THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AND IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	:	**Chapter 11**
	:	
NATIONAL CENTURY FINANCIAL ENTERPRISES, INC., an Ohio Corporation, et al.,	:	**Jointly Administered Case No. 02-65235**
	:	
Debtors.	:	**Judge Calhoun**
	:	
(~~National~~Nationa Century Financial Enterprises, Inc.)	:	**(Case No. 02-65235)**
(NPF XII, Inc.)	:	**(Case No. 02-65236)**
(National Premier Financial Services, Inc.)	:	**(Case No. 02-65237)**
(NPF VI, Inc.)	:	**(Case No. 02-65238)**
(Memorial Drive Office Complex, LLC)	:	**(Case No. 02-65239)**
(National Physicians Funding II, Inc.)	:	**(Case No. 02-65240)**
(Anesthesia Solutions, Inc.)	:	**(Case No. 02-65241)**
(NPF-CSL, Inc.)	:	**(Case No. 02-65242)**
(NPF-LL, Inc.)	:	**(Case No. 02-65243)**
(NPF-SPL, Inc.)	:	**(Case No. 02-65244)**
(NPF X, Inc.)	:	**(Case No. 02-65245)**
(NPF Capital Partners, Inc.)	:	**(Case No. 02-65246)**
(NPF Capital, Inc.)	:	**(Case No. 02-65247)**
(NCFE.com, Inc.)	:	**(Case No. 02-65248)**
(Allied Medical, Inc.)	:	**(Case No. 03-52026)**
	:	
	:	**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR THE ~~SECOND~~THIRD AMENDED JOINT PLAN OF LIQUIDATION OF NATIONAL CENTURY FINANCIAL ENTERPRISES, INC. AND ITS DEBTOR SUBSIDIARIES**

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ATTORNEYS FOR DEBTORS AND DEBTORS IN POSSESSION

December ~~8~~24, 2003

DISCLOSURE STATEMENT DATED DECEMBER ~~8~~24, 2003

SOLICITATION OF VOTES WITH RESPECT TO THE ~~SECOND~~THIRD AMENDED JOINT PLAN OF LIQUIDATION OF NATIONAL CENTURY FINANCIAL ENTERPRISES, INC. AND ITS DEBTOR SUBSIDIARIES

NATIONAL CENTURY FINANCIAL ENTERPRISES, INC. ("NCFE") AND EACH OF ITS DEBTOR SUBSIDIARIES (COLLECTIVELY WITH NCFE, THE "DEBTORS" OR THE "PLAN PROPONENTS") BELIEVE THAT THE ~~SECOND~~THIRD AMENDED JOINT PLAN OF LIQUIDATION OF NCFE AND ITS DEBTOR SUBSIDIARIES, DATED DECEMBER ~~8~~24, 2003 AND ATTACHED AS EXHIBIT I (THE "PLAN"), IS IN THE BEST INTERESTS OF CREDITORS. ALL CREDITORS ENTITLED TO VOTE ARE URGED TO VOTE IN FAVOR OF THE PLAN. A SUMMARY OF THE VOTING INSTRUCTIONS ARE SET FORTH BEGINNING ON PAGE ___ OF THIS DISCLOSURE STATEMENT. MORE DETAILED INSTRUCTIONS ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO CREDITORS ENTITLED TO VOTE ON THE PLAN. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND RECEIVED BY 5:00 P.M., EASTERN TIME, ON [_____] (THE "VOTING DEADLINE"), UNLESS EXTENDED.

THE CONFIRMATION AND EFFECTIVENESS OF THE PROPOSED PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE "OVERVIEW OF THE PLAN — CONDITIONS TO CONFIRMATION AND THE EFFECTIVE DATE OF THE PLAN" AND "VOTING ON AND CONFIRMATION OF THE PLAN — ACCEPTANCE OR CRAMDOWN." THERE CAN BE NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

No person is authorized by any of the Debtors in connection with the Plan or the solicitation of acceptances of the Plan to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits and schedules attached hereto or incorporated by reference or referred to herein, and, if given or made, such information or representation may not be relied upon as having been authorized by any of the Debtors. Although the Debtors will make available to creditors entitled to vote on acceptance of the Plan such additional information as may be required by applicable law prior to the Voting Deadline, the delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time subsequent to the date hereof.

ALL CREDITORS ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT I AND THE MATTERS DESCRIBED UNDER "RISK FACTORS" PRIOR TO SUBMITTING BALLOTS IN RESPONSE TO THIS SOLICITATION.

The summaries of the Plan and other documents contained in this Disclosure Statement are qualified by reference to the Plan itself, the exhibits thereto and documents described therein as being Filed prior to approval of the Disclosure Statement. **THE DEBTORS WILL FILE ALL EXHIBITS TO THE PLAN WITH THE BANKRUPTCY COURT AND MAKE THEM AVAILABLE FOR REVIEW ON THE DEBTORS' WEB SITE AT WWW.NCFE.COM ON OR BEFORE [_____]. THE EXHIBITS ALSO WILL BE AVAILABLE UPON REQUEST FROM THE DEBTORS' COUNSEL.**

The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, is included for purposes of soliciting acceptances of the Plan, but, as to contested matters and adversary proceedings, is not to be construed as admissions or stipulations, but rather as statements made in settlement negotiations.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

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INTRODUCTION

The Plan Proponents are seeking approval of the Plan, a copy of which is attached hereto as Exhibit I. This Disclosure Statement is submitted by the Debtors in connection with the solicitation of acceptances of the Plan. All capitalized terms used in this Disclosure Statement and not otherwise defined have the meanings given to them in the Plan.

The confirmation of a plan, which is the vehicle for satisfying the rights of holders of claims against and equity interests in a debtor, is the overriding purpose of a chapter 11 case. Although referred to as a plan of reorganization or liquidation, a plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of assets. In either event, upon confirmation of the plan, it becomes binding on the debtor and all of its creditors and stakeholders, and the obligations owed by the debtor to those parties are compromised and exchanged for the obligations specified in the plan. In these Bankruptcy Cases, the Plan contemplates a liquidation of each of the Debtors and is therefore referred to as a "plan of liquidation." The primary objectives of the Plan are to: (a) maximize the value of the ultimate recoveries to all creditor groups on a fair and equitable basis; and (b) settle, compromise or otherwise dispose of certain claims and interests on terms that the Plan Proponents believe to be fair and reasonable and in the best interests of the Debtors' respective Estates and creditors. The Plan provides for, among other things: (i) the liquidation and dissolution of each of the Debtors; (ii) the deemed substantive consolidation of all of the Debtors other than NPF VI and NPF XII; (iii) the establishment of the Trusts to liquidate the Assets transferred to them; (iv) the issuance of interests in the Trusts to the holders of Claims in Classes C-2A, C-3A and C-6; (v) the rejection, assumption or assumption and assignment of all Executory Contracts and Unexpired Leases to which any Debtor is a party; and (vi) certain other restructuring transactions to effect the Plan.

By an order of the Bankruptcy Court dated [_____], ~~2003~~2004, this Disclosure Statement has been approved as containing "adequate information" for creditors and equity security holders of the Debtors in accordance with section 1125 of the Bankruptcy Code. The Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor'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 about the plan . . . ." 11 U.S.C. § 1125(a)(1).

THE DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND OTHER STAKEHOLDERS. ALL CREDITORS ENTITLED TO VOTE ARE URGED TO VOTE IN FAVOR OF THE PLAN BY NO LATER THAN 5:00 P.M., EASTERN TIME, ON THE VOTING DEADLINE.

The requirements for Confirmation, including the vote of creditors to accept the Plan and certain of the statutory findings that must be made by the Bankruptcy Court, are set forth in "Voting on and Confirmation of the Plan." Confirmation of the Plan and the occurrence of the Effective Date are subject to a number of significant conditions, which are summarized in "Overview of the Plan — Conditions to Confirmation and the Effective Date of the Plan." There is no assurance that these conditions will be satisfied or waived.

OVERVIEW OF THE PLAN

Introduction

The following is a brief overview of certain material provisions of the Plan. This overview is qualified in its entirety by reference to the provisions of the Plan, which is attached hereto as Exhibit I, and the exhibits thereto, as amended from time to time. The Debtors will File all exhibits to the Plan with the Bankruptcy Court and make them available for review on the Debtors' web site at www.ncfe.com on or before _____. The exhibits also will be available upon request from the Debtors' counsel. See "Additional Information." For a description of certain other significant terms and provisions of the Plan, see "General Information Concerning the Plan" and "Distributions Under the Plan."

General Information Concerning Treatment of Claims and Interests

The Plan provides that holders of Allowed Secured Claims in certain Classes will, at the option of the Debtors, (i) be paid in full in cash, (ii) have their indebtedness Reinstated, (iii) receive return of the applicable collateral or (iv) receive a secured promissory note. The Plan embodies a proposed compromise and settlement of all Claims against and Interests in the Debtors. ~~The Plan also approves~~, **including** the Intercompany Settlement ~~Agreement~~, which ~~embodies~~ **represents** a compromise and settlement of NPF VI Class A Noteholder Claims, NPF XII Class A Noteholder Claims and Intercompany Claims between NPF VI and NPF XII, **and the Noteholder Deficiency Claims Settlement, which represents a compromise and settlement of the Deficiency Claims of the Noteholders and Indenture Trustees and other Unsecured Claims against the Debtors and the Intercompany Claims among NPF VI, NPF XII and the NCFE Consolidated Debtors**. The Plan also provides that NPF VI Class A Noteholders will receive, on account of their Secured Claims arising from NPF VI Class A Notes, Pro Rata shares of (i) the NPF VI Initial Restricted SPV Funds Distribution, (ii) the NPF VI Percentage of the Remaining Restricted SPV Funds Distribution, (iii) the NPF VI Percentage of the interests in the VI/XII Collateral Trust and (iv) any amounts that become available for distribution to NPF VI Class A Noteholders from the Amedisys Escrow under the terms of the Amedisys Escrow Agreement. NPF XII Class A Noteholders will receive, on account of their Secured Claims arising from NPF XII Class A Notes, Pro Rata shares of (i) the NPF XII Initial Restricted SPV Funds Distribution, (ii) the NPF XII Percentage of the Remaining Restricted SPV Funds Distribution, (iii) the NPF XII Percentage of the interests in the VI/XII Collateral Trust and (iv) the interests in the CSFB Claims Trust. NPF VI Class B Noteholders and NPF XII Class B Noteholders will receive no distributions on account of their NPF VI Class B Notes and NPF XII Class B Notes, respectively. Under the Plan, a holder of a General Unsecured Claim, including ~~a deficiency claim held by a NPF VI Class A~~ **the** Noteholder ~~or a NPF XII Class A Noteholder~~ **Deficiency Claim**, will receive its Pro Rata share of interests in the ~~Litigation Trust and the~~ Unencumbered Assets Trust; ***provided*** **that the beneficial interest in the Unencumbered Assets Trust on account of the Noteholder Deficiency Claim shall be divided among the NPF VI Class A Noteholders and the NPF XII Class A Noteholders in proportion to the respective amounts of such Noteholders' Allowed Claims (including Secured Claims and Deficiency Claims) in respect of such NPF VI Class A Notes and NPF XII Class A Notes**. A holder of a Convenience Claim, defined generally to include Unsecured Trade Claims of $500,000 or less, will receive, at the holder's option, (i) cash equal to the lesser of (a) $0.50 for each $1.00 of the allowed amount of such Claim and (b) its Pro Rata share of $3,000,000 or (ii) treatment as a General Unsecured Claim. Intercompany Claims, other than Claims between NPF VI and NPF XII, which are being compromised and settled pursuant to the Plan, will receive no property under the Plan. Finally, the holders of Old Stock Interests in the Debtors will receive no distributions.

For purposes of computations of Claim amounts, administrative and other expenses and for similar computational purposes, the Effective Date is assumed to occur on February 29, 2004. There can be no assurance, however, if or when the Effective Date will actually occur. Procedures for the distribution of cash and interests in the Trusts pursuant to the Plan, including matters that are expected to affect the timing of the receipt of distributions by holders of Claims in certain Classes and that could affect the amount of distributions ultimately received by such holders, are described in "Distributions Under the Plan."

The determination of the relative distributions to be received under the Plan by the holders of Claims in certain Classes was based upon, among other factors, estimates of the amounts of Allowed Claims in such Classes and the relative priorities of such Allowed Claims. The estimates of the amounts of Allowed Claims in each Class are set forth in "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests.". The distributions to be received by creditors in certain Classes could differ from these estimates if the estimates, despite the Debtors' best efforts, prove to be inaccurate.

The "cramdown" provisions of section 1129(b) of the Bankruptcy Code permit confirmation of a chapter 11 plan of reorganization or liquidation in certain circumstances even if the plan is not accepted by all impaired classes of claims and interests. See "Voting on and Confirmation of the Plan — Acceptance or Cramdown." The Debtors have reserved the right to request Confirmation pursuant to the cramdown provisions of the Bankruptcy Code and to amend the Plan if any Class of Claims fails to accept the Plan. If such request were granted by the Bankruptcy Court, the dissenting Classes may, in certain cases, receive alternative treatment under the Plan. ~~For purposes of this Disclosure Statement, however, it has been assumed that the Debtors will not be required to seek Confirmation under the cramdown provisions of the Bankruptcy Code.~~ Although the Debtors believe that, if necessary, the Plan could

be confirmed under the cramdown provisions of the Bankruptcy Code, there is no assurance that the requirements of such provisions would be satisfied.

Summary of Classes and Treatment of Claims and Interests

The classification of Claims and Interests, the estimated aggregate amount of Claims in each Class and the amount and nature of distributions to holders of Claims or Interests in each Class are summarized in the table below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. For a discussion of certain additional matters related to Administrative Claims and Priority Tax Claims, see "Overview of the Plan — Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax Claims."

Because the Plan contemplates the deemed substantive consolidation of the NCFE Consolidated Debtors (See "General Information Concerning the Plan — Substantive Consolidation"), the information set forth in the table below with respect to each class of Claims is presented on a combined basis for all of the NCFE Consolidated Debtors to which this information is applicable under the terms of the proposed consolidation of the NCFE Consolidated Debtors. The Estimated Amount of Claims shown in the table below are based upon the Debtors' preliminary review of Claims Filed on or before October 31, 2003 and the Debtors' books and records and may be substantially revised following the completion of a detailed analysis of the Claims Filed. See "Operations During the Bankruptcy Cases — Commencement of Liquidation Cases and Related Case Administration Activities — Rejection of Executory Contracts and Unexpired Leases" and "— Claims Process and Bar Dates." Further, the amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly more or less than the estimated amount of such Claim.

Each amount designated in the table below as "Estimated Percentage Recovery" for each Class is the quotient of the estimated cash (including cash payments by the Debtors subsequent to the Petition Date) or the assumed value of the interests in the Trusts to be distributed to holders, if any, of Allowed Claims in such Class, divided by the estimated aggregate amount of Allowed Claims in such Class. In determining such amount, the Debtors have assumed that the Plan is consummated as described herein. See "Overview of the Plan – Conditions to Confirmation and the Effective Date of the Plan." See "Risk Factors" for a discussion of various other factors that could materially affect the amount of Cash and the value of the interests in the Trusts distributed pursuant to the Plan.

Although the Debtors' management believes that these valuation assumptions are reasonable, there is no assurance that actual distributions will have the value assumed herein. See "Risk Factors." The Debtors' valuation assumptions are not a prediction or reflection of post-Effective Date trading prices of the interests in the Trusts, if any trading market were to develop. The interests in the trusts may trade at substantially higher or lower prices because of a number of factors, including those discussed in "Risk Factors." The trading price of the trust interests is subject to many unforeseeable circumstances and therefore cannot be predicted. In addition, there may be substantial limitations on the holders of the trust interests to trade such interests, and no public market will exist or be created for such interests. This lack of liquidity may have a negative impact on the value of the interests in the Trusts, and no representation can be or is being made with respect to whether the percentage recoveries shown in the table below actually will be realized by a holder of an Allowed Claim.

Description and Amount Of Claims or Interests	Treatment
Class C-1 (Secured Bank Loan Claims): Bank Loan Claims against any Debtor that are Secured Claims. The aggregate amount of the Bank Loan Claims is estimated to be ~~$22~~ **19.3** million. The amount of Bank Loan Claims that are Secured Claims has not yet been determined by the Debtors.	Unimpaired. On the Effective Date, unless otherwise agreed by a holder of a Secured Bank Loan Claim and the Debtors or the Unencumbered Assets Trust, each holder of an Allowed Claim in Class C-1 will receive treatment on account of such Allowed Claim in the manner set forth in Option A, B, C or D below, at the election of the Debtors. The Debtors will be deemed to have elected Option B except with respect to any Allowed Claim in Class C-1 as to which the Debtors elects Option A, C or D in a certification Filed prior to the conclusion of the

Description and Amount Of Claims or Interests	Treatment
	Confirmation Hearing. Any amount paid to or on behalf of a holder of a Secured Claim as adequate protection shall be credited against the amount of such Secured Claim. ***Option A***: Allowed Claims in Class C-1 with respect to which the Debtors elect Option A will be paid in cash, in full, by the Debtors or the Unencumbered Asset Trust, unless the holder of such Claim agrees to less favorable treatment. ***Option B***: Allowed Claims in Class C-1 with respect to which the Debtors elect or are deemed to elect Option B will be Reinstated. ***Option C***: Allowed Claims in Class C-1 with respect to which the Debtors elect Option C will be entitled to receive, and the applicable Debtors shall release and transfer to such holder, the collateral securing such Allowed Claims. ***Option D***: Allowed Claims in Class C-1 with respect to which the Debtors elect Option D will receive a promissory note, secured by a first priority security interest in the applicable collateral, in the aggregate principal amount of such Allowed Class C-1 Claim, payable in annual installments over the term of the useful life of such collateral and bearing interest at a rate established pursuant to an order of the Bankruptcy Court or agreement of the parties. Estimated Percentage Recovery: ~~——~~100.0%
Class C-2A (NPF VI Class A Noteholder Secured Claims Against NPF VI): Secured Claims against NPF VI by the NPF VI Class A Noteholders arising from the NPF VI Class A Notes. Estimated Amount of Claims: [~~$908,643,120~~_____]	Impaired. On the Effective Date, each holder of an Allowed Claim in Class C-2A will receive its Pro Rata share of (a) the NPF VI Initial Restricted SPV Funds Distribution, (b) the NPF VI Percentage of the Remaining Restricted SPV Funds Distribution, (c) the NPF VI Percentage of the interests in the VI/XII Collateral Trust and (d) any amounts that become available for distribution to NPF VI Class A Noteholders from the Amedisys Escrow under the terms of the Amedisys Escrow Agreement. Estimated Percentage Recovery: ~~——~~100.0%
Class C-2B (NPF VI Class B Noteholder Claims Against NPF VI): Claims against NPF VI by the NPF VI Class B Noteholders arising from the NPF VI Class B Notes. Estimated Amount of Claims: [~~$19,000,000~~]	Impaired. No property will be distributed to or retained by the holders of Allowed Claims in Class C-2B on account of such Claims. Estimated Percentage Recovery: 0.0%
Class C-3A (NPF XII Class A Noteholder Secured Claims Against NPF XII): Claims against NPF XII by the NPF XII Class A Second Noteholders arising from	Impaired. On the Effective Date, each holder of an Allowed Claim in Class C-3A will receive its Pro Rata share of (a) the NPF XII Initial Restricted SPV Funds Distribution, (b) the NPF XII Percentage of the Remaining

Description and Amount Of Claims or Interests	Treatment
the NPF XII Class A Notes. Estimated Amount of Claims: **[~~$1,974,500,000~~]**	Restricted SPV Funds Distribution, (c) the NPF XII Percentage of the interests in the VI/XII Collateral Trust and (d) the interests in the CSFB Claims Trust. Estimated Percentage Recovery: **100.0%**
Class C-3B (NPF XII Class B Noteholder Claims Against NPF XII): Claims against NPF XII by the NPF XII Class B Noteholders arising from the NPF XII Class B Notes. Estimated Amount of Claims: **[~~$73,000,000~~]**	Impaired. No property will be distributed to or retained by the holders of Allowed Claims in Class C-3B on account of such Claims. Estimated Percentage Recovery: 0.0%
Class C-4 Claims (Other Secured Claims): Secured Claims against any Debtor that are not otherwise classified in Class C-1, C-2A, C-2B, C-3A or C-3B. Estimated Amount of Claims: **[$1,000,000]**	Unimpaired (except for Claims as to which the Debtors elect Option D treatment). On the Effective Date, unless otherwise agreed by a Claim holder and the Debtors or the Unencumbered Assets Trust, each holder of an Allowed Claim in Class C-4 will receive treatment on account of such Allowed Claim in the manner set forth in Option A, B, C or D below, at the election of the Debtors. The Debtors will be deemed to have elected Option B except with respect to any Allowed Claim in Class C-4 as to which the Debtors elect Option A, C or D in a certification Filed prior to the conclusion of the Confirmation Hearing. Any amount paid to or on behalf of a holder of a Secured Claim as adequate protection shall be credited against the amount of such Secured Claim. ***Option A***: Allowed Claims in Class C-4 with respect to which the Debtors elect Option A will be paid in cash, in full, by the Debtors, unless the holder of such Claim agrees to less favorable treatment. ***Option B***: Allowed Claims in Class C-4 with respect to which the Debtors elect or are deemed to have elected Option B will be Reinstated. ***Option C***: Allowed Claims in Class C-4 with respect to which the Debtors elect Option C will be entitled to receive, and the Debtors shall release and transfer to such holder, the collateral securing such Allowed Claims. ***Option D***: Allowed Claims in Class C-4 with respect to which the Debtors elect Option D will receive a promissory note, secured by a first priority security interest in the applicable collateral, in the aggregate principal amount of such Allowed Class C-4 Claim, payable in annual installments over the term of the useful life of such collateral and bearing interest at a rate established pursuant to an order of the Bankruptcy Court or agreement of the parties. Estimated Percentage Recovery: **100.0%**

Description and Amount Of Claims or Interests	Treatment
Class C-5 (Unsecured Priority Claims): Unsecured Claims against any Debtor that are entitled to priority under section 507(a)(3), 507(a)(4) or 507(a)(6) of the Bankruptcy Code. Estimated Amount of Claims: $_____	Unimpaired. On the Effective Date, each holder of an Allowed Claim in Class C-5 will receive cash equal to the amount of such Claim. Estimated Percentage Recovery: ~~100~~100.0%
Class C-6 (General Unsecured Claims): Unsecured Claims, including ~~deficiency claims of the NPF VI Class A Noteholders and the NPF XII Class A Noteholders~~Noteholder Deficiency Claim, against any Debtor that are not otherwise classified in Class C-5, C-7, C-8 or C-9. Estimated Amount of Claims: $_____	Impaired. On the Effective Date, each holder of an Allowed Claim in Class C-6 will receive its Pro Rata share of the interests in the ~~Litigation Trust and the~~ Unencumbered Assets Trust; ***provided*** **that the beneficial interest in the Unencumbered Assets Trust on account of the Noteholder Deficiency Claim shall be divided among the NPF VI Class A Noteholders and the NPF XII Class A Noteholders in proportion to the respective amounts of such Noteholders' Allowed Claims (including Secured Claims and Deficiency Claims) in respect of such NPF VI Class A Notes and NPF XII Class A Notes**. ~~Estimated Percentage Recovery: _____%~~**In light of the nature of the Assets that will be transferred to the Unencumbered Assets Trust, the percentage recovery for holders of Allowed Claims in Class C-6 is highly uncertain and therefore not subject to estimation.**
Class C-7 (Convenience Claims): Unsecured Trade Claims in an amount equal to or less than $500,000. Estimated Amount of Claims: $_____	Impaired. Upon the resolution of all Disputed Claims in Class C-6 and Class C-7, each holder of an Allowed Claim in Class C-7 will receive, at the holder's option pursuant to an election by the holder of such Claim on a ballot provided for voting on the Plan: (a) cash equal to the lesser of (i) $0.50 for each $1.00 of the allowed amount of such Claim and (ii) its Pro Rata share of $3,000,000; or (b) treatment as a Class C-6 Claim. Estimated Percentage Recovery: ___%
Class C-8 (Intercompany Claims): Intercompany Claims that are not Administrative Claims. Estimated Amount of Claims: N/A	Impaired. Except for Intercompany Claims between NPF VI and NPF XII, which are being compromised and settled pursuant to the ~~Plan and the~~ Intercompany Settlement Agreement, **as implemented by the Plan,** no property will be distributed to or retained by the holders of Allowed Claims in Class C-8 on account of such claims. Estimated Percentage Recovery: 0.0%
Class C-9 (Penalty Claims): Unsecured Claims against any Debtor for any fine, penalty or forfeiture, or for multiple, exemplary or punitive damages, to the extent that such Claims are not compensation for the Claim holder's actual pecuniary loss. Estimated Amount of Claims: $_____	Impaired. No property will be distributed to or retained by the holders of Allowed Claims in Class C-9 on account of such Claims. Estimated Percentage Recovery: 0.0%
Class E-1 (Old Stock Interests): Interests on account of the Old Stock of any of the Debtors.	Impaired. No property will be distributed to or retained by the holders of Allowed Interests in Class E-1, and such Interests will be terminated as of the Effective Date.

Description and Amount Of Claims or Interests	Treatment
	Estimated Percentage Recovery: 0.0%

The Trusts Created Pursuant to the Plan

Pursuant to the Plan, the holders of Allowed Claims in Classes C-2A and C-3A will receive, among other things, beneficial interests in the VI/XII Collateral Trust and, in the instance of Allowed Claims in Class C-3A, the CSFB Claims Trust. The holders of Allowed Claims in Class C-6 will receive beneficial interests in the ~~Litigation Trust and the~~ Unencumbered Assets Trust. Upon the Effective Date of the Plan, the Debtors will transfer all of their remaining Assets ~~to these trusts~~**, after certain distributions are made and certain obligations are satisfied in accordance with the Plan, to these Trusts**. The VI/XII Collateral Trust will liquidate the collateral of the Indenture Trustees ~~and pursue~~**, including** the causes of action ~~related to~~**that constitute part of** this collateral. The CSFB Claims Trust will pursue avoidance claims against CSFB for the CSFB Payments. The ~~Litigation Trust will pursue, with the exception of the causes of action conveyed to the other trusts, the Debtors' claims and causes of action against various third parties. The~~ Unencumbered Assets Trust will liquidate and monetize all remaining Assets of the Debtors not otherwise contributed to the CSFB Claims Trust~~, the Litigation Trust~~ or the VI/XII Collateral Trust. A detailed description of the Assets to be transferred to the Trusts and the and the governance of the trusts is set forth in the applicable trust agreements, forms of which ~~are attached~~**will be Filed and made available publicly** as Exhibits IV.B.1, IV.C.~~1, IV.D.~~1 and IV.~~ED~~.1 to the Plan. See "The Trusts Created Pursuant to the Plan."

