consequences of the Plan to a Holder of a Claim will depend, in part, on the nature of the Claim, what type of consideration was received in exchange for the Claim, whether the Holder reports income on the accrual or cash basis, whether the Holder has taken a bad debt deduction or worthless security deduction with respect to the Claim and whether the Holder receives Distributions under the Plan in more than one taxable year.

A. Certain Other Tax Considerations for Holders of Claims

1. Post-Effective Date Distributions

Because Distributions may be made to Holders of Claims after the Effective Date, any loss and a portion of any gain realized by a Holder may be deferred until the Holder has received its final Distribution. All Holders are urged to consult their tax advisors regarding the possible

application of, or ability to elect out of, the “installment method” of reporting gain that may be recognized in respect of a Claim.

2. Bad Debt Deduction

A Holder who, under the Plan, receives in respect of an Allowed Claim an amount less than the Holder’s tax basis in the Allowed Claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under section 166(a) of the IRC. The rules governing the character, timing and amount of bad debt place considerable emphasis on the facts and circumstances of the Holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

3. Information Reporting and Backup Withholding

All Distributions under the Plan will be subject to applicable United States federal income tax reporting and withholding. The IRC imposes “backup withholding” (currently at a rate of 28%) on certain “reportable” payments to certain taxpayers, including payments of interest. Under the IRC’s backup withholding rules, a Holder of a Claim may be subject to backup withholding with respect to Distributions or payments made pursuant to the Plan, unless the Holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional federal income tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of income tax. A Holder of a Claim may be required to establish an exemption from backup

withholding or to make arrangements with respect to the payment of backup withholding.

B. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX OR LEGAL ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

VIII. FINANCIAL INFORMATION AND PROJECTIONS

A. Financial Statements

According to the financial statements (the "Financial Statements") maintained by the Hospital in its regular and ordinary course of business concerning its operations, since the beginning of its current fiscal year (October 1, 2013), the Hospital also has incurred a Net Loss of \$2,170,122 through June 30, 2014. In addition, the clinics run by Natchez Medical Foundation, Inc. (the "*Foundation*") which is wholly owned by the Hospital, have incurred a Net Loss of \$1,812,554 in the current fiscal year through June 30, 2014.

B. Financials Projections

1. Projections

Attached to this Disclosure Statement as **Exhibit "B"** is the waterfall showing projected sources and uses of funds from the closing of the Sale of the Hospital (together, the "*Projections*"). The Projections reflect the Hospital's projected profitability from operations under the Plan until the Effective Date, and the liquidation and collection of assets by the Liquidation Trust, all subject to the assumptions set forth below.

THE PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY

THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE FINANCIAL ACCOUNTING STANDARDS BOARD, THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD OR THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE HOSPITAL'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM HAS NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROJECTIONS AND, ACCORDINGLY, DOES NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUMES NO RESPONSIBILITY FOR THE PROJECTIONS AND DISCLAIMS ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE HOSPITAL DOES NOT PUBLISH PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION. THE HOSPITAL DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE OF THIS DISCLOSURE STATEMENT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

WHILE PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT THE HOSPITAL BELIEVES ARE REASONABLE (WHICH ASSUMPTIONS ARE DESCRIBED IN FURTHER DETAIL IMMEDIATELY BELOW). THE ESTIMATES AND ASSUMPTIONS MAY NOT BE REALIZED, HOWEVER, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE HOSPITAL'S CONTROL. NO REPRESENTATIONS CAN BE OR ARE MADE AS TO WHETHER THE ACTUAL RESULTS WILL BE WITHIN THE RANGE SET FORTH IN THE PROJECTIONS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THEREFORE MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

2. Assumptions

The Projections were prepared by the Hospital with the assistance of its professionals to present the anticipated impact of the Plan. The Projections all assume that the Plan will be confirmed before and implemented on the Effective Date in accordance with the Plan's stated terms. In addition, the Projections and the Plan are premised upon other assumptions, including the anticipated future performance of the Hospital, general economic and business conditions, no

material changes in the laws and regulations applicable to the operation of municipalities such as the Hospital, and other matters largely or completely outside of the Hospital's control. Each of the Projections should be read in conjunction with the significant assumptions, qualifications, and notes set forth in the Disclosure Statement, the Plan, any Plan Supplement, the Projections themselves, and other information submitted to the Bankruptcy Court during the course of this Case.