Additional Information Regarding Assertion and Treatment of Administrative Claims and Priority Tax Claims

Administrative Claims

Unless otherwise agreed by the holder of an Administrative Claim and the applicable Debtor, each holder of an Allowed Administrative Claim will receive, in full satisfaction of its Administrative Claim, cash equal to the allowed amount of such Administrative Claim either: (a) on the Effective Date; (b) over time if the documents providing for the Allowed Administrative Claim provide for such payment; or (c) if the Administrative Claim is not allowed as of the Effective Date, 30 days after the date on which an order allowing such Administrative Claim becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by the applicable Debtor or Liquidation Trust and the holder of the Administrative Claim. Administrative Claims include Claims for costs and expenses of administration allowed under section 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (i) the actual and necessary costs and expenses incurred after the Petition Date of preserving the respective Estates and operating the businesses of the Debtors (such as wages, salaries and payments for leased equipment and premises); (ii) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under section 330(a) or 331 of the Bankruptcy Code, including Fee Claims; (iii) all fees and charges assessed against the Estates under chapter 123 of title 28, United States Code, 28 U.S.C. §§ 1911-1930; and (iv) all Intercompany Claims afforded priority pursuant to section 364(c)(1) of the Bankruptcy Code or the Cash Management Order.

In addition to the types of Administrative Claims described above, section 503(b) of the Bankruptcy Code provides for payment of compensation or reimbursement of expenses to creditors and other entities making a "substantial contribution" to a chapter 11 case and to attorneys and other professional advisors representing such entities. The Plan contains provisions allowing certain payments to MetLife and Lloyds in satisfaction of their claims for reimbursement of fees and expenses incurred by them ~~by~~**or their** professionals in these cases. See " Overview of the Plan — Special Provisions Regarding Fee and Expense Claims of MetLife and Lloyds." The amounts, if any, that other such entities will seek or may seek for compensation or reimbursement are not known by the Debtors at this time. Requests for such compensation or reimbursement must be approved by the Bankruptcy Court after notice and a hearing at which the Debtors, the ~~VI/XII Collateral Trust~~**applicable Trusts** and other parties in interest may participate and, if appropriate, object to the allowance of any such compensation or reimbursement. The Debtors estimate that Administrative Claims (including Fee Claims) will aggregate approximately **[**$_____] as of the Effective Date.

Except as otherwise provided below, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the Debtors or the applicable Trust, pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 60 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable bar date will be forever barred from asserting such Administrative Claims against the Debtors, or the Trusts or their respective property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the Debtors or the applicable Trusts and the requesting party by the later of (a) 120 days after the Effective Date or (b) 60 days after the Filing of the applicable request for payment of Administrative Claims.

Professionals or other entities asserting a Fee Claim for services rendered before the Effective Date must File and serve on the Debtors or the ~~VI/XII Collateral~~**applicable** Trust and such other entities as may be designated by the Bankruptcy Rules, the Confirmation Order, the Fee Order or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 60 days after the Effective Date; *provided, however,* that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court review or approval, pursuant to the Ordinary Course Professionals Order. Objections to any Fee Claim must be Filed and served on the Debtors or the ~~VI/XII Collateral~~**applicable** Trust and the requesting party no later than 30 days after the Filing of the applicable request for payment of the Fee Claim. To the extent necessary, the Confirmation Order will amend and supersede any previously entered order of the Bankruptcy Court, including the Fee Order, regarding the payment of Fee Claims.

Holders of Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business, including Administrative Trade Claims, Administrative Claims of governmental units for Taxes (including Tax audit Claims arising after the Petition Date) and Administrative Claims arising from or under those contracts and leases entered into or assumed after the Petition Date will not be required to File or serve any request for payment of such Administrative Claims.

Priority Tax Claims

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or ~~the VI/XII Collateral~~ Trust, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction of its Allowed Priority Tax Claim, payment in full in Cash either (i) on the Effective Date or (ii) in deferred Cash payments over a period not exceeding six years from the date of assessment of such Priority Tax Claim. Deferred payments will be made in equal annual installments of principal, plus simple interest, accruing from the Effective Date at a rate equal to the effective yield on the three-month treasury bill sold at the auction immediately preceding the Effective Date, on the unpaid portion of each Allowed Priority Tax Claim (or upon such other terms determined by the Bankruptcy Court to provide the holders of Priority Tax Claims with deferred cash payments having a value, as of the Effective Date, equal to the allowed amount of such Priority Tax Claims). Unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or ~~the VI/XII Collateral~~ Trust, the first payment on account of such Priority Tax Claim will be payable one year after the Effective Date or, if the Priority Tax Claim is not allowed within one year after the Effective Date, within 30 days after the date on which (i) an order allowing such Priority Tax Claim becomes a Final Order or (ii) a Stipulation of Amount and Nature of Claim is executed by the applicable Debtor or the ~~VI/XII Collateral~~ Trust and the holder of the Priority Tax Claim; *provided, however,* that the Debtors or the ~~VI/XII Collateral~~**applicable** Trust will have the right to pay any Allowed Priority Tax Claim, or any remaining balance of such Priority Tax Claim, in full at any time on or after the Effective Date, without premium or penalty. The Debtors estimate that Priority Tax Claims will aggregate approximately [$_____] as of the Effective Date.

Notwithstanding the foregoing, the holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim. Any such Claim or demand for any such penalty will be subject to treatment in Class C-9, and the holder of an Allowed Priority Tax Claim may not assess or attempt to collect such penalty from the Debtors, the Trusts or their respective property.

Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims

The classification and treatment of Allowed Claims under the Plan takes into consideration all Allowed Secondary Liability Claims. On the Effective Date, Allowed Secondary Liability Claims will be treated as follows: (a) the Allowed Secondary Liability Claims arising from or related to any Debtor's joint or several liability for the obligations under any (i) Allowed Claim that is being Reinstated under the Plan or (ii) Executory Contract or Unexpired Lease that is being assumed or deemed assumed by another Debtor or under any Executory Contract or Unexpired Lease that is being assumed by and assigned to another Debtor or any other entity will be Reinstated; ~~and~~ (b) except as provided in Section III.D.1 of the Plan or as otherwise specifically provided in the Plan, holders of Allowed Secondary Liability Claims will be entitled to only one distribution in respect of the underlying Allowed Claim~~. No~~, and no multiple recovery on account of any Allowed Secondary Liability Claim will be provided or permitted; and (c) the treatment under the Plan of Claims in respect of the Notes, including the Noteholder Deficiency Claim, takes into account and satisfies any Secondary Liability Claims on account of such Notes.

Special Provisions Regarding Fee and Expense Claims of MetLife and Lloyds

In full satisfaction of the Claims of MetLife and Lloyds for the reasonable fees and expenses incurred by such entities ~~in connection with the Bankruptcy Cases~~, including reasonable attorneys' fees, MetLife and Lloyds shall receive from the Debtors or the VI/XII Collateral Trust on the Effective Date cash ~~equal to the amount of such Claims. Notwithstanding any other provision of the Plan, any payments in respect of amounts estimated to be incurred prior to the Effective Date will not exceed the lesser of the estimate provided to the Debtors or the actual amount incurred as reflected in appropriate supporting documentation submitted to the VI/XII Collateral Trust within 30 days following the Effective Date~~in an amount equal to [$].

~~No later than January 15, 2004, MetLife and Lloyds shall submit to the Debtors, the Creditors' Committee and each of the Subcommittees appropriate documentation in support of their Claims for fees and expenses theretofore incurred or estimated to be incurred through the Effective Date. The amount of these fees and expenses will be reported to the Bankruptcy Court at the Confirmation Hearing. Any objection to the Claims for fees and expenses must be Filed and served on MetLife and Lloyds no later than five Business Days prior to the Confirmation Hearing. In the event that such an objection is Filed and served, the disputed portion of the fees and expenses will be subject to review for reasonableness by the Bankruptcy Court.~~

Conditions to Confirmation and the Effective Date of the Plan

There are several conditions precedent to Confirmation and to the Effective Date. Subject to applicable legal requirements, the Debtors may, with the consent of the members (with each member being entitled to vote) of the Creditors' Committee, the NPF VI Subcommittee and the NPF XII Subcommittee, waive any of these conditions upon the terms and subject to the conditions set forth in Section IX.C of the Plan.

Conditions to Confirmation

The Bankruptcy Court will not enter the Confirmation Order unless and until each of the following conditions have been satisfied or duly waived by the Debtors pursuant to Section IX.C of the Plan:

(a) the Confirmation Order shall be reasonably acceptable in form and substance to the Debtors; and

(b) all Exhibits to the Plan shall be in form and substance reasonably satisfactory to the Debtors.

In addition to the foregoing conditions to Confirmation, there are a number of substantial confirmation requirements under the Bankruptcy Code that must be satisfied before the Plan can be confirmed. See "Voting On and Confirmation of the Plan — Confirmation."

Conditions to Effective Date

The Effective Date is defined in the Plan as the day, as determined by the Debtors, that is the Business Day as soon as reasonably practicable after all conditions to the Effective Date listed in Section IX.B of the Plan have

been met or waived pursuant to Section IX.C of the Plan. The Plan provides that the following conditions must be satisfied or duly waived before the Plan will be consummated and the Effective Date will occur:

(a) the Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) approving and authorizing the Debtors and the Trusts to take all actions necessary or appropriate to implement the Plan, including **implementation of the Intercompany Settlement Agreement and** completion of the Restructuring Transactions and other transactions contemplated by the Plan and the implementation and consummation of contracts, instruments, releases and other agreements or documents created in connection with the Plan;

(b) the Confirmation Order shall be a Final Order;

(c) the CSFB Claims Trust Agreement shall have been fully executed **and delivered**;

~~(d) the Litigation Trust Agreement shall have been fully executed;~~

(d) ~~(e)~~ the VI/XII Collateral Trust Agreement shall have been fully executed **and delivered**;

(e) ~~(f)~~ the Unencumbered Assets Trust Agreement shall have been fully executed **and delivered; and**

~~(g) ING shall~~

(f) all transactions contemplated by the Intercompany Settlement Agreement and the Plan, all of which shall occur substantially contemporaneously, shall have ~~made the ING Payment; and~~

~~(h) NPF VI shall have made the NPF VI Cash Transfer and the NPF VI Additional Cash Transfer to an account for the benefit of the NPF XII Class A Noteholders~~ **been completed.**

Waiver of Conditions to Confirmation and Effective Date

The conditions to Confirmation and the Effective Date of the Plan may be waived, in whole or part, by the Debtors **with the consent of the members (with each member being entitled to vote) of the Creditors' Committee, the NPF VI Subcommittee and the NPF XII Subcommittee** at any time without an order of the Bankruptcy Court.

Effect of Nonoccurrence of Conditions to Effective Date

If each of the conditions to the Effective Date is not satisfied or duly waived in accordance with Section IX.C of the Plan, then upon motion by the Debtors made before the time that each of such conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; *provided, however*, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated, the Plan will be null and void in all respects and nothing contained in the Plan will: (a) constitute a waiver or release of any claims by or against, or any Interest in, the Debtors; (b) prejudice in any manner the rights of the Debtors or any other party in interest; or (c) constitute an admission, acknowledgment, offer or undertaking by any of the Debtors in any respect.

Substantive Consolidation

The Plan provides that, pursuant to the Confirmation Order, the Bankruptcy Court shall approve the deemed substantive consolidation of the NCFE Consolidated Debtors. Pursuant to this substantive consolidation: (a) all assets and liabilities of the NCFE Consolidated Debtors will be deemed merged; (b) all guarantees by one NCFE Consolidated Debtor of the obligations of any other NCFE Consolidated Debtor will be deemed eliminated so that any Claim against any NCFE Consolidated Debtor and any guarantee thereof executed by any other NCFE Consolidated Debtor and any joint or several liability of any of the NCFE Consolidated Debtors will be deemed to be one obligation of the consolidated NCFE Consolidated Debtors; and (c) each and every Claim Filed or deemed Filed

by or on behalf of a single creditor in a single Class of Claims against any of the NCFE Consolidated Debtors will be deemed a single Claim Filed against the NCFE Consolidated Debtors. Such substantive consolidation (other than for the purpose of implementing the Plan) will not affect the legal and corporate structures of the NCFE Consolidated Debtors, subject to the right of the NCFE Consolidated Debtors to effect the Restructuring Transactions as provided in Section IV.A of the Plan. See "General Information Concerning the Plan — Substantive Consolidation."

Modification or Revocation of the Plan

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code, the Debtors reserve the right to alter, amend or modify the Plan before its substantial consummation. The Debtors also reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if Confirmation as to any or all of the Debtors does not occur, then, with respect to such Debtors, the Plan will be null and void in all respects, and nothing contained in the Plan will: (a) constitute a waiver or release of any claims by or against, or any Interests in, such Debtors; (b) prejudice in any manner the rights of any Debtors or any other party; or (c) constitute an admission, acknowledgment, offer or undertaking by any of the Debtors in any respect.

CERTAIN EVENTS PRECEDING THE DEBTORS' CHAPTER 11 FILINGS

Prepetition Business Operations

Since its founding in 1991, NCFE, together with the NCFE Subsidiary Debtors and their predecessor entities, provided a variety of financing and other services to healthcare providers. The Debtors were one of the country's largest providers of healthcare accounts receivable financing, and offered to healthcare providers administrative support services, operational management consulting services and other financing alternatives. Prior to the Petition Date, the Debtors were headquartered and conducted most of their operations in Dublin, Ohio.

The Debtors' primary line of business prior to the Petition Date was healthcare accounts receivable financing. In aggregate, the Debtors financed and serviced more than $15 billion in healthcare accounts receivable. The Debtors provided financing services by buying at a discount accounts receivable that were owed to healthcare providers under third party insurance programs. The third party insurers included government-funded programs such as Medicare and Medicaid, Blue Cross and Blue Shield plans, commercial insurers and managed healthcare organizations. The funds used to purchase the receivables were raised through a series of private placement sales to institutional investors of notes issued by NPF VI, NPF XII and other securitization vehicles.

The Debtors also provided other forms of financing to healthcare providers, including promissory notes and equipment leasing arrangements. The promissory notes were secured by, among other things, liens on personal property, mortgages on real property, personal guaranties by the owners of healthcare providers and stock pledges. Equipment leasing arrangements were often sale-leaseback transactions with healthcare providers, in which the Debtors would purchase substantially all of the personal property of a healthcare provider and then lease it back to the provider.

Two of the NCFE Subsidiary Debtors, Allied Medical, Inc. ("Allied") and Anesthesia Solutions, Inc. ("ASI"), provided non-financing services to healthcare providers. Allied was a durable medical products retailer located in Memphis, Tennessee, and ASI provided anesthesia outsourcing to healthcare providers. ASI also was a provider client of NPF XII under the NPF XII accounts receivable financing program.

Prepetition Capital Structure

Equity Interests

NCFE currently has outstanding one series of common stock and two series of preferred stock. The common stock is all held, either directly or indirectly, by Lance Poulsen, Barbara Poulsen, Rebecca Parrett and Donald Ayers, the founders of NCFE. The Beacon Group III and Task Holdings, Ltd., which are both affiliates of JP Morgan Chase Bank, hold all of the outstanding shares of Series A preferred stock. The Series B preferred stock is held by

Pharos Capital Partners, L.P. and Lance and Barbara Poulsen. The stock or membership interests in each of the other Debtors is held directly or indirectly by NCFE.

Debt

The Debtors had debt obligations in excess of $3.5 billion outstanding as of the Petition Date. The most significant component of these debt obligations were the ~~notes~~**Notes** issued by NPF VI and NPF XII. Pursuant to the NPF VI Indenture, NPF VI issued seven series of Floating Rate Health Care Receivables Backed Notes between June 1998 and February 2002. As of the Petition Date, $884,510,360 in aggregate principal amount of these notes were outstanding. Approximately $19,000,000 of these notes were contractually subordinated NPF VI Class B Notes. Pursuant to the NPF XII Indenture, NPF XII issued 12 series of Floating Rate Health Care Receivables Backed Notes between March 1999 and May 2002. As of the Petition Date, $2,047,500,000 in aggregate principal amount of these notes were outstanding. Approximately $73,000,000 of these notes were contractually subordinated NPF XII Class B Notes. The Debtors also had approximately $19.3 million in outstanding obligations under their prepetition secured bank facility, which is documented by the Second Amended and Restated Loan and Security Agreement, dated as of May 31, 2002, by and among The Provident Bank ("Provident"), as agent bank, and Debtors NCFE, NPF Capital, Inc. ("NPF Capital"), NPF-SPL, Inc. and NPF-LL, Inc. The Debtors also owed certain lesser amounts to Provident and The Huntington Bank with respect to letters of credit issued by these banks on behalf or at the request of the Debtors. **The Creditors' Committee has advised the Debtors that some or all of Provident's liens may not have been properly perfected, and that it is still in the process of reviewing the validity of Provident's liens.**

Lack of Reliable Historical Financial Information

The Debtors have utilized several auditors to review and audit their financial statements since their inception in 1991. In the years immediately prior to the Petition Date, the Debtors, other than Allied, utilized Deloitte & Touche LLP ("Deloitte & Touche") as their auditors. The most recent audited financial statements available for the Debtors are for fiscal year 2000. Although the Debtors created financial statements for fiscal year 2001, Deloitte & Touche never issued an audit letter regarding those statements. As described below, several governmental agencies are investigating the Debtors' prepetition business and financial reporting activities, and numerous lawsuits have been filed alleging, in part, that the financial statements issued by the Debtors were materially erroneous and fraudulent. In addition and as described in greater detail below, Sherry L. Gibson, who has held several executive positions with the Debtors, ~~has~~**and Brian Stucke, who formerly served as the Debtors' chief compliance officer, have each** pled guilty to ~~a charge~~**charges** of conspiracy to commit securities fraud. In ~~that plea~~**their respective pleas**, Ms. Gibson **and Mr. Stucke** acknowledged that ~~she~~**they** prepared or directed others to prepare investor reports with false financial information. Based on these and other factors, the Debtors do not believe that their historical financial statements accurately reflect the Debtors' true financial condition for the applicable time periods. The Debtors are in the process of restating certain of their financial statements and will make those statements available when they are complete.

Events Preceding the Debtors' Chapter 11 Filings

Liquidity Crisis and Cessation of Accounts Receivable Purchases

As described above, the Debtors were engaged primarily in the business of funding healthcare providers through the purchase of accounts receivable. The Debtors financed the purchase of eligible receivables through private placement sales of notes to institutional investors. The indentures governing theses notes required an annual audit of the Debtors' financial statements. In 2002, the Debtors' ~~ability to obtain further financing through the private placement of notes deteriorated as a result of a delay by their~~ auditor, Deloitte & Touche, ~~in completing~~**delayed** the **completion of its** audit of the Debtors' 2001 financial statements, **presumably as a consequence of gross irregularities in the Debtors' financial statements. As a result of this delay,** as well as indications from rating agencies that the ratings of the Debtor's notes would be downgraded, **the Debtors were no longer able to obtain further financing through the private placement of notes**. In addition, in October 2002, the Indenture Trustee for the NPF XII Indenture declared a default based on **its discovery that the cash reserves that** the Debtors' ~~failure~~ **were required** to ~~meet the minimum reserve requirements~~**maintain** under the indenture **were underfunded by hundreds of millions of dollars**. Without the ability to raise funds through the sale of additional notes, the Debtors

were faced with a severe liquidity crisis. In late October 2002, the Debtors ceased the purchase of any additional accounts receivable from healthcare providers.

Prepetition Litigation

Once the Debtors stopped purchasing accounts receivable from their provider clients, a number of providers began unilaterally diverting to themselves the collections from accounts receivable that had been previously purchased by the Debtors. As a result, the Debtors commenced an action in the Court of Common Pleas, Franklin County, Ohio captioned *NPF XII, Inc., et al. v. PhyAmerica Physician Group, Inc., et al.*, Case No. 02CVH11-12222. The complaint sought a temporary restraining order and a preliminary and permanent injunction enjoining all defendant providers from diverting the proceeds of accounts receivables purchased by the Debtors. The Common Pleas Court issued the requested temporary restraining order. Nevertheless, certain medical providers continued to divert proceeds from the Debtors in violation of the restraining order. As a result, the Debtors initiated contempt proceedings and sought additional remedies, including disgorgement of proceeds and sanctions. In connection with this proceeding, Bank One, N.A. ("Bank One"), as indenture trustee for the NPF XII Indenture, filed cross-claims and third party claims against the providers also seeking to enjoin the diversion of proceeds. Bank One also filed a motion for the appointment of a receiver for NPF VI and NPF XII, but withdrew its motion upon the resignation of Lance Poulsen as an officer and director of the Debtors, as described below.

In addition, provider Med Diversified, Inc. ("Med Diversified") commenced an action in the United States District Court for the Southern District of Ohio captioned *Med Diversified, Inc. v. NCFE, et. al.*, Case No. C2-02-1085. Med Diversified sought a temporary restraining order to allow it to instruct payors to remit payment to Med Diversified rather than to the Debtors on the accounts receivable that it had sold to the Debtors. The Debtors opposed the restraining order, arguing that they had purchased the receivables at issue, and that they had a security interest in future-generated receivables. On November 14, 2002, after a two-day hearing, the court denied Med Diversified's request, and in its written opinion of November 26, 2002, confirmed that the Debtors had a significant probability of success on the merits of their claim.

Resignation of Certain NCFE Directors

In the months prior to the Petition Date, the board of directors of NCFE consisted of the following 6 individuals: Donald Ayers, Thomas Mendell, Rebecca Parrett, Harold Pote, Barbara Poulsen and Lance Poulsen. On November 8, 2002, in order to resolve the pending state court action brought by Bank One to appoint a receiver, as described above, Mr. Poulsen resigned from the board and all of the other director and officer positions that he then held with the Debtors. In addition, prior to the Petition Date, Mr. Ayers, Ms. Parrett and Ms. Poulsen each resigned from the board.

Retention of Alvarez & Marsal

On November 8, 2002, contemporaneously with the resignation of Lance Poulsen from the NCFE board, the board adopted resolutions to retain the professional crisis management firm of Alvarez & Marsal, Inc. ("Alvarez & Marsal"). These resolutions gave Alvarez & Marsal authority to manage the Debtors' operations and debt restructuring efforts. Pursuant to an order of the Bankruptcy Court (described below), Alvarez & Marsal has continued to act on behalf of the Debtors during the Bankruptcy Cases. In addition, David Coles of Alvarez & Marsal was appointed to the NCFE board of directors and as an executive officer of each of the Debtors effective as of the Petition Date. Mr. Coles continues to serve as an officer and director of certain of the Debtors, although he no longer serves on the board of directors of NCFE.

FBI Seizure of Documents

On November 16, 2002, two days prior to the Petition Date, the Federal Bureau of Investigation (the "FBI") executed upon a search warrant at the Debtors' headquarters in Dublin, Ohio and removed, among other things, substantially all of the Debtors' business records and documentation. These documents were removed to a warehouse, where the Debtors have been given limited access to copy certain documents necessary for the Debtors'

business operations and to otherwise liquidate the Debtors' remaining assets. The Debtors have cooperated fully with the FBI's investigation into their businesses and related activities.

OPERATIONS DURING THE BANKRUPTCY CASES

Commencement of Liquidation Cases and Related Case Administration Activities

Commencement of Liquidation Cases and First Day Relief

On the Petition Date, the Debtors filed a number of motions and other pleadings (the "First Day Motions"), the most significant of which are described below. The First Day Motions were proposed to ensure an orderly transition into chapter 11.

The First Day Motions included:

- motions relating to case administration and the use of Logan & Company, Inc. to assist in the preparation of schedules and related activities;
- a motion relating to payment of prepetition wages and other benefits to the Debtors' employees;
- a motion relating to payment of prepetition trust fund taxes;
- a motion to establish procedures for determining adequate assurance for the provision of utility services;
- a motion relating to the continued use of the Debtors' existing cash management system, bank accounts, business forms and investment and deposit guidelines;
- applications relating to the Debtors' retention of counsel;
- a motion relating to the interim compensation and reimbursement of expenses of professionals;
- a motion to continue to employ Alvarez & Marsal as crisis managers; and
- a motion relating to the retention and payment of ordinary course professionals.

The First Day Motions, with certain adjustments to the requested relief to accommodate the concerns of the Bankruptcy Court and the United States Trustee (the "U.S. Trustee"), ultimately were granted.

On the Petition Date, the Debtors also filed an adversary proceeding seeking a temporary restraining order and injunctive relief to enjoin certain of the Debtors' healthcare provider customers from diverting and seizing the proceeds of accounts receivable purchased by the Debtors. See "Certain Events Preceding the Debtors' Chapter 11 Filings — Events Preceding the Debtors' Chapter 11 Filings — Prepetition Litigation."

Appointment of the Creditors' Committee

On December 11, 2002, the U.S. Trustee appointed the Creditors' Committee. On December 27, 2002, certain noteholder members of the Creditors' Committee filed a motion seeking the appointment of either separate committees or subcommittees of the Creditors' Committee for the respective noteholders of NPF VI and NPF XII. On January 8, 2003, the Bankruptcy Court entered an order directing the U.S. Trustee to appoint the NPF VI Subcommittee and the NPF XII Subcommittee (collectively, the "Subcommittees"). Two of the original members of the Creditors' Committee have resigned. The current membership of the Creditors' Committee, the NPF VI Subcommittee and the NPF XII Subcommittee, and their counsel and financial advisors, are as follows:

Creditors' Committee Members:

Ambac Investments, Inc.
One State Street Plaza
New York, New York 10004

Biomar Technologies
221 East Walnut Street, #243
Pasadena, California 91101

Expert Technical Consultants, Inc.
5115 Parkcenter Avenue, Suite 275
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III Finance Ltd.
c/o III Offshore Advisors
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Ofivalmo Gestion
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Pacific Investment Management Co. LLC
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Solutions for Management, Inc.
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Leon Friedberg, Esq.
H. Ritchey Hollenbaugh, Esq.
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Financial Advisors to the Creditors' Committee:

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NPF VI Subcommittee Members:

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West Palm Beach, Florida 33401

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Newport Beach, California 92660

Counsel to the NPF XII Subcommittee:

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Fred Neufeld, Esq.
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Los Angeles, California 90017

Kenneth R. Cookson, Esq.
DINSMORE & SHOHL LLP
175 South Third Street, 10th Floor
Columbus, Ohio 43215

Rejection of Executory Contracts and Unexpired Leases

During the course of the Bankruptcy Cases, the Debtors have filed several motions to reject executory contracts and unexpired leases. On December 30, 2002, the Debtors filed a motion to reject four unexpired leases (the "Rejected Leases") of certain real property that the Debtors had ceased to use in their operations. The Rejected Leases consisted of the Debtors' leases of: (a) Suite 190, East Greenway Parkway in Scottsdale, Arizona; (b) 3104 Croasdaile Drive, Building 409 in Durham, North Carolina; (c) Hangar #4 at Don Scott Airport in Columbus, Ohio; and (d) 655 Metro Place North, Suite 380 in Dublin, Ohio. On January 31, 2003, the Bankruptcy Court entered an order approving the rejection of the Rejected Leases.

The Debtors also have filed several motions to reject agreements and alleged agreements with their founders. On January 9, 2003, the Debtors filed a motion to reject employment agreements with Lance Poulsen, Rebecca Parrett and Donald Ayers and consulting agreements with Rebecca Parrett and Donald Ayers. Although Lance Poulsen, Rebecca Parrett and Donald Ayers had all resigned from their respective officer and director positions with the Debtors on or prior to the Petition Date, the Debtors filed the motion to ensure that no administrative expense was incurred under these agreements. On January 9, 2003, the Debtors filed a motion to reject agreements providing for observation rights and insurance coverage for Barbara Poulsen, Donald Ayers and Rebecca Parrett. On February 5, 2003, the Bankruptcy Court entered separate orders approving the rejection of these employment and consulting agreements and the observation rights agreements. During the hearing on the motion to reject his employment agreement, Lance Poulsen alleged that the Debtors had entered into a consulting agreement with him at the NCFE board meeting on November 8, 2002, which assertion was disputed by other parties present at the board meeting. Out of an abundance of caution to prevent the accrual of any possible administrative expense claim, the Debtors filed a motion on March 7, 2003 to reject Mr. Poulsen's alleged consulting agreement. On April 3, 2003, the Bankruptcy Court entered an order authorizing the Debtors to reject, to the extent that it existed, the alleged consulting agreement.

Key Employee Severance and Retention Program

To stabilize employee relations and to ensure that the necessary employees were retained during the Debtors' orderly liquidation, the Debtors developed a key employee severance and retention program (the "KERP Program"). The KERP Program is designed, among other things, to ensure that the employees most critical to the Debtors' liquidation efforts are provided with sufficient economic incentives and protections to stay with the Debtors and provide their services through the period of the Debtors' wind-down. On December 11, 2002, the Debtors filed a motion to approve the KERP Program. The Bankruptcy Court granted this motion on December 19, 2002.

Under the KERP Program, the Debtors have provided a package of benefits for employees, including: (a) salary enhancements for certain employees ranging from 10% to 25% that were retroactive to the Petition Date; (b) quarterly retention incentives ranging from 10% to 25% of annual salaries for employees who were employed on February 17, 2003 and the end of each succeeding quarter; (c) a salary guaranty for certain employees if they did not leave voluntarily for the first 60 or 90 days following the Petition Date and were not terminated for cause; (d) severance benefits ranging from one to six weeks for all employees; and (e) reimbursement of legal fees up to $2,500 or $5,000 (depending on the particular employee's tier) for certain employees with respect to the pending

governmental investigations of the Debtors. The aggregate cost to the Debtors of the benefits provided under the KERP Program through ~~October 24~~ **November 18,** 2003 was ~~$1,878,035~~ **2,153,612.** The KERP Program has proven effective in allowing the Debtors to retain critical employees during a period in which they were rapidly decreasing their workforce and would have found it nearly impossible to hire replacements for these employees.

Claims Process and Bar Dates

On January 10, 2003, the Debtors, other than Allied, filed their Schedules, identifying the assets and liabilities of their respective Estates as of the Petition Date. Allied filed its Schedules on March 3, 2003. In an order dated December 26, 2002, the Bankruptcy Court established April 22, 2003 as the general Bar Date for all Claims. On April 22, 2003, the Bankruptcy Court entered an order establishing August 22, 2003 as the Bar Date for the filing of Intercompany Claims between the Debtors, which Bar Date was subsequently extended to December 31, 2003. On June 5, 2003, the Bankruptcy Court entered an order establishing procedures for notifying parties affected by amendments to the Schedules of such amendments and establishing 60 days after the service of such notice as the bar date for the filing of claims affected by the applicable amendments. On July 31, 2003, ASI filed certain amendments to its Schedules.

Shareholder Meeting and Replacement of Board of Directors

On or about March 21, 2003, Lance Poulsen sent a letter to David Coles of Alvarez & Marsal, in Mr. Coles' capacity as President of NCFE, inquiring whether NCFE intended to hold its annual shareholders meeting on April 7, 2003, as purportedly required under NCFE's code of regulations. Mr. Poulsen's letter further stated that, if the annual shareholders meeting was not scheduled for April 7, 2003, then Mr. Poulsen demanded a special meeting of the NCFE shareholders on that same date for the purpose of electing directors of NCFE.

On April 1, 2003, at the request of their major creditor constituencies, the Debtors filed a motion seeking to grant Alvarez & Marsal the exclusive rights and powers of the debtor in possession in these Bankruptcy Cases. On April 22, 2003, after extensive briefing by numerous parties in interest, the Bankruptcy Court entered an order denying the Debtors' motion.

On May 16, 2003, the shareholders of NCFE held a shareholders meeting and elected the following six individuals to the board of directors of NCFE: Donald Ayers, Raymond Brooks, Thomas Mendell, Harold Pote, Barbara Poulsen and Lance Poulsen. Mr. Mendell and Mr. Pote resigned their board positions effective as of May 30, 2003, and Mr. Brooks resigned on or about July 2, 2003. Accordingly, the NCFE board of directors currently consists of Mr. and Mrs. Poulsen and Mr. Ayers.

Litigation Regarding Director and Officer Insurance Coverage

On March 27, 2003, Gulf Insurance Company ("Gulf") filed a motion for relief from the automatic stay to pay certain asserted claims of current or former directors and officers of the Debtors under a directors and officers liability and private company indemnification insurance policy issued by Gulf to the Debtors (the "Gulf Policy"), subject to a $5 million limit of liability for all claims in the aggregate under the policy. The Debtors objected to Gulf's motion on the ground that the Debtors were direct beneficiaries under the Gulf Policy, and thus it constituted property of the Debtors' Estates. In addition, several other parties filed responsive pleadings to the motion.

On June 6, 2003, the Debtors filed an adversary proceeding seeking (i) injunctive relief to prevent Gulf from distributing any of the proceeds of the Gulf Policy prior to the determination by the Bankruptcy Court of the appropriate process and amounts for any such distributions and (ii) declaratory relief establishing fair and equitable procedures by which the proportional share of the Gulf Policy proceeds to the applicable claimants can be determined. The Debtors also have sought similar relief in the adversary proceeding with respect to an additional $5 million excess policy issued to the Debtors (the "Great American Policy") by Great American Insurance Company ("Great American").

The Bankruptcy Court has delayed ruling on Gulf's lift stay motion pending the outcome of the Debtors' adversary proceeding. On September 17, 2003, the Debtors filed a second amended complaint adding a request that the Gulf Policy and the Great American Policy are not void with respect to the Debtors. On October 6, 2003, Great

American simultaneously filed a motion in the United States District Court for the Southern District of Ohio to withdraw the reference and a motion to stay the adversary proceeding pending a decision on that motion. The Bankruptcy Court denied the motion to stay, and discovery is proceeding in the adversary proceeding. The motion to withdraw the reference is pending.

Retention of Professionals for Estate Administration and Related Matters

The Debtors have retained a number of professionals to assist in the administration of these Bankruptcy Cases and related matters. On December 19, 2002, the Bankruptcy Court entered an order authorizing the Debtors to retain Jones Day as counsel. In addition, on December 30, 2002, the Bankruptcy Court entered an order approving the retention of Bricker & Eckler LLP as special litigation counsel for the Debtors with respect to matters in which Jones Day has a conflict of interest and certain other litigation in which Bricker & Eckler LLP previously represented the Debtors. On January 2, 2003, the Bankruptcy Court entered an order authorizing the Debtors to employ Williams & Prochaska, P.C. ("Williams & Prochaska") as special litigation counsel to represent the Debtors in the Medshares bankruptcy cases pending in the United States Bankruptcy Court for the Western District of Tennessee. Williams & Prochaska had represented the Debtors in these cases for several years prior to the Petition Date.

Pursuant to an order dated January 21, 2003, the Debtors were authorized to retain American Express Tax and Business Services ("TBS") to provide certain accounts receivable servicing and other consulting services. On October 21, 2003, the Debtors filed an application to amend the engagement of TBS to expand it to include the provision of certain litigation consulting services to the Debtors. That application has been approved. On February 5, 2003, the Bankruptcy Court authorized the Debtors to retain Ruscilli Real Estate Services ("Ruscilli") as real estate brokers to assist in the sale of their headquarters office complex in Dublin, Ohio. The Debtors also retained Grant Thornton LLP ("Grant Thornton"), pursuant to a Bankruptcy Court order dated March 6, 2003, to assist the Debtors in filing their federal and state tax returns and the pursuit of refunds for prior tax years. In addition, on July 25, 2003, the Debtors obtained authority to retain The Long & Foster Companies as real estate brokers to assist in the sale of certain residential properties in Washington, D.C.

Retention of Gibbs & Bruns LLP

Soon after the Petition Date, the Debtors commenced preparations to investigate the events leading to the collapse of the Debtors' businesses and to retain counsel to pursue claims against third parties relating to the substantial losses incurred by the Debtors. After discussions with the Creditors' Committee and the Subcommittees, the Debtors reached an agreement to retain, on a contingent fee basis, Gibbs & Bruns LLP ("Gibbs & Bruns") to prosecute certain causes of action held by the Debtors' Estates. Gibbs & Bruns also has been retained by certain of the noteholders of NPF VI and NPF XII to file and prosecute claims held by the noteholders relating to the losses they suffered as a result of the Debtors' demise. Because of the efficiencies of this dual representation, Gibbs & Bruns agreed to a favorable contingent fee structure with the Debtors.

On May 9, 2003, the Debtors filed an application for approval of the retention of Gibbs & Bruns and the agreed contingent fee structure. The U.S. Trustee, Bank One and Rebecca Parrett all filed objections to the Debtors' proposed retention of Gibbs & Bruns, in light of the dual representation issues. On August 1, 2003, the Bankruptcy Court overruled those objections and entered an order approving the Debtors' retention of Gibbs & Bruns.

Pursuant to the Debtors' engagement letter with Gibbs & Bruns, Gibbs & Bruns has been retained to pursue any claims against third parties that are attributable to the Debtors' Estates, including, without limitation: (a) transfer avoidance causes of action under chapter 5 of the Bankruptcy Code; and (b) causes of action based on breach of duty, fraud or similar theories against: (i) indenture trustees, placement agents, structuring agents, ratings agencies, law firms, accounting firms and their respective affiliates; (ii) Lance Poulsen, Barbara Poulsen, Don Ayers, Rebecca Parrett and entities utilized to hold their respective assets; and (iii) certain other officers and members of the boards of directors of the Debtors (collectively, the "Potential Litigation Claims"), except for the following excluded claims:

(i) Claims on behalf of one or more of the Debtors against one or more other Debtors.

(ii) Claims by one or more of the Debtors against Providers, including those Providers that have filed for bankruptcy and those that have not, that arise out of or relate to accounts receivable financing, lease or promissory note arrangements between the Debtors and such Provider.

(iii) Claims held by certain Providers or their bankruptcy estates, as applicable, against the Providers' respective directors, officers and agents.

(iv) Preference or other Bankruptcy Code avoidance action claims against ~~Credit Suisse First Boston Corporation~~CSFB and ~~its affiliates (collectively, "CSFB") and~~ ING ~~Baring, Inc. and its affiliates (collectively, "ING").~~

~~If the parties so agree pursuant to an amendment to the engagement letter, Gibbs & Bruns may pursue the avoidance claims against CSFB and ING on behalf of the Debtors' estates.~~

The Bankruptcy Court approved a contingent fee arrangement between the Debtors and Gibbs & Bruns under which the Debtors will reimburse the out of pocket expenses of Gibbs & Bruns incurred in the pursuit of the Potential Litigation Claims. The contingent fee for the Potential Litigation Claims on behalf of the Debtors' Estates is based on two categories of claims. The first category of claims includes the two following types of claims: (a) all preference and fraudulent transfer avoidance claims, other than the excluded claims described above; and (b) all claims against Lance Poulsen, Barbara Poulsen, Donald Ayers and Rebecca Parrett (collectively, the "Founders") and any of their affiliates. The contingent fee for this first category of claims is 10% of the total net amounts recovered by way of litigation or settlement, determined after the reimbursement of the Debtors for all applicable expenses paid to or on behalf of Gibbs & Bruns, or $50 million, whichever is less.

The second category of claims includes all claims of the Debtors other than those in the first category or the excluded claims. The contingent fee for this second category of claims is 18% of the first $100 million of aggregate net recovery, 15% of the next $400 million of aggregate net recovery and 10% of that portion of aggregate net recovery in excess of $500 million. The contingent fee for this category of claims is separate and in addition to the contingent fee for the first category of claims and is calculated based on the total net amounts recovered by way of litigation or settlement by the individual noteholder clients of Gibbs & Bruns as well as the Debtors on an aggregate basis, after reimbursement of their respective expenses.

The Debtors' engagement letter with Gibbs & Bruns provides for the possible assignment of the Potential Litigation Claims to a litigation trust for the benefit of the Debtors' creditors. In connection with the Plan, the Potential Litigation Claims will be assigned to ~~one or more of~~ the ~~Litigation Trusts~~Unencumbered Assets Trust.

Extensions of the Exclusive Periods to File a Plan and Solicit Acceptances Thereof

On January 24, 2003, the Debtors filed a motion seeking an extension of the period during which they have the exclusive right to file a plan of reorganization (the "Exclusive Filing Period") by approximately four months, through and including July 16, 2003, and seeking an extension of the period during which they have the exclusive right to solicit acceptances of any plan filed during the Exclusive Filing Period (the "Exclusive Solicitation Period" and, together with the Exclusive Filing Period, the "Exclusive Periods"), through and including September 16, 2003. On February 19, 2003, the Bankruptcy Court held a hearing on the requested extension of the Exclusive Periods. The Bankruptcy Court then entered an interim order extending the Exclusive Periods until the date of a further hearing on April 2, 2003, and the Bankruptcy Court requested that further evidence be presented on the requested extensions of the Exclusive Periods at that hearing. Based on the evidence presented at the April 2, 2003 hearing, the Bankruptcy Court granted the requested extensions.

On July 11, 2003, the Debtors filed a motion seeking additional extensions of the Exclusive Filing Period and the Exclusive Solicitation Period by approximately four months each, through November 17, 2003 and January 16, 2004, respectively. The Debtors also contemporaneously filed a motion for a bridge order to extend the Exclusive Filing Period pending the hearing on the Debtors' exclusivity extension motion through and including August 6, 2003. The motion for a bridge order was granted by the Bankruptcy Court.

Also on July 11, 2003, ~~Metropolitan Life Insurance Company ("MetLife")~~ and Lloyds ~~TSB Bank plc ("Lloyds" and, together with MetLife~~ (collectively, the "Moving XII Noteholders"), filed a motion seeking to terminate the Exclusive Periods or, in the alternative, to convert the Bankruptcy Cases to cases under chapter 7 of the Bankruptcy Code. The Bankruptcy Court scheduled a hearing on this motion, together with the Debtors' request to extend the Exclusive Periods, for August 6, 2003. Negotiations ensued among the Debtors, the Creditors' Committee, the Subcommittees and the Moving XII Noteholders on an expedited basis to resolve certain of the outstanding issues. After extensive negotiations, the parties agreed to a stipulation and agreed order (the "Exclusivity

Stipulation") that was presented to the Bankruptcy Court at the August 6, 2003 hearing. The Exclusivity Stipulation was approved by the Bankruptcy Court.

Pursuant to the Exclusivity Stipulation, the Debtors, the Creditors' Committee, the Subcommittees and the Moving XII Noteholders agreed that the Exclusive Filing Period would be extended through September 15, 2003, on the following terms and subject to the following conditions:

(i) On or before August 11, 2003, the Debtors, the Creditors' Committee and the Subcommittees would exchange (and would provide to the Moving XII Noteholders) lists of what they believed to be the open issues remaining to be resolved prior to the confirmation of a consensual liquidating plan for the Debtors.

(ii) On or before August 11, 2003, FTI Consulting, Inc. ("FTI"), the financial advisors to the Creditors' Committee, would provide its then-current report regarding prepetition intercompany transfers and other forensic data relevant to such transfers to the Debtors, the Subcommittees and, subject to the execution of a confidentiality agreement acceptable to the Debtors and the Creditors' Committee, the Moving XII Noteholders.

(iii) On or before August 29, 2003, the Debtors and the Subcommittees were to have reached agreement regarding (a) the identities of the trustees for the ~~Litigation Trust and the Liquidation Trust~~**trusts** to be established under the Plan and (b) the professionals to be retained by the ~~Liquidation Trust~~**trust** for the purpose of pursuing collections against the Debtors' various healthcare provider clients from and after the effective date of a plan of liquidation for the Debtors.

(iv) On or before August 29, 2003, the NPF VI Subcommittee and the NPF XII Subcommittee were to have exchanged proposals for the relative treatment under a plan of liquidation for the claims held by the holders of notes issued by NPF VI and NPF XII, respectively.

Under the terms of the Exclusivity Stipulation, if the Debtors met these conditions and filed a plan of liquidation by September 15, 2003, the Exclusive Solicitation Period would be extended through and including November 17, 2003. The Exclusivity Stipulation provides that if these conditions are not satisfied, the Moving XII Noteholders can bring a motion to request an expedited hearing on their motion to terminate the Exclusive Periods and that the Debtors will not oppose the request for an expedited hearing. The Exclusivity Stipulation also gives the Creditors' Committee, the Subcommittees and the Moving XII Noteholders the right, if the Debtors file a plan by September 15, 2003, to bring a motion at any time seeking an expedited hearing on a request to terminate the Exclusive Solicitation Period. The Debtors ~~have~~ agreed not to oppose any such request for an expedited hearing, but ~~reserve~~**reserved** the right to oppose a request to terminate the Exclusive Solicitation Period. On September 15, 2003, the Debtors filed the Joint Plan of Liquidation of National Century Financial Enterprises, Inc. and Its Debtor Subsidiaries.

On November 7, 2003, the Debtors filed a motion to extend the Exclusive Solicitation Period through and including February 17, 2004. The Bankruptcy Court entered a bridge order extending the Exclusive Solicitation Period from November 17, 2003 until such date that the Bankruptcy Court ruled on this motion. Also on November 7, 2003, the ~~Board~~**board** of ~~Directors~~**directors** of NCFE filed a motion seeking to terminate exclusivity so as to permit them to file a liquidating plan for all of the Debtors other than NPF VI and NPF XII. The Debtors objected to this motion. After a hearing on December 3, 2003, the Bankruptcy Court denied the ~~Board~~**board**'s motion and entered an order extending the Exclusive Solicitation Period through and including February 17, 2004.

Motions to Dismiss the Debtors' Chapter 11 Cases

On December 17, 2002, Doctors Community Healthcare Corporation, Greater Southeast Community Hospital Corporation I, Michael Reese Medical Center Corporation, Pacifica Of The Valley Corporation, Pacin Healthcare Hadley Memorial Hospital Corporation and Pine Grove Hospital Corporation (collectively, "DCHC") filed a motion to dismiss the Bankruptcy Cases of NPF VI and NPF XII. Identical motions were filed immediately thereafter by a number of other medical providers. The motions to dismiss allege that NPF VI and NPF XII did not have proper authority from their respective boards of directors to file petitions for relief under chapter 11 of the Bankruptcy Code, and that such filings were in contravention of the articles of incorporation of NPF VI and NPF XII, respectively. On January 17, 2003, the Debtors, the Creditors' Committee and the Subcommittees filed their responses to the motions to dismiss. Subsequently, all moving parties withdrew their request for a hearing on

the motions to dismiss in connection with the standstill agreements applicable to the parties' "true sale" litigation. See "Operations During the Bankruptcy Cases — Provider Matters — True Sale Litigation."

Motion by Former Directors to Stay Third Party Litigation

On September 3, 2003, Thomas G. Mendell, Harold W. Pote and Eric R. Wilkinson (collectively, the "Former Directors") filed a motion seeking to enforce the automatic stay with respect to several lawsuits pending against the Former Directors and to enjoin the filing of future actions against them based on their services as former directors of certain of the Debtors. The Former Directors are defendants in numerous lawsuits filed by certain noteholders of the Debtors and other interested parties, as described elsewhere in this Disclosure Statement. See, e.g., "Operations During the Bankruptcy Cases — Litigation Against Third Parties Relating to the Collapse of the Debtors' Businesses" and "— Nonprovider Litigation — Amedisys." The Former Directors' basis for the application of the automatic stay to the actions against them is that the Former Directors are insureds under the Debtors' directors and officers insurance policy and that they have certain statutory indemnification rights under Ohio law. Accordingly, the Former Directors argue that the automatic stay should be extended to actions against them to prevent harm to the Debtors' estates. Lance Poulsen, Barbara Poulsen and Donald Ayers subsequently filed a joinder to the Former Directors' motion. A number of the plaintiffs in the litigation that the Former Directors seek to stay filed objections to the motion, including Bank One, ING, MetLife, Lloyds, Pharos Capital Partners, L.P. and certain noteholder plaintiffs in lawsuits pending in Arizona federal court. On October 23, 2003, the Bankruptcy Court held a hearing on the Former Directors' motion and has taken the matter under advisement.

Postpetition Operations and Liquidity

Cash Collateral Usage and Related Appeals

On December 18, 2002, the Debtors filed a motion for interim and final orders for authority to use cash collateral pursuant to section 363 of the Bankruptcy Code and certain related relief (the "Cash Collateral Motion"). By the Cash Collateral Motion, the Debtors requested relief to use cash collateral and to grant the applicable secured creditors replacement liens and superpriority claims. Several objections to the Cash Collateral Motion were filed by parties in interest, including certain healthcare providers that had sold accounts receivable to the Debtors. The Bankruptcy Court held hearings on the Cash Collateral Motion on January 7, 2003 and January 9, 2003 and, on January 14, 2003, entered an interim order authorizing the Debtors' use of cash collateral (the "Interim Order").

After entry of the Interim Order, further objections were filed. The Bankruptcy Court held a further hearing on the Cash Collateral Motion on January 29, 2003 and entered an order extending the Interim Order. Subsequently, the Bankruptcy Court entered additional orders extending the Interim Order through February 24, 2003. On February 19, 2003, the Bankruptcy Court held a hearing on the Cash Collateral Motion, at which the court received evidence and heard statements of counsel regarding the relief requested in the motion. On February 21, 2003, the Bankruptcy Court entered a final order authorizing the Debtors' use of cash collateral (the "Final Cash Collateral Order").

Since the entry of the Final Cash Collateral Order, the Bankruptcy Court has set and adjourned further hearings on the Cash Collateral Motion. On July 23, 2003, the Bankruptcy Court heard arguments regarding the Debtors' continued use of cash collateral. On July 28, 2003, the court entered a bridge order authorizing the Debtors to use cash collateral through August 8, 2003 (the "First Bridge Order"). After a further hearing on August 6, 2003, the Bankruptcy Court entered an order on August 11, 2003 permitting the Debtors to continue to use cash collateral through October 31, 2003 (the "Further Order"). On October 22, 2003, the Bankruptcy Court held a hearing concerning the Debtors' continued use of cash collateral. On October 24, 2003, the Bankruptcy Court entered a bridge order (the "Second Bridge Order") authorizing the Debtors to use cash collateral through December 5, 2003. After a further hearing on December 3, 2003, the Bankruptcy Court entered an order permitting the Debtors to continue to use cash collateral through February 27, 2004.

One provider group, Baltimore Emergency Services II, LLC and its affiliates (collectively, "BES"), has appealed the cash collateral orders entered by the Bankruptcy Court. The Interim Order and the Final Cash Collateral Order were appealed to the United States District Court for the Southern District of Ohio (the "District Court"), and the First Bridge Order, the Further Order and the Second Bridge Order were appealed to the Bankruptcy Appellate Panel for the United States Court of Appeals for the Sixth Circuit (the "BAP"). BES contends that each of the orders contains language that adversely impact BES's interests in its own property in violation of the automatic stay

imposed by section 362 of the Bankruptcy Code in BES's pending chapter 11 cases. The Debtors filed a motion to stay the appeals in the District Court pending a ruling by the BAP. In response, the District Court dismissed the appeals pending before it. A motion to reconsider the dismissal has been filed by BES in the District Court. Briefing by the parties has not been completed in the appeals before the BAP.

Review of Liens of the Indenture Trustees~~ and the Provident Bank~~

Pursuant to the Final Cash Collateral Order, the Debtors acknowledged that the prepetition liens and security interests granted to the Indenture Trustees in the collateral under the Indentures were valid and perfected. The Final Cash Collateral Order provided that this acknowledgment was binding for all purposes and all entities, except that the Final Cash Collateral Order gave the Creditors' Committee until May 14, 2003 (the "Review Period") to commence an avoidance or other action to recharacterize or subordinate the Indenture Trustees' liens or security interests. The Review Period passed without the Creditors' Committee commencing such an action. ~~The Creditors' Committee has advised the Debtors that it still is in the process of reviewing the liens of Provident Bank, as agent bank under the Debtors' prepetition credit facility.~~

Sale of Real Estate and Other Assets

Since the Petition Date, the Debtors have been actively engaged in the liquidation of those assets that were no longer necessary to the Debtors as they wound down their business operations, both to reduce administrative expenses and to convert assets to cash for the benefit of the Debtors' Estates. Several significant asset sales have been approved by the Bankruptcy Court. The Debtors have also disposed of certain real property acquired over the years from certain healthcare providers in connection with those providers' defaults on their obligations under various financing agreements with the Debtors.