The implementation of the Plan is subject to a number of material risks. Prior to voting on the Plan, each party entitled to vote should carefully consider these risks, as well as all of the information contained in this Disclosure Statement, including the Exhibits hereto. If any of these risks are actually realized, the Hospital's financial condition and operations could be seriously harmed. In addition to the risks set forth below, risks and uncertainties not presently known to the Hospital, or risks that the Hospital currently considers immaterial, may also impair the Hospital's financial condition and operations.

IX. RISK FACTORS to be considered

The implementation of the Plan is subject to a number of material risks. Prior to voting on the Plan, each party entitled to vote should carefully consider these risks, as well as all of the information contained in this Disclosure Statement, including the Exhibits hereto. If any of these risks are actually realized, the Hospital's financial condition and operations could be seriously harmed. In addition to the risks set forth below, risks and uncertainties not presently known to the Hospital, or risks that the Hospital currently considers immaterial, may also impair the Hospital's financial condition and operations, and disrupt its ability to continue to operate as a going concern.

A. Non-Confirmation of the Plan

Even if all Impaired Classes accept or could be deemed to have accepted the Plan, the Plan may not be confirmed by the Bankruptcy Court. As set forth above, section 943(b) of the Bankruptcy Code identifies the requirements for plan Confirmation. Although the Hospital believes that the Plan meets all applicable requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

B. Nonconsensual Confirmation

As described above, pursuant to the “cramdown” provisions of section 1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan at the Hospital’s request if at least one Impaired Class has accepted the Plan and, as to each Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to such an Impaired Class. The Hospital reserves the right to modify the terms of the Plan as necessary for Confirmation without the acceptance of all Impaired Classes. Such modification could result in less favorable treatment for any non-accepting Classes than the treatment currently provided in the Plan.

C. Conditions to Effectiveness of the Plan

Article VIII. B. of the Plan provides for certain conditions that must be satisfied (or waived) prior to the Effective Date. There can be no assurance that such conditions will be satisfied. Many of the conditions are outside of the control of the Hospital. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions to effectiveness of the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the

adjustment of the Hospital's debts completed. See Article VI of this Disclosure Statement for a description of the requirements for the Plan to be confirmed.

D. Non-Occurrence of the Sale of the Hospital to the Successful Bidder

The Plan assumes the Closing of the Sale of the Hospital to the Successful Bidder pursuant to the terms of the Successful Bidder Asset Purchase Agreement. The Hospital believes that the Sale of the Hospital to the Successful Bidder offers the greatest recoveries to Holders of Claims that is possible under the circumstances. The sales process has not been concluded, however, and the Auction has not yet been conducted, so the Hospital does not know at this time whether the Stalking Horse Buyer or some other party will be the Successful Buyer. The Sale of the Hospital is scheduled to Close on or before September 30, 2014, just a matter of days after the Confirmation Hearing. The sales process is on a very tight time frame. Because the Plan contemplates and assumes that the Sale of the Hospital will be consummated, if the Sale of the Hospital does not occur, then the recoveries on account of all Claims, including Unsecured Claims, will be much lower.