The primary real property asset sold by the Debtors was the Debtors' headquarters complex in Dublin, Ohio (the "Memorial Drive Complex"). Historically, the Debtors had subleased certain unused portions of the Memorial Drive Complex to other businesses and derived rental income from such properties. Because the rapid downsizing of the Debtors' operations after the Petition Date greatly decreased the Debtors' need for office space, the Debtors undertook to sell the Memorial Drive Complex, with the assistance of Ruscilli. Based on Ruscilli's assessment of the commercial real estate market in the Dublin area, the Debtors decided to market the Memorial Drive Complex as individual buildings rather than as an entire complex. From December 2002 through June 2003, the Debtors and Ruscilli were able to find buyers for each of the buildings in the Memorial Drive Complex. A series of motions were filed to obtain the Bankruptcy Court's approval of these sales, and the last such sale was approved by the Bankruptcy Court on July 25, 2003. In aggregate, after the payment of closing costs and commissions, the Debtors received $6,054,338.22 pursuant to these sales, and $2,868,254.51 of the proceeds were used to satisfy the mortgage held by Provident on certain of the buildings. In connection with the sale of building number 9 of the complex, located at 6135 Memorial Drive, the Debtors entered into an agreement with the purchaser allowing the Debtors to lease back certain space in the building for their operations for up to one year, through August 1, 2004. Under this lease, the Debtors can terminate the lease on 30 days prior written notice effective at any time on or after January 31, 2004.

In August 2003, Debtor NPF X, Inc. ("NPF X") consummated the sale of the Dickenson County Medical Center in Clintwood, Virginia. NPF X had acquired this asset in March 1996. Beginning in March 1996, the Dickenson County Medical Center was operated for NPF X by CHC Clintwood, Inc. ("CHC Clintwood"), which leased the centers from NPF X. On or shortly after December 11, 2002, CHC Clintwood vacated and closed the Dickenson County Medical Center. On April 3, 2003, NPF X terminated CHC Clintwood's lease of the Dickenson County Medical Center, based on uncured defaults under the lease. After the closing of the Dickenson County Medical Center, NPF X began the process of finding a qualified buyer for the hospital. After several months of searching for and negotiating with parties potentially interested in the hospital real estate, the Dickenson County Industrial Development Authority, a political subdivision of the Commonwealth of Virginia, agreed to be the "stalking horse" buyer at an auction sale for the property. On June 18, 2003, the Bankruptcy Court approved bidding and auction procedures for the property. Although several parties expressed an interest in the property, no other bids were received, and the scheduled auction was cancelled. Accordingly, on August 6, 2003, the Bankruptcy Court entered an order approving the sale of Dickenson County Medical Center to the Dickenson County Industrial Development Authority for $1,775,000. The sale closed on August 20, 2003.

The Debtors also obtained Bankruptcy Court approval of several other asset sales during the Bankruptcy Cases. On February 5, 2003, the Bankruptcy Court approved the sale of spare aircraft parts formerly used for the Debtors' corporate aircraft for $11,000. On February 6, 2003, the Bankruptcy Court approved the assumption of a prepetition contract for the Debtors' sale of an undeveloped parcel in Plain City, Ohio to Cleve Igo for $216,970. On April 8, 2003, following a competitive bidding and auction process, the Bankruptcy Court approved the sale of substantially all of the assets of Allied for $236,000. That sale closed on April 9, 2003. On July 25, 2003, the Bankruptcy Court entered an order approving the Debtors' sale of three residential properties in Washington, D.C. to Vincent Abell for $410,000. The residences were acquired by the Debtors when a former client of the Debtors, District of Columbia Community Services, defaulted on certain financial obligations in 1996. The sale of these properties closed in August 2003.

Tax Refunds

The Debtors, other than Allied and ASI, have historically filed consolidated federal and state tax returns. Because of the evident historical operating losses of the Debtors that have come to light since the Petition Date, the Debtors have retained Grant Thornton as tax consultants to assist in the preparation of the Debtors' tax returns, including amended returns for prior years, and to assist the Debtors in obtaining any appropriate tax refunds.

The Debtors separately obtained a refund of estimated federal income tax payments for 2002. On January 2, 2003, in light of the losses incurred by the Debtors in 2002, the Debtors filed IRS Form 446, seeking a refund from the Internal Revenue Service (the "IRS") of $18,500,000 in estimated payments for 2002 federal income taxes. In April 2003, the Debtors received the requested $18,500,000 refund from the IRS. The Debtors intend, with the assistance of Grant Thornton, to request additional federal income tax refunds for years prior to 2002.

Downsizing of Staff and Operations

Since the Petition Date, the Debtors have been engaged in the process of a controlled wind-down of their operations and an associated reduction in their workforce. Prior to the fall of 2002, the Debtors had approximately 340 employees. Immediately prior to the Petition Date, the Debtors had reduced their workforce to approximately 100 employees. In connection with this reduction in force, the Debtors released much of their information technology department, eliminated the sales force and made other terminations to reflect that accounts receivable were no longer being purchased from healthcare providers. In December 2002, when the Debtors sought approval of the KERP Program, they had approximately 95 employees. As the volume of payments being received through the Debtors' lockbox system diminished after the Petition Date, the Debtors eliminated many of the positions used in the administration of the Debtors' lockbox system and related support. In order to minimize costs, the Debtors have worked aggressively to wind down unnecessary operations and reduce the workforce as appropriate, while maintaining those employees necessary to assist in the administration of the Bankruptcy Cases and the prosecution of the Debtors' claims against healthcare providers and others. As of December 1, 2003, the Debtors had 16 remaining employees whose employment was equivalent to less than 14 full-time positions. The Debtors anticipate further workforce reductions as fewer personnel become necessary to maintain and administer the Debtors' remaining assets.

Provider Matters

Prior to the Petition Date, the Debtors provided financing to dozens of healthcare providers throughout the United States. As described below, more than $2,000,000,000 is owed to the Debtors by five of these affiliated provider groups, all but one of which have filed for bankruptcy. The Debtors also financed, in a substantially smaller aggregate amount, approximately 20 other healthcare providers that have sought bankruptcy protection, each of which is also described below. In addition, the Debtors provided financing to a number of healthcare providers that have not filed for bankruptcy protection.

DCHC

~~Doctors Community Healthcare Corporation, Greater Southeast Community Hospital Corporation I, Michael Reese Medical Center Corporation, Pacifica Of~~The ~~Valley Corporation, Pacin Healthcare Hadley Memorial Hospital Corporation and Pine Grove Hospital Corporation (collectively, "DCHC")~~**entities** filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on November 20, 2002 (the "DCHC Petition Date") in the United States

Bankruptcy Court for the District of Columbia. As of the DCHC Petition Date, DCHC owned and operated five acute care hospital facilities across the country, including facilities in California, Illinois and the District of Columbia.

The Debtors provided financing to DCHC through a number of different arrangements, including sale and subservicing agreements, promissory notes, guarantees, stock pledges and other security agreements and leases. The Debtors filed proofs of claim against DCHC's chapter 11 estates in an aggregate amount in excess of $600,000,000. The Debtors also hold approximately 11% of the equity of DCHC.

DCHC has filed proofs of claim against the Debtors' chapter 11 estates in an aggregate amount in excess of $300,000,000, based on alleged breaches of contract and other alleged improper conduct by the Debtors. DCHC's official committee of unsecured creditors also prepared and threatened to file a complaint against the Debtors seeking the equitable subordination or recharacterization of the Debtors' claims.

DCHC has proposed the sale of substantially all of its assets pursuant to a process proposed in a disclosure statement and plan of reorganization filed October 24, 2003. ~~An~~**On November 28, 2003, an** amended disclosure statement was approved on November 28, ~~2003; votes to accept or reject the Plan are due on~~**2003. On** December ~~29, 2003;~~ **16, 2003, the auction of DCHC's assets was commenced. At the end of the auction the new value plan proposed by DCHC's current equity holders was declared the winning bidder by DCHC and its official committee of unsecured creditors, over the objection of the Debtors. As of the date hereof, a hearing on the approval of the sale** and the confirmation ~~hearing~~**of DCHC's plan of reorganization** is ~~scheduled for January 7, 2004.~~**being rescheduled.** The Debtors and DCHC, together with their respective official committees of unsecured creditors, continue to negotiate regarding the treatment of the Debtors' claims. During the negotiations, a litigation standstill agreement has been put in place. At this time, the Debtors are unable to predict the potential recovery to or liability of the Debtors arising in connection with their disputes with DCHC.

Baltimore Emergency Services II, LLC

Various affiliates of BES filed voluntary chapter 11 petitions on November 8, 2002, November 11, 2002, February 28, 2002 and April 22, 2003 in the United States Bankruptcy Court for the District of Maryland. BES operates staffing and physician management services for hospitals and provides primary and urgent care services.

The Debtors provided financing to BES through a number of different arrangements, including sale and subservicing agreements, promissory notes, security agreements and leases. The Debtors filed proofs of claim against BES's chapter 11 estates in an aggregate amount approximating $500,000,000. In addition, a nondebtor affiliate of BES that operates as a Florida-based HMO owes an additional amount of approximately $250,000,000 to the Debtors.

The BES **bankruptcy court** has ~~proposed~~**confirmed** an amended plan of reorganization that provided for a competitive bidding process for certain assets of BES. After a lengthy bidding process, on or about November 25, 2003, the BES court approved the selection of the Debtors' recommended bidder, R.D. PhyAm Acquisition Corp., as the winning bidder. The ~~hearing on confirmation of the amended plan and approval of the winning bid commenced on December 1, 2003.~~ **sale has not yet closed.**

Med Diversified and TLC

Med Diversified, Inc. and its affiliates (collectively, "Med Diversified"), and Tender Loving Care Health Care Services, Inc. and its affiliates (collectively, "TLC" and, together with Med Diversified, the "Med Diversified Entities"), filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on November 27, 2002, and November 8, 2002, respectively, in the United States Bankruptcy Court for the Eastern District of New York. Med Diversified owns approximately 99% of TLC.

The Debtors provided financing relationships to the Med Diversified Entities through a number of different arrangements, including sale and subservicing agreements, promissory notes and other security agreements and leases. The Debtors filed proofs of claim against the Med Diversified Entities' chapter 11 estates in an aggregate

amount exceeding $100,000,000. The Debtors hold approximately 4% of the equity of Med Diversified, and certain of the Founders or their affiliates hold approximately 33% of Med Diversified's common stock.

The Med Diversified Entities have filed proofs of claim against the Debtors' chapter 11 estates in an aggregate amount in excess of $28,000,000, based on alleged breaches of contract and other alleged improper conduct by the Debtors. On or about May 30, 2003, Med Diversified filed an adversary proceeding against the Debtors seeking to disallow the claims of the Debtors, equitably subordinate the Debtors' claims or recharacterize the claims as equity. The adversary proceeding is captioned *Med Diversified, Inc. et al. v. National Century Financial Enterprises, Inc. et al.*, Case No. 03-8262 (Bankr. E.D.N.Y.) (the "Med Diversified Adversary Proceeding"). On or about July 9, 2003, TLC filed its separate objections to the Debtors' claims in TLC's cases and asserted related counterclaims and defenses of setoff and recoupment. On or about August 8, 2003, the Debtors filed their answer in the Med Diversified Adversary Proceeding. The court has scheduled a trial in the Med Diversified Adversary Proceeding commencing in May 2004.

The Debtors continue to negotiate with the Med Diversified Entities, as well as their respective official committees of unsecured creditors and a competing, allegedly secured creditor, regarding a consensual resolution to the parties' respective claims. On October 3, 2003, the United States Bankruptcy Court for the Eastern District of New York appointed James L. Garrity, Jr. as plan facilitator. **The New York bankruptcy court also entered an order establishing certain milestones and deadlines for the sale of the assets of the Med Diversified Entities. Discussions are ongoing with potential stalking horse bidders, and the Debtors anticipate that a motion or motions to approve the sale of certain of the assets of the Med Diversified Entities will be filed soon.** At this time, the Debtors are unable to predict the potential recovery to or liability of the Debtors arising in connection with their disputes with the Med Diversified Entities.

Pain Net

Pain Net, Inc. and its affiliates (collectively, "Pain Net") historically has acted as manager for medical providers and owned and operated medical facilities in Pennsylvania, Massachusetts, Texas, Maryland, Nevada, Arizona, Illinois and California. Pain Net has not filed for relief under any chapter of the Bankruptcy Code.

The Debtors provided financing to Pain Net through a number of different arrangements, including sale and subservicing agreements, promissory notes, guarantees, stock pledges and other mortgages and security agreements. The Debtors believe they are owed in excess of $125,000,000 by Pain Net, although Pain Net has disputed that amount. Pain Net filed non-liquidated proofs of claim in the Bankruptcy Cases, asserting that Pain Net may have certain claims against the Debtors under the applicable sale and subservicing agreements.

The Bankruptcy Court has entered an order authorizing the Debtors to conduct an examination of Pain Net pursuant to Bankruptcy Rule 2004. Prior to the formal commencement of the examination, Pain Net and the Debtors began settlement discussions. As of the date hereof, the Debtors are engaged in an informal information and document exchange and continuing settlement discussions with Pain Net. At this time, the Debtors are unable to predict the potential recovery to or liability of the Debtors arising in connection with their disputes with Pain Net.

Medshares

Meridian Corporation a/k/a Medshares, Inc. and certain of its affiliates (collectively, "Medshares") were engaged in the home healthcare business in 21 states. On July 29, 1999 (the "Medshares Petition Date"), the Medshares entities filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of Tennessee (the "Tennessee Bankruptcy Court").

Prior to the Medshares Petition Date, the Debtors purchased accounts receivable from Medshares. After the Medshares Petition Date, the Debtors agreed to provide postpetition financing to Medshares through the purchase of accounts receivable. On August 12, 1999, the Debtors and Medshares entered into a sale and subservicing agreement (the "Postpetition SSA"), pursuant to which the Debtors purchased accounts receivable from the Medshares on a postpetition basis. On December 2, 1999, the Tennessee Bankruptcy Court issued an order

granting the Debtors superpriority liens and administrative expense claims under the Postpetition SSA (the "Medshares Claim"). As of December 31, 2002, the total postpetition claim held by the Debtors was $109,287,893.92.

In early 2003, after more than three years in chapter 11, Medshares undertook to sell substantially all of its assets. On March 10, 2003, Medshares entered into a nonbinding letter of intent to sell all of its assets to Intrepid USA, Inc. ("Intrepid"). In the same approximate time frame, in the interest of monetizing their recovery from the Medshares cases as promptly as possible, the Debtors engaged in negotiations with potential purchasers of the Medshares Claim. On March 5, 2003, the Debtors entered into an Assignment of Claim Agreement (the "Medshares Claim Agreement") with Todd J. Garamella, the Chief Executive Officer of Intrepid (the "Purchaser") for approximately $6,750,000, subject to higher and better offers. No other bidders materialized for the Medshares Claim, and, the proposed sale of the claim to the Purchaser was approved. Thereafter, the Purchaser raised certain issues regarding, among other things, the enforceability of the Medshares Claim Agreement. On May 22, 2003, following further negotiations among the parties, the Bankruptcy Court entered an order authorizing the Debtors to sell the Medshares Claim to the Purchaser for an agreed compromise amount of $5,000,000.

On August 21, 2003, the Tennessee Bankruptcy Court entered, subject to objection, a stipulation among Medshares, the Debtors and certain other parties to allow the Medshares Claim in the amount of $70 million. Objections to the stipulation subsequently were filed by Stephen H. Winters ("Winters"), an equity holder in Medshares, John Parker, as trustee for certain assets owned by Winters, and Morgan Trust Company, as trustee for the Centerpoint Corporation Stock Bonus and Salary Deferral 401(k) Plan, an unsecured creditor of Medshares. At a hearing on October 20, 2003, the Tennessee Bankruptcy Court set discovery deadlines and scheduled a further scheduling conference for March 25, 2004 regarding the allowance of the Medshares Claim.

NCFE Shareholder Related Providers

Certain of the Debtors' shareholders, including the Founders, have substantial or controlling interests, directly or indirectly, in certain entities that are significantly indebted to the Debtors. Homecare Concepts of America, Inc., Home Medical of America, Inc., Healthcare Capital, Inc. and Rx Medical, Inc., all of which are owned in whole or in part by the Founders, collectively owe the Debtors approximately $750,000,000. The Debtors are continuing to investigate the assets and financial wherewithal of these entities and their affiliates. ~~The Debtors and the NPF XII Subcommittee are pursuing formal examinations of these entities pursuant to Bankruptcy Rule 2004.~~

~~*Other Bankrupt Providers*~~

~~The following chart provides an overview of the bankruptcy cases of other healthcare providers financed by the Debtors. As indicated below by individual bankrupt provider, Debtors have filed proofs of claim against these providers aggregating approximately $423.1 million. The claim amounts listed below are the Debtors' aggregate claims in the particular cases identified. These amounts are not estimates or forecasts by the Debtors or any of their advisors of the likely recovery in these cases. Actual recoveries against any particular provider may be substantially less than the listed amount of the Debtors' claims.~~

~~Provider~~	~~Bankruptcy Proceeding~~	~~Estimated Claim Amount~~	~~Case Status~~
~~California Psychiatric Management Services~~	~~Central District of California (Los Angeles) Case No. 00-26929~~	~~$46.8 million~~	~~Certain funds in which the chapter 7 trustee has asserted an interest are being placed in escrow, with all parties reserving their rights. Further negotiations are expected, and, if they are unsuccessful, litigation likely will be pursued.~~
~~D&H Healthcare of Maryland d/b/a Blue Point Nursing Rehab.~~	~~Maryland Case No. 02-51282~~	~~$1.7 million~~	~~This is a chapter 7 liquidation case that is being administered in conjunction with the chapter 7 case~~

Provider	Bankruptcy Court and Case Number	Estimated Claim Amount	Case Status
			of D&H Healthcare of Lackawanna County, Inc.
D&H Healthcare of Lackawanna County d/b/a Holiday Manor	Middle District of Pennsylvania Case No. 02-02643	$2.4 million	A chapter 7 trustee has been appointed. The Debtors will seek modification of the automatic stay to foreclose upon certain real property of the Chapter 7 estate.
District of Columbia Community Services, Inc.	District of Columbia Case No. 02-1028	$4.4 million	This is a chapter 7 liquidation case.
Gulf Pines Hospital, Inc.	Northern District of Florida Case No. 00-20288	Paid in full	NPF X has collected all amounts due under this financing, which totaled approximately $200,000.
Intercare Health Systems, Inc. d/b/a City of Angeles Medical Center	Central District of California (Los Angeles) Case No. 02-46385	$33 million	Negotiations are ongoing with Intercare. There is a dispute between the Debtors and the IRS regarding the priority of their respective liens in the Intercare assets, and Intercare has filed a complaint seeking declaratory relief as to the parties' priority positions. NPF Capital has filed a foreclosure action against certain nondebtor affiliates of Intercare that hold real property that is leased to Intercare and secures NPF Capital's mortgage indebtedness. The official committee of unsecured creditors in the Intercare case has filed an objection to the Debtors' claims.
International Philanthropic Hospital d/b/a Granada Hills	Central District of California (San Fernando Valley) Case No. 02-20579	$1.9 million	The debtors' postpetition management has been removed and replaced with a chapter 7 trustee. The liquidation of the debtor's assets is proceeding and settlement discussions regarding the Debtors' claims have commenced.
LifeCare Solutions East, Inc.	Middle District of Florida (Jacksonville) Case No. 02-11273	$3.8 million	The plan of reorganization has been confirmed, and the settlement embodied in the plan has been approved by the Bankruptcy Court in the Debtors' cases. The Debtors, in consultation with their creditor constituencies, negotiated the terms of the plan and supported it. Pursuant to the plan, the Debtors will receive $1.1 million in cash, a $300,000 note secured by the reorganized debtor's interest in a workers' compensation insurance deposit refund, a $1.25 million junior note and certain equity interests in the reorganized debtor.
LCS Management, Inc.	Southern District of California	$41.4 million	Negotiations are ongoing with

Debtor	Bankruptcy Court and Case Number	Estimated Claim Amount	Case Status
f/k/a LifeCare Solutions, Inc. and LCS West, Inc. f/k/a LifeCare Solutions West	(San Diego) Case No. 02-11273		LifeCare Solutions West, Inc. ("LCSW") and its official committee of unsecured creditors. Accounts receivable are being collected by LCSW. LCSW's other assets have been sold, and the $2 million in net proceeds of that sale have been placed in escrow. The parties have reached an agreement in principle, subject to creditor constituency and court approval, under which the substantial majority of collections on accounts receivable will be paid to NPF VI.
Lincoln Hospital Medical Center, Inc.	Central District of California (Los Angeles) Case No. 02-42584	$251 million	Negotiations are ongoing with the debtor's postpetition lender regarding the proposed sale of Lincoln Hospital and its parent company's assets, together with certain real property assets owned by Debtor Memorial Drive Office Complex, LLC ("MDOC") that are used in the debtor's business. The estimated claim amount includes claims against certain nondebtor affiliates of Lincoln Hospital.
Long Island Health Associates Corp. d/b/a Island Medical Center	Eastern District of New York Case No. 00-86466	$2.1 million	Negotiations are ongoing with the Island Medical Center debtors regarding the validity and priority of the Debtors' claims. This case may be converted to a case under chapter 7 of the Bankruptcy Code.
New England Home Therapies, Inc.	District of Massachusetts Case No. 02-46956	$14 million	Settlement discussions with New England Home Therapies and its official committee of unsecured creditors are ongoing, and the parties have agreed in principle on settlement terms, subject to creditor constituency and court approval. New England Home Therapies is expected to file a plan and disclosure statement no later than December 8, 2003. New England Home Therapies has filed multiple proofs of claim against the Debtors.
Nuclear Imaging Systems, Inc.	Eastern District of Pennsylvania Case No. 00-19697 Consolidated Case No. 00-19698	$5.6 million	This is a chapter 7 liquidation in which the Debtors are pursuing, in an adversary proceeding, a claim against the debtor's insurer.
Pain Control Consultants, Inc.	Southern District of Ohio Case No. 03-64866	$30,000	This case was filed on September 29, 2003. Approximately $30,000 is owed to the Debtors.
Ravenwood Healthcare,	District of Maryland	$1.2 million	A draft plan of reorganization has

Provider	Bankruptcy Court and Case Number	Estimated Claim Amount	Case Status
Inc.	Case No. 02-59516		been circulated by Ravenwood Healthcare, Inc.
Silver Moves, Inc., et al.	Middle District of Florida (Tampa) Case No. 02-22336	$700,000	A proposed plan and disclosure statement was filed, but the bankruptcy court denied approval of the disclosure statement. Negotiations with Silver Moves continue. The Office of the U.S. Trustee has moved to convert these cases to chapter 7. The hearing on that motion is scheduled for December 8, 2003.
Special Care, Inc.	Southern District of California Case No. 00-10484	$13 million	This is a chapter 7 liquidation case in which the Debtors received a distribution of approximately $400,000 and retained certain claims against third parties. The Debtors have commenced litigation against certain of the Special Care debtor's principals and professionals in the United States District Court for the Southern District of Ohio, and that litigation is in the discovery phase.

Completed Provider Settlements and Buy-Outs

Since the commencement of the Bankruptcy Cases, the Debtors have successfully negotiated and documented settlements with a number of healthcare providers under which the providers agreed to "buy out" or pay all or a portion of their outstanding obligations to the Debtors. A number of these settlements have been approved by the Bankruptcy Court pursuant to Bankruptcy Rule 9019 and have been consummated. The consummated settlements, which are summarized below, have resulted in recoveries of more than $30 million for the Debtors' Estates. In addition, an approximate additional $10 million was collected after the Petition Date through the lockboxes established for the settling providers and retained by the Debtors. Moreover, the Debtors have been paid approximately $5 million under leases and promissory notes, the proceeds of which had been assigned to Provident, pursuant to the settlements. Those amounts are being held in cash collateral accounts at Provident.

Set forth below is a summary of the provider settlements that have closed to date. Unless otherwise noted, the terms of these settlements included mutual releases, the Debtors' retention of lockbox collections through a date certain and the transfer of responsibility for lockbox fees and expenses after the date certain.

Provider	Settlement/Buy-Out Terms (Approximate Amounts)
Garland Physicians' Hospital, Ltd.	$2,170,000
Mobile Medical Industries, Inc., et al.	$2,265,000
Rock Glen Healthcare, Inc.	$308,000
Korman L.L.C.	$108,000
United Therapy Networks, Inc.	$950,000

Provider	Settlement or Buy-Out Terms (Approximate Amounts)
SIS Acquisition, LLC, et al.	$5,800,000 ($1,500,000 to be paid to Howrey Simon Arnold & White, LLP in connection with the California litigation described below)
OrthoRehab, Inc.	$4,725,000 (plus lease and note payments directly to Provident cash collateral account and a junior secured note)
SCCI Hospital Ventures, Inc. and SCCI Hospitals of America, Inc.	$4,600,000
Emergystat, Inc., et al.	$592,000 **(no mutual releases)**
Innovative Services, Inc.	$208,000
SafeCare Ambulance Services, Inc.	$399,000
Living Hope Southwest Medical Services, LLC	$100,000
Brea Community Hospital	$11,500,000
Braintree Manor Nursing LLC, et al.	$2,350,000
LifeCare Solutions East, Inc.	**$1.1 million in cash, a $300,000 note secured by the reorganized debtor's interest in a workers' compensation insurance deposit refund, a $1.25 million junior note and certain equity interests in the reorganized debtor**

Provider Settlements or Buy-Outs in Process

The Debtors are in the process of seeking Bankruptcy Court approval, pursuant to Bankruptcy Rule 9019, of, or consummating, additional provider settlements and buy-outs in the aggregate amount of approximately $7 million. A summary of these pending settlements is set forth below:

Provider	Settlement or Buy-Out Terms (Approximate Amounts)
National Nurses Services, Inc., Hunt Country Home Health, Inc., and Hunt Country Nursing Services, Inc.	$500,000 plus notes aggregating $2,100,000, **(approved by the Bankruptcy Court on December 5, 2003)**
Quantum Health, Inc.	~~$4,389,000~~**4,388,991** (plus a $3,000,000 note that will be held in escrow in the ~~CPMS~~**California Psychiatric Management Services** bankruptcy case)

Provider	Settlement or Buy-Out Terms (Approximate Amount(s))
LifeCare Solutions West, Inc.	$4,000,000 plus additional receivables collections plus certain other funds
New England Home Therapies, Inc.	Promissory notes in the aggregate principal amount of $2,600,000

Other Bankrupt Providers

The following chart provides an overview of the bankruptcy cases of other healthcare providers financed by the Debtors. As indicated below by individual bankrupt provider, the Debtors have significant claims against these providers. The claim amounts listed below are the Debtors' aggregate claims in the particular cases identified. These amounts are not estimates or forecasts by the Debtors or any of their advisors of the likely recovery in these cases. Actual recoveries against any particular provider may be substantially less than the listed amount of the Debtors' claims.

Provider	Bankruptcy Court and Case Number	Estimated Claim Amount	Case Status
California Psychiatric Management Services	Central District of California (Los Angeles) Case No. 00-26929	$46.8 million	Certain funds in which the chapter 7 trustee has asserted an interest are being placed in escrow, with all parties reserving their rights. The Debtors' disputes with this entity will be subject to further negotiation and potentially litigation, including the ownership of the note issued by Quantum Health, Inc. described above.
D&H Healthcare of Maryland d/b/a Blue Point Nursing Rehab.	Maryland Case No. 02-51282	$1.7 million	This is a chapter 7 liquidation case that is being administered in conjunction with the chapter 7 case of D&H Healthcare of Lackawanna County, Inc.
D&H Healthcare of Lackawanna County, Inc. d/b/a Holiday Manor	Middle District of Pennsylvania Case No. 02-02643	$2.4 million	A chapter 7 trustee has been appointed. The Debtors will seek modification of the automatic stay to foreclose upon certain real property of the chapter 7 estate.
District of Columbia Community Services, Inc.	District of Columbia Case No. 03-1028	$4.4 million	This is a chapter 7 liquidation case.
Gulf Pines Hospital, Inc.	Northern District of Florida Case No. 00-20288	Paid in full	NPF X has collected all amounts due under this financing, which totaled approximately $300,000.
Intercare Health Systems, Inc. d/b/a City of Angels Medical Center	Central District of California (Los Angeles) Case No. 02-46385	$33 million	Negotiations are ongoing with this debtor and a tentative settlement has been reached, subject to creditor and court approval. There is a dispute between the Debtors and the IRS regarding the priority of their respective liens in the debtor's assets, and the debtor has filed a

Provider	Bankruptcy Court and Case Number	Estimated Claim Amount	Case Status
			complaint seeking declaratory relief regarding the parties' respective priority positions. NPF Capital has filed a foreclosure action against certain nondebtor affiliates of the debtor that hold real property that is leased to the debtor and secures NPF Capital's mortgage indebtedness. The official committee of unsecured creditors in this case has filed an objection to the Debtors' claims.
International Philanthropic Hospital d/b/a Granada Hills	Central District of California (San Fernando Valley) Case No. 02-20579	$1.9 million	The debtors' postpetition management has been removed and replaced with a chapter 7 trustee. The liquidation of the debtor's assets is proceeding, and settlement discussions regarding the Debtors' claims have commenced.
Lincoln Hospital Medical Center, Inc.	Central District of California (Los Angeles) Case No. 02-42584	$251 million	Negotiations are ongoing with the debtor's postpetition lender regarding the proposed sale of the real property owned by Debtor Memorial Drive Office Complex, LLC ("MDOC") and used in the debtor's business. The estimated claim amount includes claims against certain nondebtor affiliates of Lincoln Hospital.
Long Island Health Associates Corp. d/b/a Island Medical Center	Eastern District of New York Case No. 00-86466	$2.1 million	Negotiations are ongoing with the Island Medical Center chapter 7 trustee regarding the validity and priority of the Debtors' claims.
New England Home Therapies, Inc.	District of Massachusetts Case No. 02-46956	$14 million	Settlement discussions with New England Home Therapies and its official committee of unsecured creditors are ongoing, and the parties have agreed in principle on settlement terms, subject to creditor constituency and Bankruptcy Court approval. New England Home Therapies is expected to file a plan and disclosure statement no later than December 31, 2003. New England Home Therapies has filed multiple proofs of claim against the Debtors.
Nuclear Imaging Systems, Inc.	Eastern District of Pennsylvania Case No. 00-19697 Consolidated Case No. 00-19698	$5.6 million	This is a chapter 7 liquidation in which the Debtors are pursuing, in an adversary proceeding, a claim against the debtor's insurer.
Pain Control Consultants, Inc.	Southern District of Ohio Case No. 03-64866	$30,000	This case was filed on September 29, 2003.

Provider	Bankruptcy Court and Case Number	Estimated Claim Amount	Case Status
			Approximately $30,000 is owed to the Debtors.
Ravenwood Healthcare, Inc.	District of Maryland Case No. 02-59516	$1.3 million	A draft plan of reorganization has been circulated by Ravenwood Healthcare, Inc.
Silver Moves, Inc., et al.	Middle District of Florida (Tampa) Case No. 02-22336	$700,000	This case was dismissed on December 8, 2003.
Special Care, Inc.	Southern District of California Case No. 00-10484	$13 million	This is a chapter 7 liquidation case in which the Debtors received a distribution of approximately $400,000 and retained certain claims against third parties. The Debtors have commenced litigation against certain of the Special Care debtor's principals and professionals in the United States District Court for the Southern District of Ohio, and that litigation is in the discovery phase.

Provider Collection Litigation

To the extent that negotiations with non-bankrupt providers do not produce settlements, the Debtors may file, and in some cases already have filed, adversary proceedings against such providers in the Bankruptcy Court. The Debtors also may pursue other appropriate methods to maximize recoveries for their Estates. The Debtors already have sent demand letters to several providers, including: (i) Serra Medical Clinic, Inc. (which owes approximately $700,000); (ii) Triad Health Management of Georgia, LLC; (which owes approximately $765,000); (iii) Chartwell-Southern New England, LLC (which owes more than $9,000,000); ~~and~~ (iv) Senex Financial Corp. and its guarantors (which ~~owes~~owe more than $2,000,000); and (v) PhyAmerica Correctional Healthcare, Inc. and its affiliates (which owe approximately $6,000,000). These figures for amounts owed are not estimates of the recoveries that may be made in litigation with these parties. Recoveries in pending litigation or in proceedings to be filed are not certain and may be subject to potential counterclaims and defenses.

The Debtors also are investigating their claims against, and pursuing litigation or negotiations with respect to, several other providers, including ~~PhyAmerica Correctional Healthcare, Inc. and its affiliates,~~ Highland Hospital Association, Highland Behavioral Health Services, Inc., Aurora Home Care, Oak Park, Inc., certain affiliates of Special Care, Inc., certain health maintenance organizations related to BES and BES's principals and various provider entities related to the Founders.

The summary of pending or potential claims set forth above is not a complete listing of pending or potential provider litigation. The Debtors fully reserve their rights with respect to all such claims.

First Day Contempt Proceeding Against Providers

On the Petition Date, the Debtors commenced an adversary proceeding in the Bankruptcy Court captioned *~~NCFE~~National Century Financial Enterprises, Inc., et al. v. Lincoln Hospital Medical Center, Inc., et al.*, Adv. Proc. 03-2526, against all of their healthcare provider clients, except those that previously had filed their own bankruptcy cases. By this adversary proceeding, the Debtors sought an injunction pursuant to section 105 of the Bankruptcy Code to enforce the automatic stay imposed by section 362 of the Bankruptcy Code and enjoin all defendant providers from diverting the proceeds of accounts receivable purchased by the Debtors. After a hearing, the Bankruptcy Court issued the requested injunction. Nevertheless, certain medical providers continued to divert

proceeds from the Debtors. As a result, the Debtors initiated contempt proceedings against those providers and continue to seek additional remedies, including disgorgement of proceeds and sanctions.

True Sale Litigation

On November 21, 2002, DCHC filed a motion for relief from the automatic stay and from the Bankruptcy Court's order on the Petition Date enjoining providers from diverting funds from the Debtors' purchased accounts receivable. In response to DCHC's motion, the Bankruptcy Court established a consolidated process to litigate, as to all providers and parties who desired to participate, the determination of the ownership of accounts receivable purportedly sold to the Debtors. At the request of the Bankruptcy Court, a variety of providers and parties filed notices of appearance and statements of issues related to the purported sale (or, as some contended, the secured financing) of accounts receivable. Thereafter, the Bankruptcy Court set a consolidated discovery schedule for the determination of these issues (the "True Sale Litigation"). Under this schedule, although all parties and providers will participate in discovery on a consolidated basis, the Bankruptcy Court will proceed to hearing and trial only as to the facts applicable to DCHC, thereby creating a "test case" upon which to resolve the legal issues. Where the operative facts pertaining to DCHC would be identical to the operative facts of other providers, the "test case" resolution would apply to those providers as well. Where the operative facts differ for other providers, however, those providers would proceed to their own hearing and resolution subsequent to DCHC's hearing. In light of the progress of business negotiations between the Debtors and the various healthcare providers, the parties agreed to stay the True Sale Litigation to permit those negotiations to continue. To that end, on October 1, 2003, the Bankruptcy Court entered its Fourth Agreed Modified Scheduling Order for the True Sale Litigation, which gave effect to a 120-day standstill extending the deadline for initial document production until February 27, 2004, extending the deadline for dispositive motions until August 30, 2004, and postponing hearing and trial dates until after determination of the dispositive motions.

Provider Claims Asserted in NCFE Bankruptcy Cases

Many of the Debtors' provider clients have filed proofs of claim asserting liabilities against the Debtors on a variety of theories, including breach of contract, fraud, conversion, misrepresentation, fraudulent inducement, turnover of property, unjust enrichment, breach of fiduciary duty, fraudulent conveyance, lender liability, usury and the entitlement to certain reserve funds held by the Indenture Trustees. In aggregate, more than 100 provider proofs of claim were filed against the Debtors. The Debtors believe that substantially all of these proofs of claim have been filed by entities that, even if their claims against the Debtors were allowed, would still owe net amounts to the Debtors. As a result, the Debtors believe that substantially all of these claims will be disallowed as invalid or subject to valid defenses.

~~Nonprovider~~Other Provider-Related Litigation

Amedisys

On or about December 19, 2002, Amedisys, Inc. and certain of its affiliates (collectively, "Amedisys") commenced an adversary proceeding in the Bankruptcy Court captioned *Amedisys, Inc., et al. v. JP Morgan Chase Manhattan Bank as Trustee, et al.*, Adv. Proc. 02-2576 (the "Ohio Action"). By this adversary proceeding, Amedisys is seeking to recover approximately $7.3 million that it claims it is owed as a result of selling certain of its accounts receivable to NPF VI, but failing to receive the full value of the purchase price for such receivables. Amedisys seeks to impose a constructive trust on the proceeds of the alleged $7.3 million in accounts receivable that it sold to NPF VI for which it did not receive payment. The Debtors assert that the failure to pay any such amounts was a prepetition breach of the sale and subservicing agreements with Amedisys and, accordingly, is a general unsecured claim. The parties have filed dispositive motions, but the Court has not yet ruled on those motions.

On February 21, 2003, Amedisys dismissed JP Morgan Chase Manhattan Bank ("JP Morgan") as a defendant in the Ohio Action and filed a new complaint against JP Morgan and other co-defendants in the Ohio Action in the 19th Judicial District Court, Parish of East Baton Rouge in the State of Louisiana. The case (the "Louisiana Action") subsequently was removed to the United States District Court for the Middle District of Louisiana. In the Louisiana Action, Amedisys seeks essentially the same relief against JP Morgan that it seeks from the Debtors in the Ohio Action. In June 2003, the Debtors filed a motion with the Bankruptcy Court seeking to enforce the automatic stay against the continued prosecution of the Louisiana Action on the basis that Amedisys

was seeking to recover property of the Estates through the Louisiana Action. On August 19, 2003, the Bankruptcy Court issued an order staying the Louisiana Action (the "Stay Order").

On August 29, 2003, Amedisys filed an appeal of the Stay Order in the United States District Court for the Southern District of Ohio, and on September 29, 2003, Amedisys filed a motion with the Bankruptcy Court to stay the Stay Order or to reconsider or vacate the order. The Debtors objected to this request. On October 23, 2003, the parties reached an agreement under which the automatic stay was modified solely to permit Amedisys to amend the complaint in the Louisiana Action to prevent the running of the statute of limitations on any claims against third parties that were not included in the initial complaint in the Louisiana Action. Otherwise, the Louisiana Action remains stayed.

On October 30, 2003, Amedisys filed its First Amended Complaint in the Louisiana Action. On November 20, 2003, JP Morgan filed a motion in the Bankruptcy Court seeking an order holding Amedisys in contempt of the Stay Order and the October 23, 2003 order, alleging that Amedisys had improperly amended the complaint in the Louisiana Action to include additional and modified factual allegations relating to the claims and causes of action against JP Morgan. After a hearing on December 3, 2003, the Bankruptcy Court ruled that Amedisys had violated the Stay Order and the October 23, 2003 order and directed Amedisys to further amend its complaint to remove the additional and modified factual allegations relating to JP Morgan.

Boston Regional Medical Center

On or about February 7, 2003, the Debtors commenced an adversary proceeding against Boston Regional Medical Center ("BRMC") seeking a turnover of a portion of a $3,900,000 settlement that was paid by the Debtors and has been held in escrow pending the approval of the settlement by the United States Bankruptcy Court for the District of Massachusetts, before which BRMC's bankruptcy is pending. The settlement was contingent upon several conditions, some of which the Debtors contend were not met, including BRMC obtaining an injunction pursuant to section 105 of the Bankruptcy Code barring all unasserted third party claims and the dismissal of all existing third party claims against, among other parties, the Debtors. The parties have filed dispositive motions, and the litigation is proceeding.

National Medical Care, Inc.

National Medical Care, Inc. ("NMC") commenced a case captioned *National Medical Care, Inc., et al. v. Home Medical of America, Inc., Homecare Concepts of America, Inc., NCFE, Kachina, Inc., Thor Capital Holdings, LLC, Chartwell Care Givers of New York, Lance K. Poulsen and Craig W. Porter*, Civ. Act. 00-1225-J (Sup. Ct. Mass., Middlesex County), as a result of a 1998 transaction under which Home Medical of America, Inc. ("HMA") acquired a division of NMC. The Debtors provided the financing for the acquisition. Disputes arose almost immediately, and in its lawsuit filed in 2000, NMC asserted a claim for approximately $40 million in damages against the Debtors and HMA for breach of contract with respect to the asset purchase agreement. Other claims against the Debtors and HMA include failure to pay two promissory notes, conversion and tortious interference. The plaintiffs also are seeking treble damages and attorneys' fees under a state law deceptive practices claim. The Debtors asserted various counterclaims against NMC, claiming that NMC misrepresented crucial information regarding the ability to collect the accounts receivable sold to the Debtors to finance the acquisition. Prior to the Petition Date, the Debtors interpled approximately $5.4 million in funds that represented the collections of receivables relating to services that were specifically excluded from the asset purchase agreement. NMC also diverted approximately $1.4 million of funds that the parties agreed related to services provided by HMA. Six summary judgment motions were fully briefed and argued prior to the Debtors' bankruptcy filing, and the matter had been set for trial in February 2003. The Bankruptcy Court granted NMC's motion to lift the stay for the limited purpose of having the Massachusetts court decide the six pending summary judgment motions. On or about September 5, 2003, the Massachusetts court denied the summary judgment motions. **On December 8, 2003, NMC filed another motion with the Bankruptcy Court to lift the stay to allow the Massachusetts litigation to proceed to trial. A preliminary hearing on this lift stay motion is scheduled for January 5, 2004.** Settlement discussions since the Petition Date have been unsuccessful.

Certain secured claims have been asserted against any recoveries by the Debtors from this litigation. Peabody & Arnold LLP ("Peabody & Arnold") initially represented the Debtors as counsel of record in this action and withdrew as counsel on November 15, 2002 because the Debtors had failed to pay outstanding legal fees.

Peabody & Arnold has asserted an attorneys' lien under Massachusetts law for the $419,147.24 in claimed unpaid legal fees. Holland & Knight LLP ("Holland & Knight"), which was counsel of record for the Debtors in this litigation from October 29, 2002 through November 15, 2002, is also asserting an attorneys' lien under Massachusetts law for claimed unpaid legal fees of $22,569.20. Both Peabody & Arnold and Holland & Knight have filed proofs of claim asserting these alleged secured claims in the Bankruptcy Cases.

California Litigation

The Debtors have an interest in the lawsuit captioned *NPI Medical Group, et al. v. State Compensation Insurance Fund*, Case No. BC 116099 (Sup. Court of Calif., County of Los Angeles) (the "California Litigation"). In the California Litigation, certain plaintiffs brought a suit in California state court alleging that certain California workers' compensation insurers conspired to force several medical groups and their medical management companies, including NPI Medical Group ("NPI"), out of business, as well as asserting various antitrust, RICO and other claims. The potential recovery in the suit has been estimated to be in excess of $200 million.

None of the Debtors is a party to the California Litigation. The Debtors, however, have an interest in this case as a result of the December 1999 plan of reorganization of a former healthcare provider client of the Debtors, Allegiant Physicians Group, Inc. ("Allegiant") and certain related parties. Allegiant and its wholly-owned subsidiary, NPI, filed for bankruptcy protection in 1996. Prior to Allegiant's bankruptcy filing, the Debtors had provided receivables funding for Allegiant and NPI. Pursuant to the Allegiant plan of reorganization, NPF Capital entered into a Litigation Control and Security Agreement and Assignment of Litigation Proceeds Agreement with Allegiant and NPI (collectively, the "Litigation Agreement"). Pursuant to the Litigation Agreement, NPF Capital agreed to lend to Allegiant an additional $500,000. As security for repayment of that sum, Allegiant and NPI granted NPF Capital a security interest in any recovery by Allegiant and NPI in the California Litigation. The Litigation Agreement also provided an allocation formula under which NPF Capital was entitled to a significant share of any proceeds of the California Litigation remaining after the repayment of the $500,000 loan and reimbursement of litigation expenses.

In connection with its plan of reorganization, in addition to the Litigation Agreement, Allegiant executed promissory notes to the Debtors with principal amounts aggregating approximately $13.5 million (the "Allegiant Notes") for the repayment of financing provided by the Debtors prior to Allegiant's bankruptcy case. Surgical Information Systems, LLC f/k/a SIS Acquisition, LLC ("SIS") and LocumTenens.com f/k/a LocumTenens Acquisition, LLC ("LT"), parties related to Allegiant, also executed secured promissory notes (the "SIS and LT Notes") to secure the repayment of financing provided by the Debtors. SIS and LT also guaranteed the payment of the Allegiant Notes, and Allegiant's principal, Richard L. Jackson, provided a personal guaranty of up to $500,000 to secure the Allegiant Notes.

Of the original defendants in the California Litigation, only Republic Insurance ~~remains~~**remained in October 2003.** The proceeds of the settlements with the other defendants totaled approximately $5.5 million, all of which have been used to pay litigation expenses. Early in these cases, in light of claims for prepetition litigation expenses of $3 million, and going-forward litigation expenses estimated at $100,000 per week, the Debtors sought to find alternative sources to fund the California Litigation. In May 2003, the Bankruptcy Court approved a settlement with Mr. Jackson and the Allegiant entities pursuant to which the Allegiant entities agreed to fund the California Litigation in exchange for a release of the Allegiant Notes and the SIS and LT Notes, as well as an assignment of 50% of the litigation proceeds to which the Debtors would have been entitled under the Litigation Agreement. After lengthy mediation on the eve of trial, **in October 2003,** Republic Insurance ~~has~~ agreed to pay the plaintiffs $37,500,000. Under the ~~proposed~~ settlement, **which was approved by the Bankruptcy Court and consummated in December, 2003,** the Debtors ~~will receive~~**received** $11,250,000 from the settlement proceeds in full settlement of all of the Debtors' rights under the Allegiant Notes and the agreements among the parties. Moreover, counsel to the plaintiffs ~~will be~~**were** paid in full and therefore ~~release a~~**released** claim of more than $3 million against certain Debtors. ~~The Bankruptcy Court has approved this settlement, subject to a further~~**A** hearing ~~on January 5,~~**is scheduled in the Bankruptcy Court for February 23,** 2004 to determine the proper allocation of the $11,250,000 in settlement proceeds among the Debtors' ~~estates~~**Estates**.

Litigation Against Third Parties Relating to the Collapse of the Debtors' Businesses

The collapse of the Debtors' businesses has led to the filing of numerous lawsuits against third parties seeking to hold such parties financially responsible for the massive losses suffered by the Debtors' investors. These

lawsuits are described below. Defendants in these lawsuits include, among others, the founders and other directors of the Debtors, the Indenture Trustees, the Debtors' prepetition accounting and law firms and the placement agents and underwriters involved in the issuance of the NPF VI Notes and the NPF XII Notes. The ~~Litigation Trusts~~**Unencumbered Assets Trust** also will be pursuing claims against many of these same defendants, and the recoveries of the ~~Litigation Trusts~~**Unencumbered Assets Trust** may be affected by the results of these lawsuits because of the limited resources of some of these defendants. None of these actions has yet proceeded to trial or settled, and the outcome of these lawsuits cannot be predicted with any accuracy.

Actions Commenced by or on Behalf of Noteholders

- City of Chandler, *et al.* v. Bank One, N.A., *et al.*, No. 03-cv-1220 (D. Ariz.). This action was filed on May 23, 2003 in Arizona state court by more than 190 plaintiffs holding NPF VI Notes and NPF XII Notes. This action was removed to the United States District Court for the District of Arizona on June 27, 2003. Gibbs & Bruns represents the plaintiffs in this action.
- State of Arizona, *et al.* v. Credit Suisse First Boston Corp., *et al.*, No. 03-cv-1618 (D. Ariz). This action was filed on July 21, 2003 in Arizona state court by the State of Arizona, nine other Arizona governmental entities and 20 other plaintiffs holding NPF VI Notes and NPF XII Notes. This action was removed to the United States District Court for the District of Arizona on August 21, 2003. Gibbs & Bruns represents the plaintiffs in this action.
- Crown Cork & Seal Company, Inc., *et al.* V. Credit Suisse First Boston Corp., *et al.*, District Court Case Number Still Pending (D. Ariz.). This action was filed on October 9, 2003, by certain holders of NPF VI Notes and NPF XII Notes. This action was removed to the United States District Court for the District of Arizona on October 27, 2003. Gibbs &Bruns represents the plaintiffs in this action and has requested consolidation of the three actions it has filed in Arizona.
- Metropolitan Life Insurance Co., *et. al.* v. Bank One, N.A., *et al.*, No. 03-cv-1883 (D.N.J.). This action was filed on April 28, 2003 in the United States District Court for the District of New Jersey by certain holders of NPF XII Notes.
- Lloyds TSB Bank, PLC v. Bank One, N.A., *et al*, No. 03-cv-2784 (D.N.J.). This action was filed on June 9, 2003 in the United States District Court for the District of New Jersey by Lloyds, a holder of NPF XII Notes.
- ING Bank N.V. v. J.P. Morgan Chase Bank, *et al.*, No. 03-cv-7396 (S.D.N.Y.). This action was filed by ING in the United States District Court for the Southern District of New York on September 22, 2003. ING has asserted claims in excess of $400 million under a variable funding note issued by NPF VI.
- Bank One N.A. v. Poulsen, *et al.*, No. C2-03-394 (S.D. Ohio). This action was filed in the United States District Court for the Southern District of Ohio on April 30, 2003 by Bank One, as Indenture Trustee on behalf of the NPF XII Noteholders. The district court has granted Bank One's motion to stay this proceeding while a successor Indenture Trustee is chosen.

~~Although the allegations and defendants in each of these lawsuits differ, all~~**All** of the actions are based on allegations that the Debtors implemented a scheme to defraud the Debtors' investors. The lawsuits allege that the Debtors violated the NPF VI Indenture and the NPF XII Indenture by failing to maintain adequate Restricted SPV Funds and by advancing funds to many of the Debtors' healthcare provider clients in excess of the amount of eligible receivables generated by such providers, and that the Debtors falsified their financial statements to hide these activities from their investors. The lawsuits also allege that the Debtors' founders had equity interests in many of these overfunded providers. In addition, the lawsuits state that certain of the defendants were actively involved with, or at a minimum failed to prevent, these activities.

Actions Commenced by Equity Holders of NCFE

- Parrett v. Bank One, N.A. *et. al.*, No. 03-cv-541 (D. Ariz.). This action was filed in Arizona state court on February 11, 2003 by Rebecca Parrett, a founding shareholder of NCFE and a former officer and director of the Debtors, seeking over $50 million in alleged losses based on a decline in the value of the common stock of NCFE. In her complaint, Ms. Parrett alleges that the Debtors were engaged in a vast fraudulent scheme in which funds were advanced to certain healthcare providers in excess of the amounts of accounts receivable being generated and that inadequate funds were maintained in the Restricted SPV Funds. Ms. Parrett claims

that each defendant injured her by permitting the Debtors' activities to occur. This lawsuit was removed to the United States District Court for the District of Arizona on March 30, 2003.

- Pharos Capital Partners, L.P. v. Deloitte & Touche, L.L.P., *et al.*, No. C2-03-362 (S.D. Ohio). This action was filed in Ohio state court on March 14, 2003 by Pharos Capital Partners, L.P. ("Pharos"), an investor in $12 million of preferred stock issued by NCFB. Pharos alleges that it was misled by private placement materials, financial statements and other information on which it relied in making an investment in the Debtors. The lawsuit was removed to the United States District Court for the Southern District of Ohio on April 23, 2003.