It is important to note that the Sale of the Hospital contemplates that the Hospital will be sold to the Successful Buyer as a going concern. Before the Petition Date, and during the pendency of this Case, the Hospital has not operated profitably. In fact, the Hospital continues to incur an operating deficit as a result of its operations. If the Auction does not result in a Sale of the Hospital to a Successful Buyer, or if the Sale of the Hospital to the Successful Buyer is delayed beyond the date scheduled for the Confirmation Hearing, then the Hospital may be forced to cease operations and close its doors. In such event, recoveries to Creditors will be substantially diminished. If the Hospital ceases operations, the Bond Trustee and UMB will likely seek relief from the automatic stay (imposed by section 362 of the Bankruptcy Code) and

commence efforts to exercise remedial efforts with respect to their security. For example, upon obtaining stay relief, and assuming the Hospital has failed to make scheduled payments as required under the County Indenture, the Bond Trustee could require the County to levy an ad valorem tax not to exceed five (5) mills in any one year which may result in the County's and the City's withdrawing their agreement to consent to the use of the Pre-Paid Taxes to fund the payments under the Plan. Further, UMB, upon obtaining stay relief, could begin to collect the accounts receivable of the Hospital and execute upon its other collateral. If the Hospital ceases operations, the value of the assets of the Debtor will be diminished substantially and the likely realizations from the liquidation of the Hospital's assets would provide little, if any, distribution to the Holders of unsecured Claims.

E. Failure of the Hospital to Achieve Projected Financial Performance prior to the Effective Date

The Projections are dependent upon the successful implementation of the Hospital's budget and the reliability of other estimates and assumptions accompanying the Projections. The Projections are based on estimates and assumptions relating to the Hospital's projected revenues and expenditures and prevailing economic conditions. In addition, the Projections assume that the Plan will be confirmed in accordance with its terms. The Projections also assume that the Hospital will be able to achieve certain cost savings as a result of efficiencies achieved as a result of the Hospital's overall restructuring efforts. However, these estimates and assumptions may not be realized and are inherently subject to significant economic uncertainties and contingencies, many of which are beyond the Hospital's control. No representations can be or are made as to whether the actual results will be within the range set forth in the Projections. Some assumptions inevitably will not materialize, and events and circumstances occurring subsequent to the date on which the Projections were prepared may be different from those

assumed or may be unanticipated and, therefore, may affect financial results in a material and possibly adverse manner. The Projections, therefore, may not be relied upon as a guarantee or other assurance of the actual results that will occur.

F. Unforeseen Financial Circumstances Affecting the Hospital's Future Financial Performance

The Plan and the Projections underlying the Plan are based on certain assumptions about the Hospital's future financial performance. Unforeseen events and circumstances may occur affecting the Hospital's future financial performance, resulting in those assumptions proving inaccurate and the Hospital being unable to fulfill its obligations under the Plan. No guarantee can be made as to the Hospital's future financial performance due to a variety of unforeseeable circumstances that may affect such performance.

G. Nature and Amount of Allowed Claims

The ultimate amount of Allowed Claims against the Hospital is unknown. If the amount of Allowed Claims is higher than expected or predicted, recoveries for Holders of Claims in certain Classes may be negatively impacted. In addition, the cost of administering such Claims will be substantial and may also adversely impact recoveries for Holders of Claims in certain Classes. Any such adverse effects could be material.

H. The Hospital Has No Duty to Update

The statements contained in this Disclosure Statement are made by the Hospital as of July 31, 2014, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Hospital has no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

I. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or related to the Hospital, the Hospital's Chapter 9 case or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement and any other Solicitation Materials that accompany this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should be relied upon by you at your own risk in arriving at your decision.

X. RECOMENDATION

For the reasons set forth more fully above, the Hospital believes that the Confirmation and implementation of the Plan are far superior to any other alternative available to the Hospital or its creditors. **Accordingly, the Hospital recommends that all Creditors who are the Holders of Impaired Claims entitled to vote on the Plan to vote to accept the Plan by checking the box marked "Accept" on their Ballots.** The Hospital also urges all Creditors, after marking their votes on their Ballots to return their Ballots to the Voting Tabulator as directed on their respective Ballots.

DATED, this the 4th day of August, 2014.

NATCHEZ REGIONAL MEDICAL CENTER

s/ Stephen W. Rosenblatt

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