~~**Motions to Dismiss the Debtors' Chapter 11 Cases**~~

~~On December 17, 2002, DCHC filed a motion to dismiss the Bankruptcy Cases of NPF VI and NPF XII. Identical motions were filed immediately thereafter by a number of other medical providers. The motions to dismiss allege that NPF VI and NPF XII did not have proper authority from their respective boards of directors to file petitions for relief under chapter 11 of the Bankruptcy Code, and that such filings were in contravention of the articles of incorporation of NPF VI and NPF XII, respectively. On January 17, 2003, the Debtors, the Creditors' Committee and the Subcommittees filed their responses to the motions to dismiss. Subsequently, all moving parties withdrew their request for a hearing on the motions to dismiss in connection with the standstill agreements applicable to the True Sale~~

Proceedings Before the Multi-District Litigation Panel

Certain of the named defendants in the suits described above, including the Former Directors, Bank One, JP Morgan, CSFB, Deloitte & Touche and PricewaterhouseCoopers LLP, moved to centralize these actions in the United States District Court for the Southern District of Ohio (the "Southern Ohio District Court"). On November 13, 2003, the Judicial Panel on Multidistrict Litigation (the "JPML") transferred the following cases to the Southern Ohio District Court: Parrett, City of Chandler, Mahoney, et al. v. Andrews, et al., C.A. No. 3:03-467 (M.D. Fla.), Metropolitan Life Ins. Co. and Lloyds. As indicated above, the Pharos Capital Partners and Bank One cases already pending in the Southern Ohio District Court. In addition, The JPML stated in the transfer order that at least four other pending cases in Arizona, Florida, Louisiana and New York may potentially tag-along to the Southern Ohio District Court.

On December 18, 2003, Judge Graham of the Southern District of Ohio held a status conference on these cases (the "MDL Cases"). During that status conference, the Court requested that the parties consider whether the Mahoney case should be transferred back to the Middle District of Florida as potentially unrelated to the remaining MDL cases. The court also set certain deadlines relating to jurisdictional discovery and the briefing of substantive motions to dismiss.

Potential Avoidance and Recovery Actions

Pursuant to section 547 of the Bankruptcy Code, the Debtors may seek to recover as preferential transfers, through adversary proceedings, certain transfers of the Debtors' property, including cash payments, made while the Debtors were insolvent during the 90 days immediately before the Petition Date. In the case of a transfer to an "insider" (as that term is defined in the Bankruptcy Code), the avoidance action may reach back one year prior to the Petition Date. To avoid such transfers, the Debtors must demonstrate, among other things, that the transfer was for or on account of an antecedent debt and the transfer allowed the transferee to receive more than the transferee would receive in a chapter 7 liquidation.

The Bankruptcy Code's preference provisions broadly allow the Debtors to avoid transfers whether or not there was any impropriety, unless a statutory defense, such as a transfer made in the ordinary course of business or a contemporaneous exchange for value, applies. Preference avoidance actions must be commenced within two years after the Petition Date.

Under the Bankruptcy Code and various state laws, the Debtors also may recover or set aside as "fraudulent" transfers certain transfers of property, including grants of security interests in the Debtors' property, made while the Debtors were insolvent or that rendered the Debtors insolvent, to the extent that: (i) the Debtors

received less than reasonably equivalent value for such transfer; or (ii) the Debtors made the transfer with actual intent to hinder, delay or defraud any entity to which the Debtors were or became indebted.

The Plan provides for all potential preferences and fraudulent transfer actions to be investigated and, to the extent determined to be actionable and material, to be pursued by the Debtors or the applicable Trusts. The Debtors have commenced such an investigation, and with the assistance of their special litigation counsel, Gibbs & Bruns, and restructuring advisors, factual information is being gathered and reviewed.

In the event that the Debtors or the applicable Trusts prevail on certain of the potential avoidance actions, substantial funds may be recovered for their Estates. However, the Debtors cannot predict the outcome of these avoidance actions, nor the amounts that may be realized from recoveries on judgments or settlements.

Governmental Investigations

As discussed above, on November 16, 2002, two days prior to the Petition Date, the FBI executed a search warrant at the Debtors' headquarters in Dublin, Ohio and removed, among other things, substantially all of the Debtors' business records and documentation. These documents were removed to a warehouse, where the Debtors have been given limited access to copy certain documents necessary for the Debtors' business operations and to otherwise liquidate the Debtors' remaining assets. The United States Department of Justice and the SEC have joined in this investigation. The Debtors have cooperated fully with the investigation.

Guilty ~~Plea~~Pleas of Sherry L. Gibson and Brian J. Stucke

On August 18, 2003, Sherry L. Gibson ("Gibson"), a former executive of the Debtors, entered a plea of guilty in the United States District Court for the Southern District of Ohio to a charge of conspiracy to commit securities fraud. The criminal charge was brought based upon information recovered from the documents seized by the FBI during the raid of the Debtors' headquarters in November 2002. Gibson held various management and executive positions with the Debtors ~~through the years~~, including Executive Vice President for Compliance between 1999 and November 2002. In this position, she was responsible for the issuance of monthly investor reports to the Indenture Trustees and to investment rating companies. In her plea, Gibson admitted that, beginning in 1995, she prepared or directed others to prepare investor reports containing false financial information~~, thereby defrauding~~. Ms. Gibson further admitted that these actions defrauded investors in the ~~NPF VI Notes and the NPF XII~~ Notes. Gibson has not yet been sentenced in connection with her guilty plea, but she faces a potential prison term of five years and a $250,000 fine. Also on August 18, 2003, the SEC filed a civil injunctive action against Gibson in the United States District Court for the Southern District of Ohio alleging that ~~she~~Gibson participated in a scheme to defraud investors in the ~~NPF VI Notes and the NPF XII~~ Notes. Gibson has since entered into an agreement with the SEC ~~by which~~whereby she ~~has~~ agreed to fully cooperate with the SEC and has consented to a permanent injunction prohibiting her from ~~violating the federal securities laws. This agreement bars her from~~, among other things, serving as an officer or director of a public company and subjecting her to monetary fines to be determined at a later date.

On December 8, 2003, Brian J. Stucke ("Stucke") entered a plea of guilty in the United States District Court for the Southern District of Ohio to a charge of conspiracy to commit securities fraud. Stucke held various positions with the Debtors, including Director of the Debtors' Compliance Department between July 15, 1999 and July 26, 2000. In this position, he was responsible for the issuance of monthly investor reports to the Indenture Trustees and to investment rating companies. In his plea, Stucke admitted that, beginning no later than July 15, 1999, with guidance and direction from other executives and owners of the Debtors, he prepared or directed others to prepare investor reports containing false financial information. Stucke further admitted that these actions defrauded investors in the Notes. Stucke has not yet been sentenced in connection with his guilty plea, but he also faces a potential prison term of five years and a $250,000 fine. In addition, the SEC filed a civil injunctive action against Stucke alleging that Stucke participated in a scheme to defraud investors in the Notes. Stucke has since entered into an agreement with the SEC whereby he agreed to fully cooperate with the SEC and has consented to a permanent injunction prohibiting him from, among other things, serving as an officer or director of a public company and ~~subjects~~subjecting ~~her~~him to monetary fines to be determined at a later date.

CREDITOR NEGOTIATIONS AND PROPOSED SETTLEMENTS EMBODIED IN THE PLAN

Settlements Generally

Pursuant to Bankruptcy Rule 9019, the Plan constitutes a good faith proposed compromise and settlement of certain claims, demands, rights and causes of actions that may be asserted by or against the Debtors and their respective Estates. In particular, the Plan sets forth a proposed compromise and settlement of all Claims asserted against the Debtors and would implement the proposed settlement described below of the Intercompany Claims between NPF VI and NPF XII.

NPF VI and NPF XII Settlement

On September 26, 2003, the Debtors filed a motion, pursuant to Bankruptcy Rule 9019, for approval of a compromise and settlement of the Intercompany Claims between NPF VI and NPF XII (the "Original Intercompany Settlement"). A description of the Claims between NPF VI and NPF XII and the efforts undertaken by the Debtors and their creditor constituencies to resolve those Claims is set forth below. As a result of these efforts, the Debtors and the other Plan Proponents reached agreement on certain modifications to the Original Intercompany Settlement that resulted in an amended settlement (the "Amended Intercompany Settlement").

The Restricted SPV Accounts

NPF VI and NPF XII each were established as special purpose vehicles to issue bonds to finance the Debtors' healthcare accounts receivable financing programs. Under the terms of the NPF VI Indenture, JP Morgan maintained collection, purchase, equity reserve, offset reserve and credit reserve accounts (collectively, the "NPF VI Restricted SPV Accounts") in connection with NPF VI's health care accounts receivable financing program. Similarly, under the terms of the NPF XII Indenture, Bank One maintained collection, purchase, equity reserve, offset reserve and credit reserve accounts (collectively, the "NPF XII Restricted SPV Accounts") in connection with NPF XII's health care accounts receivable financing program.

JP Morgan and Bank One were granted first priority security interests in, among other assets, the NPF VI Restricted SPV Accounts and the NPF XII Restricted SPV Accounts, respectively, to secure the obligations under the NPF VI Notes and the NPF XII Notes, respectively. Pursuant to the indentures and the related sales and subservicing agreements with healthcare providers, NPF VI and NPF XII were required to maintain cash in the respective equity reserve, offset reserve and credit reserve accounts (collectively, the "Reserve Accounts") equal to an aggregate of 17% of the outstanding value of the accounts receivable purchased from the providers (such requirements being referred to as the "Minimum Reserve Requirements").

Prepetition Transactions Involving the Restricted SPV Accounts

For a substantial period prior to the Petition Date, NPF VI and NPF XII had insufficient funds in the aggregate in their respective Reserve Accounts to meet ~~all~~**their** Minimum Reserve Requirements. To avoid the declaration of a Minimum Reserve Requirements default on the test date under the Indentures, NPF VI and NPF XII, on a monthly or more frequent basis, transferred funds between their respective Reserve Accounts ~~with no corresponding acquisition of accounts receivable associated with those transfers~~**pursuant to** transactions that all parties concede were impermissible under the respective indentures.

At the request of the Creditors' Committee and the Subcommittees, FTI, financial advisor to the Creditors' Committee, conducted an analysis of the scope and amount of the cash transfers between the NPF VI and NPF XII Reserve Accounts prior to the Petition Date. FTI's analysis indicated that, in the aggregate, there were more than $8 billion of such transactions during the four years prior to the Petition Date, and a net of approximately $314 million was transferred from the NPF XII Reserve Accounts to the NPF VI Reserve Accounts during that period. **During the year prior to the Petition Date, however, there were net transfers from the NPF VI Reserve Accounts to the NPF XII Reserve Accounts in excess of $100 million.** FTI's analysis also indicated that the last significant group of such transfers, in the aggregate amount of approximately $122 million, was made by NPF XII to NPF VI on September 30, 2002. ~~In large part as a result of the intercompany transfers, on~~**On** the Petition Date, approximately $124.6 million was in the NPF VI Reserve Accounts and approximately $10 million was in the NPF XII Reserve Accounts. In addition, on

the Petition Date, there was approximately $11 million in the NPF VI collection and purchase accounts and there was approximately $43 million in the NPF XII collection and purchase accounts.

In addition to addressing the issues created by the intercompany transfers described above, the Intercompany Settlement also addresses two ~~extraordinary~~**significant** prepetition transactions with third parties. In early November 2002, NPF VI made a $43,132,760.07 principal payment to ING, the largest NPF VI Noteholder, from available funds in the NPF VI Restricted SPV Accounts. In September 2002, NPF XII made $75 million in note principal payments to CSFB from available funds in the NPF XII Restricted SPV Accounts.

As of August 1, 2003, the NPF VI Restricted SPV Accounts held approximately $139.1 million, and the NPF XII Restricted SPV Accounts held approximately $73.9 million. These amounts include funds collected since the Petition Date on purchased accounts receivable and in provider buyout transactions. An additional $5 million obtained from the sale of the Debtors' claims against Medshares, Inc. and its affiliates has been placed in escrow pending a determination of the entitlement to such funds as between NPF VI and NPF XII**. In addition, both NPF VI and NPF XII have reserved their respective rights to assert claims for various sums that have been deposited in other NPF VI and NPF XII accounts**.

Negotiations Regarding the Intercompany Claims Between NPF VI and NPF XII

Because of the significant transfers of cash and other consideration between them, both NPF VI and NPF XII have substantial potential claims against each other. In light of the factual backdrop, the Debtors, the Creditors' Committee and the Subcommittees recognized soon after the commencement of these cases that resolution of the intercompany claims between NPF VI and NPF XII was a threshold matter to develop a viable plan of liquidation for the Debtors and to allocate one of the most significant assets in these estates — the more than $200 million in Restricted SPV Funds. Accordingly, the Debtors and their creditor constituencies engaged in extensive discussions, over the course of several months, to attempt to resolve the Intercompany Claims between NPF VI and NPF XII.

These discussions were accelerated as a result of the motion by the Moving XII Noteholders seeking to terminate the Debtors' Exclusive Periods or to convert the Bankruptcy Cases to cases under chapter 7 of the Bankruptcy Code. See "Operations During the Bankruptcy Cases — Commencement of Liquidation Cases and Related Case Administration Activities — Extensions of the Exclusive Periods to File a Plan and Solicit Acceptances Thereof." Pursuant to the Exclusivity Stipulation entered into with the Moving XII Noteholders, the Debtors agreed that, unless they filed a plan of liquidation on or prior to September 15, 2003, exclusivity would be terminated. Given this timetable, the Debtors, the Creditors' Committee and the Subcommittees engaged in a series of discussions regarding the NPF VI and NPF XII Intercompany Claims and other plan issues in August and early September 2003.

These discussions focused on the allocation of the Restricted SPV Funds and the other assets of NPF VI and NPF XII between the holders of NPF VI Notes and NPF XII Notes. The primary issues discussed included the following:

- Amount and Nature of Intercompany Claims. Based on the FTI analysis, the NPF XII Subcommittee asserted that the NPF XII Estate holds a net Intercompany Claim against NPF VI of more than $300 million. The NPF XII Subcommittee also asserted that, since the vast majority if not all of the prepetition intercompany transfers were not made in exchange for reasonably equivalent value, NPF XII's Estate holds a net fraudulent transfer Claim against NPF VI of more than $300 million. The NPF VI Subcommittee disputed both of these assertions**, and has asserted that NPF VI has preference claims against NPF XII in excess of $100 million based on the net transfers during the one-year insider preference period preceding the Petition Date**.
- Remedies to Recover on Intercompany Claims. The Debtors have considered several possible remedies that, absent settlement, might be employed by NPF XII's Estate to recover on its asserted Intercompany Claims against NPF VI, above and beyond the recovery to which NPF XII would be entitled as the holder of an unsecured Intercompany Claim. These potential remedies include: impression of a constructive trust on a portion or all of the funds held in the NPF VI Reserve Accounts; the assertion of fraudulent transfer Claims against NPF VI and, possibly, certain holders of NPF VI Notes; challenges to and subordination of the security interest held by JP Morgan; and equitable subordination of JP Morgan's claims against NPF VI

to the Intercompany Claim of NPF XII. The NPF XII Subcommittee asserted that one or more of these remedies could be invoked to recover most of the funds in the NPF VI Reserve Accounts, as well as the November 2002 payment made to ING. The NPF VI Subcommittee vigorously disputed these asserted claims and remedies. The NPF VI Subcommittee based its assertion on, among other things, the disfavor of constructive trusts in bankruptcy under Sixth Circuit caselaw. In addition, the NPF VI Subcommittee asserted that NPF XII would have at most an unsecured Claim for any prepetition fraudulent transfers, and that NPF XII and the NPF XII Subcommittee (and all other parties) have waived their rights to challenge or subordinate JP Morgan's security interests under the cash collateral orders approved in these cases.

- Substantive Consolidation. In connection with their motion to terminate the Debtors' Exclusive Periods, the Moving XII Noteholders proposed a plan of liquidation under which the Debtors' estates would be substantively consolidated and the vast majority of the proceeds of available assets of the Debtors (including the Restricted SPV Funds) would be distributed pro rata, based on outstanding principal amounts, to the holders of NPF VI Notes and NPF XII Notes. This plan was proposed on the apparent premise that, in light of the Debtors' prepetition disregard of multiple provisions of the indentures, including the limitations against intercompany transactions, the most equitable outcome of these cases would be a pro rata distribution of the available assets. The NPF VI Subcommittee and the NPF XII Subcommittee have asserted that substantive consolidation of NPF VI and NPF XII is inappropriate given the facts of these cases (including the fact that NPF VI and NPF XII were held out publicly to creditors as separate entities), and, in light of the Indenture Trustees' security interests, substantive consolidation would not necessarily result in a pro rata distribution of assets in any event.

- Distribution of Other Available Assets of NPF VI and NPF XII. The Debtors considered possible allocations among the holders of NPF VI Notes and NPF XII Notes of the proceeds of other available assets of NPF VI and NPF XII, including, among other things, claims against providers and litigation claims against other third parties. In their negotiations, the parties discussed the difficulties, delay and expense that would be associated with a case-by-case determination of the entitlement of NPF VI Noteholders, NPF XII Noteholders or both to these proceeds.

- ING Principal Payment. ING indicated that it was willing, in the event that a satisfactory compromise could be reached on other plan issues, to return the $43.1 million received from NPF VI in November 2002, likely as a preferential transfer, to NPF VI's estate in connection with the consummation of a plan of liquidation. The NPF XII Subcommittee has asserted that NPF XII's estate may have a cause of action to recover this amount from ING as a subsequent transferee of a fraudulent transfer from NPF XII to NPF VI.

- CSFB Principal Payment. The Debtors considered whether the holders of NPF XII Notes alone, or the holders of both NPF VI Notes and NPF XII Notes, should receive the proceeds of the avoidance action that is likely to be brought against CSFB in respect of the $75 million in principal payments received by CSFB from NPF XII in September 2002.

Given FTI's conclusion that net prepetition transfers of more than $300 million were made from the NPF XII Reserve Accounts to the NPF VI Reserve Accounts, the Debtors' consideration of a possible settlement structure in their discussions with the Subcommittees centered on: (a) the transfer of an appropriate amount of the NPF VI Restricted SPV Funds (after receipt of the ING repayment) to an account for distribution to NPF XII Noteholders, to take into account the value of NPF XII's disputed Intercompany Claims against NPF VI; and (b) a pro rata distribution of the proceeds of the other available assets of NPF VI and NPF XII. During the Debtors' discussions of these issues with the Subcommittees, David Coles, in his capacity as President and Chief Executive Officer of NPF VI and NPF XII, considered the proposals exchanged by the Subcommittees on what they thought reasonable settlements of the Intercompany Claims would be.

Ultimately, the Subcommittees succeeded in narrowing the differences between what they thought would be a reasonable settlement, such that a relatively small economic gap remained between the final recommendations of the two Subcommittees. In early September 2003, Mr. Coles, in his capacity as the President and Chief Executive Officer of NPF VI and NPF XII, decided on a settlement of the Intercompany Claims between NPF VI and NPF XII and reached a related agreement with ING on the claims the Debtors may have with respect to the $43.1 million payment ING received in early November 2002 based on the settlement of the claims between NPF VI and NPF XII. The Debtors filed the original Plan on September 15, 2003, in accordance with the timetable established in the Exclusivity Stipulation, which reflects the Original Intercompany Settlement, and filed a motion seeking approval of the Original Intercompany Settlement with the Bankruptcy Court on September 26, 2003. On November 3, 2003, the Debtors filed a

supplement to the motion with a copy of the settlement agreement between NPF VI and NPF XII memorializing the Original Intercompany Settlement.

Retention of Special Litigation Counsel by the NPF XII Subcommittee and Discovery

After Mr. Coles proposal of the Original Intercompany Settlement, the NPF XII Subcommittee indicated to the Debtors that it did not support the settlement. The Debtors' motion to approve the Original Intercompany Settlement pursuant to Bankruptcy Rule 9019 (the "Settlement Motion") originally was scheduled for hearing on October 22, 2003. The NPF XII Subcommittee requested, and the Debtors agreed, to delay the hearing on the Settlement Motion to allow the NPF XII Subcommittee additional time to investigate and conduct limited discovery regarding the Original Intercompany Settlement. In addition, on October 1, 2003, the NPF XII Subcommittee filed an application to retain the Los Angeles firm of Klee, Tuchin, Bogdanoff & Stern LLP ("Klee Tuchin") as special litigation counsel to conduct discovery regarding the Intercompany Claims between NPF VI and NPF XII. The Debtors and the NPF VI Subcommittee both filed objections to the NPF XII Subcommittee's retention of Klee Tuchin. The parties reached an agreement to allow the NPF XII Subcommittee to retain Klee Tuchin for the limited purpose of conducting discovery with respect to the Intercompany Settlement and, in the event the Debtors agree in writing or an order of the Bankruptcy Court grants standing on behalf of the NPF XII Subcommittee, to pursue any litigation arising out of the Settlement Motion. Following the approval of its retention, Klee Tuchin and counsel to the NPF VI Subcommittee, the Debtors and Bank One engaged in discovery concerning the Original Intercompany Settlement. A hearing on approval of the Settlement Motion was scheduled for December 1, 2003.

Further Negotiations Among the Subcommittees

While discovery was proceeding on the Settlement Motion, discussions among the Debtors, the Subcommittees and certain other parties in interest, including MetLife and Lloyds, continued with respect to the revisions that would be necessary to make the Original Intercompany Settlement acceptable to the NPF XII Subcommittee. After extensive negotiations, the parties were able to reach agreement on the terms of the Amended Intercompany Settlement. The Debtors agreed to withdraw the Settlement Motion and to file amended versions of the Plan and the Disclosure Statement that incorporated these terms.

Description of the Amended Intercompany Settlement

The Amended Intercompany Settlement includes the following terms:

- ING Payment. On the Effective Date, ING will transfer $43,132,760.07 to the NPF VI Restricted SPV Accounts.

- NPF VI Cash Transfer. On the Effective Date, NPF VI will transfer $72,800,000 (the "NPF VI Cash Transfer") from the NPF VI Restricted SPV Accounts to an account for the benefit of holders of NPF XII Notes (the "Cash Transfer Account"). Prior to the Effective Date, NPF XII will notify NPF VI of the information needed to identify such account and to make such NPF VI Cash Transfer. The Cash Transfer Account and all amounts therein shall be subject to the liens and security interests of the then designated indenture trustee under the NPF XII Indenture, or any successor thereto.

- NPF VI Additional Cash Transfer. On the Effective Date, NPF VI will transfer to the Cash Transfer Account $6,500,000 (the "Additional Cash Transfer") of funds that would otherwise be distributed to holders of NPF VI Noteholder Claims on the Effective Date pursuant to the Plan and the Settlement Agreement. The source of the Additional Cash Transfer shall be designated by the NPF VI Subcommittee prior to the hearing on confirmation of the Plan. To the extent that the Additional Cash Transfer comes from a source that would be shared by the holders of NPF VI Notes and NPF XII Notes under the terms of the Plan and the Settlement Agreement, no amounts that otherwise would be allocable to the holders of NPF XII Notes or other creditors shall be counted toward the $6,500,000 Additional Cash Transfer required under the Amended Intercompany Settlement.

- Distribution to Holders of NPF VI Notes. On the Effective Date, the holders of NPF VI Notes will receive a Pro Rata distribution (the "Initial NPF VI Distribution") of an amount equal to the sum of: (i) the amount of the funds in the NPF VI Restricted SPV Accounts as of September 15, 2003, and interest and income accrued thereon through the Effective Date (collectively, the "September 15 NPF VI Funds"); plus (ii) the amount of the ING Payment; plus (iii) the amount of the proceeds of the Medshares Escrow Account; minus (iv) the amount of the NPF VI Cash Transfer; minus (v) the amount of the Additional Cash Transfer (to the extent that the source of such transfer is the September 15 NPF VI Funds, the ING Payment or the Medshares Escrow Amount); minus (vi) the NPF VI Percentage of the ~~holdbacks~~**holdback** for funding the ~~litigation trusts and liquidation trusts provided for in the Plan~~**VI/XII Collateral Trust**; minus (vii) the portion of the September 15 NPF VI Funds that has been withdrawn after September 15, 2003 but prior to the Effective Date from the NPF VI Restricted SPV Funds under the terms of the cash collateral orders entered from time to time by the Bankruptcy Court (the "Cash Collateral Orders"); **minus (viii) the amount, if any, of the Cash Collateral Adjustment; minus (ix) the amount of the proceeds used to fund the Amedisys Escrow.**

- Distribution to Holders of NPF XII Notes. On the Effective Date, the holders of NPF XII Notes will receive a Pro Rata distribution (the "Initial NPF XII Distributions" and, together with the Initial NPF VI Distribution, the "Initial Distribution") of an amount equal to the sum of: (i) the amount of funds in the NPF XII Restricted SPV Accounts as of September 15, 2003, and interest and income accrued thereon through the Effective Date (collectively, the "September 15 NPF XII Funds"); plus (ii) the NPF VI Cash Transfer; plus (iii) the Additional Cash Transfer; **plus (iv) the amount, if any, of the Cash Collateral Adjustment;** minus (~~iv~~**v**) the NPF XII Percentage of the ~~holdbacks~~**holdback** for funding the ~~litigation trusts and liquidation trusts provided for in the Plan~~**VI/XII Collateral Trust**; minus (~~v~~**vi**) ~~the portion of the September 15 NPF XII Funds that has been withdrawn after September 15, 2003 but prior to the Effective Date from the NPF XII~~**CSFB Claims Trust** Restricted SPV Funds ~~under the terms of the Cash Collateral Orders~~**Holdback**.

- Cash Collateral Usage After September 15, 2003. Any cash collateral amount withdrawn from an NPF VI Restricted SPV Account ~~or an NPF XII Restricted SPV Account~~ after September 15, 2003 shall be deemed to constitute September 15 NPF VI Funds ~~or September 15 NPF XII Funds (in each instance being referred to as "September 15 Funds"), as the case may be,~~ until all of the September 15 **NPF VI** Funds in the account have been withdrawn. The amounts of the Initial Distributions shall be adjusted **by the amount of the Cash Collateral Adjustments** to take into account the withdrawal prior to the Effective Date of any funds from the NPF VI Restricted SPV Accounts ~~or the NPF XII Restricted SPV Accounts~~ that are not September 15 **NPF VI** Funds, consistent with the requirements of the Intercompany Settlement Agreement.

- ~~NPF VI Initial Restricted SPV Funds Distribution. On the Effective Date, the NPF VI Class A Noteholders will receive a Pro Rata distribution of (i) the funds in the NPF VI Restricted SPV Accounts as of September 15, 2003, and interest and income accrued thereon through the Effective Date (collectively, the "September 15 NPF VI Funds"), plus (ii) the ING Payment, plus (iii) the proceeds of the Debtors' settlement with Medshares, Inc. currently held in escrow, minus (iv) the NPF VI Cash Transfer, minus (v) the amount of the Additional Cash Transfer (to the extent that the source of such transfer is the September 15 NPF VI Funds, the ING Payment or the Medshares Escrow Account); minus (vi) the NPF VI Percentage of the holdbacks provided for in the Plan, minus (vii) the portion of NPF VI September 15 Funds that has been withdrawn after September 15, 2003 but prior to the Effective Date from the NPF VI Restricted SPV Funds pursuant to the Cash Collateral Orders.~~

- ~~NPF XII Initial Restricted SPV Funds Distributions. On the Effective Date, the NPF XII Noteholders will receive a Pro Rata distribution of (i) the funds in the NPF XII Restricted SPV Accounts as of September 15, 2003, and interest and income accrued thereon through the Effective Date (the "NPF XII September 15 Funds"), plus (ii) the NPF VI Cash Transfer, plus (iii) the Additional Cash Transfer, minus (iv) the NPF XII Percentage of the holdbacks provided for in the Plan, minus (v) the portion of NPF XII September 15 Funds that has been withdrawn after~~

~~September 15, 2003 but prior to the Effective Date from the NPF XII Restricted SPV Funds pursuant to the Cash Collateral Orders.~~

- Transfers Free of Liens of NPF VI Indenture Trustee. ~~Both~~**The Plan must provide that both** the NPF VI Cash Transfer and the Additional Cash Transfer shall be free and clear of all liens, claims, encumbrances and interests, except as may arise under the terms of the Intercompany Settlement Agreement, including without limitation free and clear of the liens and security interests of JP Morgan or any successor indenture trustee under the NPF VI Indenture.

- NPF XII Retention of Claims Against CSFB. NPF XII will retain and be entitled to prosecute, for the sole benefit of the NPF XII Noteholders any and all claims, as defined in section 101 of the Bankruptcy Code, arising under chapter 5 of the Bankruptcy Code and other applicable law to avoid and recover the $75 million in principal payments and related payments of fees and interest made by or on account of NPF XII in September and October of 2002 to CSFB. Such claims, if not liquidated and received prior to Effective Date, shall be transferred to a litigation trust established for the sole benefit of NPF XII Noteholder Claims for prosecution, recovery and distribution in accordance with the terms of the Plan and such litigation trust.

- Distribution of Other Pre-Effective Date Recoveries. After the transfers described above and except for NPF XII's retention of Claims against CSFB, any and all cash proceeds of the property interests and other rights of NPF VI and NPF XII liquidated and received after September 15, 2003 but before the Effective Date shall be distributed to the holders of NPF VI Notes and NPF XII Notes collectively on a Pro Rata basis.

- NPF VI and NPF XII Releases. NPF VI and NPF XII will mutually release any and all claims against one another, including claims relating to any intercompany transfers between NPF VI and NPF XII; provided, however, that the releases will not apply to claims: (a) against NPF VI's or NPF XII's present or former shareholders, creditors, directors, officers, employees, agents, representatives, legal advisors, consultants, professionals or affiliates or any other person or entity other than NPF VI or NPF XII; or (b) arising under the Intercompany Settlement. In addition, NPF VI and NPF XII will release the directors and officers of NPF VI and NPF XII identified on Annex B to the Intercompany Settlement Agreement serving in such capacities as of the date of the Amended Intercompany Settlement from any and all claims arising from the Amended Intercompany Settlement and the transactions contemplated thereby. The mutual releases by NPF VI and NPF XII will extend to any and all claims held by NPF VI against NPF XII, and vice versa.

- ING Releases. In exchange for the ING Payment, NPF VI and NPF XII will release ING from any and all claims relating to the $43,132,760.07 principal payment received by ING from NPF VI in November 2002.

- ~~Condition~~**Conditions** Precedent to Settlement. The Amended Intercompany Settlement between NPF VI and NPF XII is subject to the ~~condition~~**conditions** precedent that**: (a)** the Bankruptcy Court shall have entered ~~one or more orders~~**an order** (in form and substance reasonably satisfactory to NPF VI and NPF XII) confirming the Plan and approving the Amended Intercompany Settlement and that such order or orders shall become final and nonappealable**; and (b) the Effective Date shall have occurred**.

Noteholder Deficiency Claim Settlement

As described above, the Plan constitutes a good faith proposed compromise and settlement of certain claims and causes of action that have been or may be asserted by or against the Debtors and their respective Estates. In drafting the Plan in consultation with their respective creditor constituencies, the Debtors considered the numerous Claims and Interests that had been asserted against the Debtors to determine the most appropriate structure for the Plan. Most significant to this analysis were the Claims filed by the Indenture Trustees, on behalf of the NPF VI Noteholders and NPF XII Noteholders, aggregating approximately $3 billion directly against each of the Debtors, alleging that they each participated in a scheme to defraud the Noteholders in order to fund the operations of all of the Debtors. In particular, the Indenture Trustees assert that the NCFE Consolidated Debtors

each were beneficiaries of improper transfers of funds from NPF VI and NPF XII. As a result of these and other facts, the Indenture Trustees have asserted direct claims against each of the Debtors on such theories as conspiracy, fraud, misrepresentation, unjust enrichment, constructive trust, breach of contractual or fiduciary duties, breach of implied covenants of good faith and fair dealing and securities fraud. Individual Noteholders have asserted similar Claims. In addition, under similar theories, NPF VI and NPF XII have potentially billions of dollars in claims against each of the NCFE Consolidated Debtors. Because these Claims constitute the overwhelming majority of the General Unsecured Claims of any particular Debtor, the Debtors determined that it would be appropriate to settle these Claims pursuant to the terms of the Plan. Accordingly, the Plan includes a settlement of the claims and causes of action among NPF VI, NPF XII, the NCFE Consolidated Debtors and their respective creditors, pursuant to the Noteholder Deficiency Claim Settlement.

The key provisions of the Noteholder Deficiency Claim Settlement, as implemented by the Plan, are as follows:

- The Debtors shall assign and transfer to the Unencumbered Assets Trust all of their rights, title, and interest in and to all of their remaining Assets other than: (i) any Cash and other Assets otherwise designated for use or distribution under the Plan; (ii) the Assets to be transferred to the CSFB Claims Trust; (iii) the Assets to be transferred to the VI/XII Collateral Trust; and (iv) certain Assets that have been sold or otherwise disposed of prior to the Effective Date.

- The Noteholder Deficiency Claim against the Debtors will be deemed to be [$2,600,000,000], plus the amount of Avoidance Recovery Claims that are allowed from time to time. This represents the aggregate amount of the Allowed Claims of the Noteholders against the Debtors with respect to the Notes, less the expected value of distributions received by the Noteholders on account of their Secured Claims in Classes C-2A and C-3A.

- All holders of General Unsecured Claims against the Debtors in Class C-6, including the Noteholder Deficiency Claim, will receive their respective Pro Rata shares of interests in the Unencumbered Assets Trust.

- No property will be distributed or retained on account of any Intercompany Claim, except the Intercompany Claims between NPF VI and NPF XII, which are being compromised and settled pursuant to the Intercompany Settlement Agreement.

Bankruptcy Rule 9019 and applicable case law provide that the Bankruptcy Court may approve a compromise or settlement after evaluating the reasonableness of that compromise or settlement, based on: (a) the probability of success in the litigation; (b) the difficulty in collecting any judgment ultimately obtained in the litigation; (c) the complexity of the litigation involved, and the expense, inconvenience, and delay necessarily attending it; and (d) the interests of creditors and stockholders, giving proper deference to their reasonable views of the settlement. Under the relevant case law, courts balance the probable benefits and potential costs of pursuing a claim or defense against the benefits and costs of the proposed settlement to determine if the settlement is fair and reasonable.

The Debtors reviewed and considered each of the factors pertinent to the approval of a compromise and settlement in determining the appropriate treatment of Claims and Interests pursuant to the Plan. Based on that review, the Debtors believe that the Noteholder Deficiency Claim Settlement is fair, reasonable and in the best interests of their respective Estates and creditors. Forensic and other analytical efforts of both Alvarez & Marsal and FTI have revealed that the NCFE Consolidated Debtors both participated in, and were principally capitalized and funded by, the improper transfer of funds and other assets from NPF VI and NPF XII. As a result, the Claims filed by the Indenture Trustees against the NCFE Consolidated Debtors likely would be allowed even absent the Debtors' consent. In exchange for the Debtors' consent, however, the holders of General Unsecured Claims against the NCFE Consolidated Debtors will share on a Pro Rata basis with the Noteholder Deficiency Claim in the recovery of unencumbered assets of NPF VI and NPF XII, including any litigation recoveries of NPF VI and NPF XII arising from the causes of action asserted against the participants in, and the facilitators of, the diversion of assets from those two Debtors assets that otherwise might not be available to such creditors. Absent the settlement, litigation of these matters likely would be very costly and result in significant delay and expense to creditors. Accordingly, the Debtors believe that the Noteholder Deficiency Claim Settlement is fair and reasonable and is the most

equitable method to resolve the subject claims, rights and causes of action in contemplation of the Debtors' liquidation under the Plan.

THE TRUSTS CREATED PURSUANT TO THE PLAN

Creation of the Respective Trusts

Formation of the CSFB Claims Trust

As of the Effective Date, NPF XII shall execute the CSFB Claims Trust Agreement, which shall designate and identify the CSFB Claims Trustee. The CSFB Claims Trustee shall be authorized to take all other steps necessary to complete the formation of the CSFB Claims Trust. The CSFB Claims Trust shall have all duties, powers, standing and authority necessary to implement the Plan and to administer and liquidate the Assets of the CSFB Claims Trust for the benefit of the holders of beneficial interests in the CSFB Claims Trust.

Upon the Effective Date, and in accordance with the Restructuring Transactions, NPF XII shall assign and transfer to the CSFB Claims Trust all of its rights, title and interest in and to the CSFB Claims and the CSFB Claims Trust Restricted SPV Funds Holdback, for the benefit of holders of beneficial interests in the CSFB Claims Trust. Such transfers of Assets to the CSFB Claims Trust shall be free and clear of any liens, claims or encumbrances, and no other entity shall otherwise have any interest, legal, beneficial or otherwise, in any Assets upon their assignment and transfer to the CSFB Claims Trust; *provided, however,* that all such Assets will be transferred to the CSFB Claims Trust subject to the following liabilities and obligations, and the CSFB Claims Trust shall be responsible for satisfying all such liabilities and fulfilling all such obligations: (i) any pre- or post-Effective Date expenses incurred for the benefit or in connection with the operation of the CSFB Claims Trust and (ii) any other obligations of the CSFB Claims Trust expressly set forth in the Plan.

~~***Formation of the Litigation Trust***~~

~~As of the Effective Date, the Debtors shall execute the Litigation Trust Agreement, which shall designate and identify the Litigation Trustee. The Litigation Trustee shall be authorized to take all other steps necessary to complete the formation of the Litigation Trust. The Litigation Trust shall have all duties, powers, standing and authority necessary to implement the Plan and to administer and liquidate the Assets of the Litigation Trust for the benefit of the holders of beneficial interests in the Litigation Trust.~~

~~Upon the Effective Date, and in accordance with the Restructuring Transactions, the Debtors shall assign and transfer to the Litigation Trust all of their rights, title and interest in and to: (i) all Causes of Action other than the Excluded Claims and the CSFB Claims and (ii) the Litigation Trust Restricted SPV Funds Holdback, for the benefit of holders of beneficial interests in the Litigation Trust. Such transfers of Assets to the Litigation Trust shall be free and clear of any liens, claims or encumbrances, and no other entity shall otherwise have any interest, legal, beneficial or otherwise, in any Assets upon their assignment and transfer to the Litigation Trust; *provided, however,* that all such Assets will be transferred to the Litigation Trust subject to the following liabilities and obligations and the Litigation Trust shall be responsible for satisfying all such liabilities and fulfilling all such obligations: (i) any pre- or post-Effective Date expenses incurred for the benefit or in connection with the operation of the Litigation Trust; and (ii) any other obligations of the Litigation Trust expressly set forth in the Plan.~~

Formation of the VI/XII Collateral Trust

As of the Effective Date, NPF VI and NPF XII shall execute the VI/XII Collateral Trust Agreement, which shall designate and identify the VI/XII Collateral Trustee. The VI/XII Collateral Trustee shall be authorized to take all other steps necessary to complete the formation of the VI/XII Collateral Trust. The VI/XII Collateral Trust shall have all duties, powers, standing and authority necessary to implement the Plan and to administer and liquidate the Assets of the VI/XII Collateral Trust for the benefit of the holders of beneficial interests in the VI/XII Collateral Trust.

Upon the Effective Date, and in accordance with the Restructuring Transactions, the Debtors shall assign and transfer to the VI/XII Collateral Trust all of their rights, title and interest in and to any **and all** Assets of NPF VI and NPF XII encumbered by the liens of the Indenture Trustees**, including without limitation all claims and causes,**

of action relating to the transfer of funds by NPF VI or NPF XII to Providers. Such transfers of Assets to the VI/XII Collateral Trust shall be free and clear of any liens, claims or encumbrances, and no other entity shall otherwise have any interest, legal, beneficial or otherwise, in any Assets upon their assignment and transfer to the VI/XII Collateral Trust; *provided, however,* that all such Assets will be transferred to the VI/XII Collateral Trust subject to the following liabilities and obligations, and the VI/XII Collateral Trust shall be responsible for satisfying all such liabilities and fulfilling all such obligations: (i) any Allowed Administrative Claims**, Priority Claims** or Priority **Tax** Claims that **(A) were incurred for the benefit of the holders of Allowed Secured Claims in respect of Notes and (B)** have not been paid; (ii) ~~except for expenses incurred in connection with the operation of the other trusts established by this Plan, any post-Effective Date expenses necessary or appropriate in respect of consummation of the Plan and winding up of the Debtors' Estates; (iii)~~ any pre- or post-Effective Date expenses incurred for the benefit or in connection with the operation of the VI/XII Collateral Trust; and (~~iv~~iii) any other obligations of the VI/XII Collateral Trust expressly set forth in the Plan.

Formation of the Unencumbered Assets Trust

As of the Effective Date, the Debtors shall execute the Unencumbered Assets Trust Agreement, which shall designate and identify the Unencumbered Assets Trustee. The Unencumbered Assets Trustee shall be authorized to take all other steps necessary to complete the formation of the Unencumbered Assets Trust. The Unencumbered Assets Trust shall have all duties, powers, standing and authority necessary to implement the Plan and to administer and liquidate the Assets of the Unencumbered Assets Trust for the benefit of the holders of beneficial interests in the Unencumbered Assets Trust.

Upon the Effective Date, and in accordance with the Restructuring Transactions, the Debtors shall assign and transfer to the Unencumbered Assets Trust all of their rights, title and interest in and to all of their remaining Assets other than: (i) any Cash and other Assets otherwise designated for use or distribution under the Plan; (ii) the Assets to be transferred to the CSFB Claims Trust pursuant to Section IV.B.4 of the Plan; (iii) ~~the Assets to be transferred to the Litigation Trust pursuant to Section IV.C.4 of the Plan; (iv)~~ the Assets to be transferred to the VI/XII Collateral Trust pursuant to Section IV.~~D~~C.4 of the Plan; and (~~v~~iv) any Assets that have been sold or otherwise disposed of prior to the Effective Date; *provided, however,* that notwithstanding any other provision of this Plan, the Assets to be assigned and transferred to the Unencumbered Assets Trust shall include the Debtors' claims and causes of action relating to the litigation captioned *National Medical Care, Inc., et al. v. Home Medical of America, Inc., Homecare Concepts of America, Inc., NCFE, Kachina, Inc., Thor Capital Holdings, LLC, Chartwell Care Givers of New York, Lance K. Poulsen and Craig W. Porter*, Civ. Act. 00-1225-J (Sup. Ct. Mass., Middlesex County); *provided further, however,* that any such Assets that are the subject of a motion, notice or executed agreement for sale or other disposition pending as of the Effective Date will remain subject to such motion, notice or executed agreement and will be treated in accordance with such motion, notice or executed agreement unless and until the Bankruptcy Court disapproves of such pending disposition, at which time such Assets will be transferred to the Unencumbered Assets Trust. Such transfers of Assets to the Unencumbered Assets Trust shall be free and clear of any liens, claims or encumbrances other than liens and security interests on and in such Assets securing Allowed Secured Claims **or Disputed Claims that later become Allowed Secured Claims**, and no other entity shall otherwise have any interest, legal, beneficial or otherwise, in any Assets upon their assignment and transfer to the Unencumbered Assets Trust; *provided, however,* that all such Assets will be transferred to the Unencumbered Assets Trust subject to the following liabilities and obligations, and the Unencumbered Assets Trust shall be responsible for satisfying all such liabilities and fulfilling all such obligations: (i) **except for those Allowed Claims described in clause (i) of Section IV.C.4 of the Plan,** any **Allowed Administrative Claims, Priority Claims or Priority Tax Claims that have not been paid; (ii) except for expenses incurred in connection with the operation of the other trusts established by this Plan, any post-Effective Date expenses necessary or appropriate in respect of consummation of the Plan and winding up of the Debtors' Estates; (iii) any Allowed Secured Claims or Disputed Claims that later become** Allowed Secured Claims that have not been paid to the extent such Claims are secured by liens and security interests on and in the Assets transferred to the Unencumbered Assets Trust; (~~ii~~iv) any pre- or post-Effective Date expenses incurred for the benefit or in connection with the operation of the Unencumbered Assets Trust; and (~~iii~~v) any other obligations of the Unencumbered Assets Trust expressly set forth in the Plan.

The Trust Agreements

The respective Trust Agreements generally will provide for, among other things: (i) the payment of reasonable compensation to the respective Trustees; (ii) the payment of other expenses of the respective Trusts,

including the cost of pursuing the claims assigned to the Trusts; (iii) the retention of counsel, accountants, financial advisors or other professionals and their compensation; (iv) the valuation of the Assets transferred to the respective Trusts on the Effective Date; (v) the investment of cash by the Trustees within certain limitations; (vi) the preparation of tax returns and other reports for the Trusts; (vii) the orderly liquidation of the respective Trust's assets; and (viii) the prosecution of the Causes of Action assigned to the Trusts, which may include the litigation, settlement, abandonment or dismissal of any claims, rights or causes of action assigned to the Trusts.

Tax Treatment of the Trusts

~~To comply~~**The Trust Agreements shall require that the Debtors and holders of beneficial interests in the Trusts treat the Trusts for tax purposes as "liquidating trusts" within the meaning of Treasury Regulation § 301.7701-4(d) and any comparable provision of state or local law. To satisfy** ~~with~~**the** federal income tax requirements **for liquidating trusts**, the Trust Agreements ~~will require that~~**shall limit** the ~~respective~~ Trustees ~~limit their~~' activities to ~~those~~**activities** reasonably necessary to the liquidation of ~~Debtor Assets~~**assets** and the distribution of liquidation proceeds~~;~~**. Each Trust Agreement also shall require that the Trust** distribute to the holders of beneficial interests at least annually all cash in excess of a reasonable amount needed to cover the assumed ~~Debtor~~ liabilities and liquidating expenses; hold all retained cash in interest-bearing bank accounts, certificates of deposit, government securities or other investments approved by the Bankruptcy Court; and terminate ~~the respective Trusts~~ no later than five years from their formation, subject to one or more finite extensions approved by the Bankruptcy Court. The Trust Agreements ~~also will~~**shall** require that ~~the Debtors and holders of beneficial interests treat the Trusts~~ for tax purposes **the Debtors and holders of beneficial interests in the Trusts shall treat the transfer of assets to the Trusts** as ~~"liquidating trusts" within the meaning of Treasury Regulation § 301.7701-4(d) and any comparable provision of state or local law.~~ **a transfer of assets by the Debtors to the holders of Allowed Claims, followed by the contribution of the assets by the holders of Allowed Claims to the Trusts in exchange for beneficial interests in the Trusts. For this purpose, the Debtors and holders of Allowed Claims shall assign consistent values to the assets and assumed liabilities.** See "Certain Federal Income Tax Consequences of Consummation of the Plan — Tax Treatment of the Trusts."

Distribution of the Assets of the Trusts

All distributions from the Trusts to the holders of interests in the respective Trusts shall be made in accordance with such claimants' respective Pro Rata shares of the beneficial interests held therein at such times and in such amounts as shall be determined by the Trustees pursuant to the respective Trust Agreements. The Trustees shall cause the respective Trusts to retain sufficient funds as reasonably necessary for the Trusts to: (a) meet contingent liabilities and maintain the value of the Assets during liquidation; (b) pay reasonable expenses of administering the Trusts that have been incurred (including, but not limited to, any taxes imposed on the respective Trusts or fees and expenses in connection with the administration and liquidation of the Assets of the trusts); and (c) satisfy other liabilities incurred by the respective Trusts in accordance with the Plan.

The Trustees shall, in an expeditious but orderly manner and subject to the other provisions of the Plan, liquidate and convert to Cash the Assets of the respective Trusts, make timely distributions and not unduly prolong the existence of the Trusts. In so doing, the Trustees shall exercise reasonable business judgment and liquidate the Assets of the respective Trusts to maximize recoveries. Such liquidations may be accomplished either through the sale of the Assets (in whole or in combination, and including the sale of any Claims, rights or Causes of Action), or through the prosecution, compromise and settlement, abandonment or dismissal of any or all Claims, rights or Causes of Action or otherwise. The Trustees may incur any reasonable and necessary expenses in connection with the liquidation and conversion of the Assets of the respective Trusts into Cash.

Termination of the Trusts

~~The respective Trusts~~**Each Trust** shall terminate ~~their existence after~~ **upon the occurrence of the earlier of (a)** the liquidation, administration and distribution of ~~their~~**its** Assets in accordance with the Plan and the full performance of all other duties and functions set forth in the Plan and the respective Trust ~~Agreements~~**Agreement or (b) the fifth anniversary of the date of formation of the Trust, subject to one or more finite extensions approved by the Bankruptcy Court**.

RISK FACTORS

Prior to voting on the Plan, each holder of Claims entitled to vote should carefully consider the risk factors described below, as well as all of the information contained in this Disclosure Statement, including the exhibits hereto.

Risk Factors Regarding Bankruptcy Cases

Treatment of Claims

A number of Disputed Claims are expected to be material, and the total amount of all Claims, including Disputed Claims, may be materially in excess of the total amount of Allowed Claims assumed in the development of the Plan. The actual ultimate aggregate amount of Allowed Claims in any Class may differ significantly from the estimates set forth in the table under the caption "Overview of the Plan – Summary of Classes and Treatment of Claims and Interests." In addition, the amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly less than the amount of the Disputed Claim asserted by the holder thereof.

Risk of Non-Confirmation of 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. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things: (a) that the Confirmation of the Plan not be followed by a need for further liquidation or reorganization; (b) that the value of Distributions to dissenting holders not be less that the value of Distributions to such holders if the Debtors were liquidated under chapter 7 of the Bankruptcy Code; and (c) that the Plan and the Plan Proponents otherwise comply with the applicable provisions of the Bankruptcy Code. Although the Debtors believe that the Plan will meet all applicable tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Nonconsensual Confirmation

Pursuant to the "cramdown" provisions of section 1129 of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan at the Debtors' request if at least one impaired Class has accepted the Plan (with such acceptance being determined without including the acceptance of any "insider" in such Class) and, as to each impaired class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to impaired Classes. In accordance with section 1129(a)(8) of the Bankruptcy Code, the Debtors will be required to request Confirmation of the Plan without the acceptance of all impaired Classes entitled to vote.

The Debtors reserve 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 for in the Plan. Such less favorable treatment could include a Distribution of property of a lesser value than that currently provided in the Plan or no distribution of property whatsoever.

Delays of Confirmation and/or Effective Date

Any delay in Confirmation and effectiveness of the Plan could result in, among other things, increased Administrative Claims. These or any other negative effects of delays in Confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court.

Risk Factors Relating to Healthcare Providers

A substantial portion of the Debtors' assets is in the form of amounts due to the Debtors from healthcare providers that are in bankruptcy. Recoveries from providers, particularly those in bankruptcy, may not be liquid and may consist of notes, stock or other assets that may not be readily saleable. In addition, the Debtors may be forced to wait extended periods until the providers distribute any assets pursuant to a plan of reorganization or liquidation

or otherwise. Many providers have filed proofs of claim or otherwise asserted claims against the Debtors or have asserted defenses to the Debtors' claims, including setoff, recoupment, equitable subordination and recharacterization. The ultimate recovery against or liability to providers is uncertain.

Risk Factors Relating to Securities Law Issues

Securities Laws Considerations Regarding Trust Participations

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan from registration under the Securities Act of 1933, as amended (the "Securities Act") and state securities laws if three principal requirements are satisfied: (a) the securities must be offered and sold under a plan and must be securities of the debtor, an affiliate participating in a joint plan with the debtor or a successor to the debtor under the plan; (b) the recipients of the securities must hold a prepetition or administrative expense claim against the debtor or an interest in the debtor; and (c) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property. To the extent that the trust interests (the "Trust Participations") distributed to holders of Claims in Class C-2A, C-3A and C-6 are deemed to constitute securities issued in accordance with the Plan, the Debtors believe that the distribution of the Trust Participations satisfies the requirements of section 1145(a)(1) of the Bankruptcy Code and, therefore, are exempt from registration under the Securities Act and state securities laws.

Limited Transferability of Trust Participations

In general, all resales and subsequent transactions in any securities distributed under the Plan will be exempt from registration under the Securities Act pursuant to section 4(1) of the Securities Act, unless the holder thereof is deemed to be an "underwriter" with respect to such securities, an "affiliate" of the issuer of such securities or a "dealer." Section 1145(b) of the Bankruptcy Code defines four types of "underwriters":

(a) persons who purchase a claim against, an interest in, or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such a claim or interest ("accumulators");

(b) persons who offer to sell securities offered under a plan for the holders of such securities ("distributors");

(c) persons who offer to buy securities from the holders of such securities, if the offer to buy is (i) with a view to distributing such securities and (ii) made under a distribution agreement; and

(d) a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(11) of the Securities Act.

Under section 2(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer, which means any person directly or indirectly through one or more intermediaries controlling, controlled by or under common control with the issuer. Under section 2(12) of the Securities Act, a "dealer" is any person who engages either for all or part of such person's time, directly or indirectly, as agent, broker or principal in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person. Whether or not any particular person would be deemed to be an "underwriter" or an "affiliate" with respect to any security to be issued pursuant to the Plan or to be a "dealer" would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be deemed to be an "underwriter," an "affiliate" or a "dealer" with respect to any security to be issued pursuant to the Plan.

In connection with prior bankruptcy cases, the staff of the SEC has taken the position that resales by accumulators and distributors of securities distributed under a plan of reorganization are exempt from registration under the Securities Act if effected in "ordinary trading transactions." The staff of the SEC has indicated in this context that a transaction may be considered an "ordinary trading transaction" if it is made on an exchange or in the over-the-counter market and does not involve any of the following factors:

(e) either (i) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (ii) concerted action by distributors on behalf of one or more such recipients in connection with such sales;

(f) the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto and documents filed with the SEC pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); or

(g) the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arms' length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The Debtors have not sought the views of the SEC on this matter and, therefore, no assurance can be given regarding the proper application of the "ordinary trading transaction" exemption described above. Any persons intending to rely on such exemption are urged to consult their own counsel as to the applicability thereof to any particular circumstances.

In addition, Rule 144 provides an exemption from registration under the Securities Act for certain limited public resales of unrestricted securities by "affiliates" of the issuer of such securities. Rule 144 allows a holder of unrestricted securities that is an affiliate of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such unrestricted securities that does not exceed the greater of 1.0% of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice requirements and the availability of current public information regarding the issuer and holding requirements prior to the sale. The Debtors believe that, pursuant to section 1145(c) of the Bankruptcy Code, the Trust Participations to be issued pursuant to the Plan will be unrestricted securities for purposes of Rule 144.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE TRUST PARTICIPATIONS TO BE DISTRIBUTED PURSUANT TO THE PLAN. THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH INTERESTS.

Risk Factors Regarding the Value of Interests in the Trusts

In addition to the limited transferability of the interests in the Trusts as discussed above, the value of such interests will depend on various significant risks and uncertainties, including, without limitation, (i) the trusts' success in securing judgments and settlements on a favorable basis with respect to claims that the trusts are pursuing, (ii) the effect of substantial delays in liquidating claims and other contingent assets and liabilities and (iii) changes in tax and other government rules and regulations applicable to the Trusts. All of these risks are beyond the control of the trusts. The amount of any recovery realized by the trusts and their beneficiaries will vary, depending upon the extent to which these risks materialize. In addition, the resolution of the claims held by the Trusts may require a substantial amount of time to be resolved and liquidated. The associated delays could reduce the value of any recovery.

Subsequent Transfers Under State Law

State securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for the owner's own account and subsequent transfers to institutional or accredited investors. Such exemptions generally are expected to be available for subsequent transfers of the Interests, in the event that they are deemed to be securities.

Lack of Trading Market for Trust Participations; Uncertainty of Value of Trust Participations

Holders of Claims in Class C-2A, C-3A and C-6 receiving Trust Participations also should be aware that there is no existing trading market for such interests, nor any intention of the Trusts to list such interests on any public exchange or other market or to develop or encourage the establishment of any trading market. There can be no assurance that any market for the Trust Participations will develop, or if any such market does develop, that it will continue to exist or as to the degree of price volatility in any such market that does develop. The potential lack of liquidity of the Trust Participations may have a negative impact on their value.

GENERAL INFORMATION CONCERNING THE PLAN

General Releases by Holders of Claims or Interests

Section IV.E.3.a of the Plan provides that, as of the Effective Date, in consideration for, among other things, the obligations of the Debtors under the Plan and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, (i) each holder of a Claim or Interest that votes in favor of the Plan and (ii) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, each entity that has held, holds or may hold a Claim or Interest or at any time was a creditor or stockholder of any of the Debtors and that does not vote on the Plan or votes against the Plan, in each case will be deemed to forever release, waive and discharge all claims (including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the right to enforce the Debtors' obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the Bankruptcy Cases or the Plan that such entity has, had or may have against any officer or employee of any Debtor who served after the Petition Date solely for the performance of services by such officer or employee after the Petition Date; *provided, however*, that the releases provided by Section IV.E.3.a of the Plan shall not apply to the Retained Actions or any claims or causes of action by the United States Securities and Exchange Commission or any other agency of the United States of America. Except as otherwise expressly provided in Section IV.E.3.a or elsewhere in the Plan, the Intercompany Settlement Agreement or the ING Release, the release described in the foregoing or any other release or transfer set forth in the Plan shall not affect or impair any claim of a creditor against any entity other than a Debtor.

Legal Effects of the Plan

Confirmation of the Plan and the occurrence of the Effective Date will result in an injunction against the pursuit of certain Claims and Interests. Moreover, upon Confirmation and the occurrence of the Effective Date, the Debtors and the Trusts will retain and may enforce certain claims and causes of actions against other entities. These legal effects of the Plan are set forth in Article XI of the Plan and are described below.

Injunction Related to Claims and Interests

Except as provided in the Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that would be discharged upon Confirmation but for the provision of section 1141(d)(3) of the Bankruptcy Code or an Interest or other right of an equity security holder that is terminated pursuant to the terms of the Plan will be permanently enjoined from taking any of the following actions on account of any such Claims, debts or liabilities or terminated Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtors, the Trusts or their respective property, other than to enforce any right pursuant to the Plan to a distribution; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors, the Trusts or their respective property, other than as permitted pursuant to clause (a) above; (c) creating, perfecting or enforcing any lien or encumbrance against the Debtors, the Trusts or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors, or the Trusts; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan; provided, however that nothing contained herein or elsewhere in the Plan (including, without limitation, Sections IV.B.4, IV.C.4, 4 and IV.D.4 ~~and IV.E.4~~) shall be

deemed to affect the right of any entity to exercise, on or after the Effective Date, any right left unaffected by section 553(a) of the Bankruptcy Code to set off a debt owing by such entity to a Debtor (or its assignee under the Plan) that arose prior to the Petition Date against an Allowed Claim of such entity against ~~the~~such Debtor that arose prior to the Petition Date.

As of the Effective Date, all entities that have held, currently hold or may hold any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities that are released pursuant to the Plan will be permanently enjoined from taking any of the following actions against any released entity or its property on account of such released claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan; provided, however that nothing contained herein or elsewhere in the Plan (including, without limitation, Sections IV.B.4, IV.C.4,4 and IV.D.4 ~~and IV.E.4~~) shall be deemed to affect the right of any entity to exercise, on or after the Effective Date, any right left unaffected by section 553(a) of the Bankruptcy Code to set off a debt owing by such entity to a Debtor (or its assignee under the Plan) that arose prior to the Petition Date against an [Allowed Claim] of such entity against ~~the~~such Debtor that arose prior to the Petition Date.

By accepting distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Section XI.C of the Plan.

The classification and manner of satisfying Claims and Interests under the Plan does not take into consideration subordination rights, and nothing in the Plan or Confirmation Order shall affect any subordination rights that a holder of a Claim may have with respect to any distribution to be made pursuant to the Plan, whether arising under general principles of equitable subordination, contract, section 510(c) of the Bankruptcy Code or otherwise.

Release of Liens

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to Article III of the Plan and the transfers of Assets to the Trusts pursuant to Article IV of the Plan, all mortgages, deeds of trust, liens or other security interests against the property of any Estate will be fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, liens or other security interests, including any rights to any collateral thereunder, will revert to the applicable Debtor and its successors and assigns.

All distributions made to holders of Allowed Claims pursuant to Article III of the Plan and the transfer of Assets to the Trusts pursuant to Article IV of the Plan shall be free and clear of any and all liens, claims, security interests and other encumbrances held by the Indenture Trustees.

Limitation of Liability

The Debtors, the Trusts, the Trustees, the members of the Creditors' Committee, the members and ex officio members of the Subcommittees and their respective directors, officers, employees, predecessors, successors, members, attorneys, accountants, underwriters, investment bankers, financial advisors, appraisers, representatives and agents, acting in such capacity, will neither have nor incur, and are hereby forever released and discharged from, any claims, obligations, suits, judgments, damages, demands, rights, causes of action or liabilities asserted or held by any entity, including, but not limited to, one another or any holder of a Claim or Interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, or any of their successors or assigns, for any act taken or omitted to be taken in connection with, arising out of or related to their participation in the Debtors' Bankruptcy Cases and in the formulation, preparation, dissemination, implementation, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument,

release or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan; provided, however, that the foregoing provisions of Section XIII.B of the Plan will have no effect on: (1) the liability of any person or entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release or other agreement or document to be entered into or delivered in connection with the Plan; (2) the liability of any person or entity that would otherwise result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct; or (3) the liability of any person or entity resulting from any act or omission occurring prior to the Petition Date. Notwithstanding any other provision of the Plan, no holder of a Claim or Interest, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, and no successors or assigns of the foregoing, shall have any right of action against the parties identified in Section XIII.B of the Plan for any act or omission in connection with, relating to or arising out of the Debtors' Bankruptcy Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under this Plan, except for their gross negligence or willful misconduct.

Preservation of Causes of Action Held by the Debtors

Except as provided in, and unless expressly waived, relinquished, exculpated, released, compromised or settled in the Plan, the Confirmation Order, any Final Order or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Trusts will exclusively retain and may enforce, and the Debtors expressly reserve and preserve for these purposes, in accordance with sections 1123(a)(5)(B) and 1123(b)(3) of the Bankruptcy Code, any Claims, demands, rights and Causes of Action that the Debtors or their respective Estates may hold against any person or entity, including, without limitation, the ~~Causes of Action~~Retained Actions set forth in Exhibit IV.~~F~~E.1 of the Plan. Accordingly, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to them by virtue of or in connection with the confirmation, consummation or effectiveness of the Plan. The Trustees or their respective successors exclusively may pursue such retained Claims, demands, rights or Causes of Action, including, without limitation, the ~~Causes of Action~~Retained Actions set forth in Exhibit IV.~~F~~E.1 of the Plan, as appropriate, in accordance with the best interests of the Debtors or their respective successors.

Executory Contracts and Unexpired Leases

As more fully described below, the Debtors will:

- assume or assume and assign each of the Executory Contracts and Unexpired Leases listed on Exhibit V.A.1 to the Plan; and
- reject certain Executory Contracts and Unexpired Leases pursuant to the Plan by either including such contracts and leases on Exhibit V.C to the Plan or by excluding them from Exhibit V.A.1 to the Plan (assumed or assumed and assigned contracts and leases).

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into in connection with the Plan, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the applicable Debtor will assume or assume and assign, as indicated, each of the Executory Contracts and Unexpired Leases listed on Exhibit V.A.1 to the Plan; *provided, however*, that the Debtors reserve the right, at any time prior to the Effective Date, to amend Exhibit V.A.1 to the Plan to: (a) delete any Executory Contract or Unexpired Lease listed therein, thus providing for its rejection pursuant to Section V.C of the Plan; or (b) add any Executory Contract or Unexpired Lease thereto, thus providing for its assumption or assumption and assignment pursuant to Section V.A.1 of the Plan. The Debtors will provide notice of any amendments to Exhibit V.A.1 to the Plan to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then-applicable service list in the Bankruptcy Cases. Each contract and lease listed on Exhibit V.A.1 to the Plan will be assumed only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit V.A.1 to the Plan will not constitute an admission by a Debtor that such contract or lease (including any related agreements as described in Section I.A.~~52~~53 or V.A.2 of the Plan) is an Executory Contract or Unexpired Lease or that a Debtor has any liability thereunder.

Each Real Property Executory Contract and Unexpired Lease listed on Exhibit V.A.1 to the Plan will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such contract or lease, irrespective of whether such agreement, instrument or other document is listed on Exhibit V.A.1 to the Plan, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section V.C of the Plan and is listed on Exhibit V.C of the Plan.

As of the effective time of an applicable Restructuring Transaction, any Executory Contract or Unexpired Lease (including any related agreements as described in Sections I.A.~~5253~~ and V.A.2 of the Plan) to be held by any Debtor or another surviving, resulting or acquiring corporation or a Trust in an applicable Restructuring Transaction, will be deemed assigned to the applicable entity, pursuant to section 365 of the Bankruptcy Code.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumptions and assignments described in Section V.A and Section V.F of the Plan, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. An order of the Bankruptcy Court entered on or prior to the Confirmation Date will specify the procedures for providing to each party whose Executory Contract or Unexpired Lease is being assumed or assumed and assigned pursuant to the Plan notice of: (a) the contract or lease being assumed or assumed and assigned; (b) the Cure Amount Claim, if any, that the applicable Debtor believes it would be obligated to pay in connection with such assumption; and (c) the procedures for such party to object to the assumption or assumption and assignment of the applicable contract or lease or the amount of the proposed Cure Amount Claim.

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor assuming such contract or lease or the assignee of such Debtor, if any: (a) by payment of the Cure Amount Claim in cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. Pursuant to section 365(b)(2)(D) of the Bankruptcy Code, no Cure Amount Claim shall be allowed for a penalty rate or other form of default rate of interest. If there is a dispute regarding: (a) the amount of any Cure Amount Claim; (b) the ability of the applicable Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (c) any other matter pertaining to assumption or assumption and assignment of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order resolving the dispute and approving the assumption. For assumptions of Executory Contracts or Unexpired Leases between Debtors, the Debtor assuming such contract may cure any monetary default (a) by treating such amount as either a direct or indirect contribution to capital or distribution (as appropriate) or (b) through an intercompany account balance in lieu of payment in cash.

On the Effective Date, except for an Executory Contract or Unexpired Lease that was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court, that is assumed pursuant to Section V.A of the Plan (including any related agreements assumed pursuant to Sections I.A.~~5253~~ and V.A.2 of the Plan) each Executory Contract and Unexpired Lease entered into by a Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms will be rejected pursuant to section 365 of the Bankruptcy Code. The Executory Contracts and Unexpired Leases to be rejected will include the Executory Contracts and Unexpired Leases listed on Exhibit V.C to the Plan. Each contract and lease listed on Exhibit V.C to the Plan will be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit V.C to the Plan will not constitute an admission by a Debtor that such contract or lease (including related agreements as described in Section I.A.~~5253~~ of the Plan) is an Executory Contract or Unexpired Lease or that a Debtor has any liability thereunder. Any Executory Contract and Unexpired Lease not listed on Exhibit V.A.1 to the Plan and not previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court will be deemed rejected irrespective of whether such contract is listed on Exhibit V.C to the Plan. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

Notwithstanding anything in the Bar Date Order to the contrary, if the rejection of an Executory Contract or Unexpired Lease gives rise to a Claim (including any Claims arising from those indemnification obligations described in Section V.E.1 of the Plan) by the other party or parties to such contract or lease, such Claim will be forever barred and will not be enforceable against the Debtors, their respective successors or their respective properties unless a

proof of Claim is Filed and served on the Debtors, pursuant to the procedures specified in the Confirmation Order and the notice of the entry of the Confirmation Order or another order of the Bankruptcy Court, no later than 60 days after the Effective Date.

The obligations of each Debtor to indemnify any person serving as one of its directors, officers or employees prior to the Petition Date by reason of such person's service prior to the Petition Date in such a capacity or as a director, officer or employee of another corporation, partnership or other legal entity, to the extent provided in the applicable certificates of incorporation, by-laws or similar constituent documents, by statutory law or by written agreement, policies or procedures of or with such Debtor, will be deemed and treated as executory contracts that are rejected by the applicable Debtor pursuant to the Plan and section 365 of the Bankruptcy Code as of the Effective Date.

On the Effective Date, in accordance with Section III.D.1 of the Plan, any Allowed Secondary Liability Claim arising from or relating to any Debtor's joint or several liability for the obligations under or with respect to (a) any Executory Contract or Unexpired Lease that is being assumed or deemed assumed pursuant to section 365 of the Bankruptcy Code by another Debtor, (b) any Executory Contract or Unexpired Lease that is being assumed by and assigned to another Debtor or (c) a Reinstated Claim will be Reinstated. Accordingly, such Allowed Secondary Liability Claims will survive and be unaffected by the entry of the Confirmation Order.

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor liable thereunder or its successor or assigns in accordance with the terms and conditions of such contracts and leases in the ordinary course of its business. Accordingly, such contracts and leases and other obligations (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

Substantive Consolidation

The Plan provides that, pursuant to the Confirmation Order, the Bankruptcy Court shall approve the deemed substantive consolidation of the NCFE Consolidated Debtors. Pursuant to this substantive consolidation: (a) all assets and liabilities of the NCFE Consolidated Debtors will be deemed merged; (b) all guarantees by one NCFE Consolidated Debtor of the obligations of any other NCFE Consolidated Debtor will be deemed eliminated so that any Claim against any NCFE Consolidated Debtor and any guarantee thereof executed by any other NCFE Consolidated Debtor and any joint or several liability of any of the NCFE Consolidated Debtors will be deemed to be one obligation of the consolidated NCFE Consolidated Debtors; and (c) each and every Claim Filed or deemed Filed by or on behalf of a single creditor in a single Class of Claims against any of the NCFE Consolidated Debtors will be deemed a single Claim Filed against the NCFE Consolidated Debtors. Such substantive consolidation (other than for the purpose of implementing the Plan) will not affect the legal and corporate structures of the NCFE Consolidated Debtors, subject to the right of the NCFE Consolidated Debtors to effect the Restructuring Transactions as provided in Section IV.A of the Plan.

Substantive consolidation is an equitable remedy in bankruptcy that results in the pooling of the assets and liabilities of two or more debtors solely for certain purposes in the bankruptcy cases, including for purposes of distributions to creditors and voting on and treatment under a plan of reorganization or liquidation. Courts weigh a balance of factors in determining when substantive consolidation will be ordered. Factors relied upon by bankruptcy courts in approving substantive consolidation have included: (a) whether the debtors are interrelated entities operating under a common parent for tax and business purposes; (b) whether creditors have dealt with the debtors as a single economic unit; (c) whether the debtors share common officers and directors; (d) the absence of substantial prejudice to particular creditors arising from substantive consolidation; (e) whether corporate formalities have been followed; (f) whether assets and records have been kept separate; (g) whether there are intercompany guarantees of loans and other obligations; and (h) whether consolidation will benefit all creditors. No single factor is determinative in this inquiry.

The Debtors believe that substantive consolidation of the NCFE Consolidated Debtors for the purposes described above is appropriate under the circumstances. Both Alvarez & Marsal, the Debtors' financial advisors, and FTI, the Creditors' Committee's financial advisors, have concluded that the NCFE Consolidated Debtors were operated as a single financial and administrative entity. The NCFE Consolidated Debtors frequently did not observe appropriate corporate formalities and made essentially no effort to segregate their respective financial affairs. The

NCFE Consolidated Debtors operated under a common parent, NCFE, for tax and business purposes, and many of the NCFE Consolidated Debtors historically had no employees of their own and no bank accounts. These Debtors shared common directors and officers. NCFE operated a single cash management system on behalf of most of the NCFE Consolidated Debtors and paid expenses on behalf of these Debtors.

In addition, substantive consolidation of the NCFE Consolidated Debtors is appropriate in light of the amount and nature of claims asserted in these chapter 11 cases. By far, the Debtors' largest creditors are the Noteholders, which have asserted approximately $3 billion in claims in the aggregate. The Indenture Trustees, on behalf of the Noteholders, have filed claims directly against each of the NCFE Consolidated Debtors, alleging that these Debtors participated in a scheme to defraud the noteholders in order to fund the operations of all of the Debtors. Pursuant to the Noteholder Deficiency Claim Settlement, the Noteholder Deficiency Claim will be allowed in the amount of [$2,600,000,000] against each of the Debtors. See "Creditor Negotiations and Proposed Settlements Embodied in the Plan — Noteholder Deficiency Claim Settlement." Because the Deficiency Claims of the Noteholders and the Indenture Trustees constitute the overwhelming majority of the total amount of Unsecured Claims asserted against each of the Debtors, the substantive consolidation of NCFE Consolidated Debtors will have at most a *de minimis* prejudicial effect on the recovery of any individual unsecured creditor. Such prejudicial effect, if any, will be offset by the benefits of substantive consolidation, which together with the other provisions of the Noteholder Deficiency Claim Settlement, will benefit unsecured creditors by providing for the sharing of recoveries on unencumbered assets of all Debtors, including those against which the creditors have not asserted Claims, and by avoiding the significant expense, inconvenience and delay that would be associated with litigation of these matters.

Although the Debtors believe that substantive consolidation of the NCFE Consolidated Debtors is in the best interests of creditors in these cases and justified under the facts identified above, there are no assurances that the Bankruptcy Court will approve the proposed substantive consolidation of the NCFE Consolidated Debtors.

Establishment of the Amedisys Escrow

On the Effective Date, NPF VI shall establish and fund the Amedisys Escrow from the NPF VI September 15 Funds. The funds in the Amedisys Escrow shall be distributed in accordance with the terms of the Amedisys Escrow Agreement, as dictated by the terms of a Final Order in the Amedisys Adversary Proceeding or any appeal therefrom or in accordance with an agreement of the parties thereto. Any funds that are not ultimately paid to Amedisys from the Amedisys Escrow shall be distributed Pro Rata to the holders of Allowed Secured Claims in respect of the NPF VI Class A Notes.

DISTRIBUTIONS UNDER THE PLAN

General

Except as otherwise provided in Article VI of the Plan, distributions to be made on the Effective Date to holders of Claims that are allowed as of the Effective Date will be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable, but in any event no later than: (a) 60 days after the Effective Date; or (b) such later date when the applicable conditions of Section V.B of the Plan (regarding cure payments for Executory Contracts and Unexpired Leases being assumed), Section VI.D.2 of the Plan (regarding undeliverable distributions) or Section VI.H of the Plan (regarding surrender of canceled instruments and securities) are satisfied. Distributions on account of Claims that become Allowed Claims after the Effective Date will be made pursuant to Sections VI.G and VII.C of the Plan.

Methods of Distributions

The method of distributing the consideration provided for in the Plan is set forth in Article VI of the Plan and summarized below.

Distributions to Holders of Allowed Claims and Interests

The Debtors, the Trusts or such Third Party Disbursing Agents as the Debtors or the Trustees may employ in their sole discretion, will make all distributions of cash, interests in the Trusts and other instruments or documents required under the Plan. Each Disbursing Agent will serve without bond, and any Disbursing Agent may employ or contract with other entities to assist in or make the distributions required by the Plan.

Compensation and Reimbursement for Services Related to Distributions

Each Third Party Disbursing Agent providing services related to distributions pursuant to the Plan, **including the Nominees,** will receive from the Debtors or the applicable Trust, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made on terms agreed to with the Debtors or the applicable Trustee.

Delivery of Distributions in General

Distributions to holders of Allowed Claims will be made by a Disbursing Agent (a) at the addresses set forth on the respective proofs of Claim Filed by holders of such Claims, (b) at the addresses set forth in any written certification of address change delivered to the Disbursing Agent (including pursuant to a letter of transmittal delivered to a Disbursing Agent) after the date of Filing of any related proof of Claim or (c) at the addresses reflected in the applicable Debtor's Schedules if no proof of Claim has been Filed and the Disbursing Agent has not received a written notice of a change of address**. Distributions on account of Allowed Claims filed by the Indenture Trustees on behalf of the Noteholders shall be made to the record holders as of the Distribution Record Date, including, without limitation, the Nominees, who shall in turn distribute the distributions to the respective beneficial Noteholders for whom such Notes are held**.

Undeliverable or Unclaimed Distributions

If any distribution to a holder of an Allowed Claim is returned to a Disbursing Agent as undeliverable, no further distributions will be made to such holder unless and until the applicable Disbursing Agent is notified by written certification of such holder's then-current address. Undeliverable distributions will remain in the possession of the applicable Disbursing Agent pursuant to Section VI.D.2.a of the Plan until such time as a distribution becomes deliverable. Undeliverable cash will be held in segregated bank accounts in the name of the applicable Disbursing Agent for the benefit of the potential claimants of such funds. Any Disbursing Agent holding undeliverable cash will invest such cash in a manner consistent with the Cash Management Order.

Any holder of an Allowed Claim that does not assert a claim pursuant to the Plan for an undeliverable distribution to be made by a Disbursing Agent within two years after the later of (a) the Effective Date and (b) the last date on which a distribution was deliverable to such holder, shall have forfeited its right to such Distribution and the undeliverable Distribution shall become available to be distributed to the other holders of Allowed Claims as part of a subsequent Distribution.

Distribution Record Date

As of the close of business on the Distribution Record Date, the respective transfer registers for the NPF VI Notes and the NPF XII Notes, as maintained by the Indenture Trustees, will be closed. The Disbursing Agent will have no obligation to recognize the transfer or sale of any Claims by NPF VI Noteholders or NPF XII Noteholders on account of their notes that occurs after the close of business on the Distribution Record Date and will be entitled for all purposes herein to recognize and make distributions only to those holders who are holders as of the close of business on the Distribution Record Date.

Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the

holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Distribution Record Date.

Means of Cash Payments

Except as otherwise specified herein, cash payments made pursuant to the Plan to holders of Claims will be in U.S. currency by checks drawn on a domestic bank selected by the Debtors or the Trustees or, at the option of the Debtors or the Trustees, by wire transfer from a domestic bank.

Timing and Calculation of Amounts to Be Distributed

On the Effective Date, each holder of an Allowed Claim will receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class pursuant to the terms and conditions of the Plan.

De Minimis Distributions

No Disbursing Agent will distribute cash to the holder of an Allowed Claim in an impaired Class if the amount of cash to be distributed on account of such Claim is less than $25. Any holder of an Allowed Claim on account of which the amount of cash to be distributed is less than $25 will be forever barred from asserting its claim for such distribution against the Debtors, the Trusts or their respective property. Any cash not distributed pursuant to this Section VI.G.2 of the Plan will be the property of the applicable Trusts, free of any restrictions thereon, and any such cash held by a Third Party Disbursing Agent shall be transferred or returned to the appropriate Trusts.

Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, each Disbursing Agent will comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements. Each Disbursing Agent will be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan, each entity receiving a distribution of cash or interests in the Trusts pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on it by any governmental unit on account of such distribution, including income, withholding and other Tax obligations.

Surrender of Canceled Securities or Other Instruments

~~As~~**Except to the extent evidenced by electronic entry, as** a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by the notes, instruments, securities or other documentation canceled pursuant to Section IV.F of the Plan, the holder of such Claim must tender, as specified in Section VI.H of the Plan, the applicable notes, instruments, securities or other documentation evidencing such Claim to the applicable Disbursing Agent, together with any letter of transmittal required by such Disbursing Agent. Pending such surrender**, in the absence of the execution and delivery of an affidavit of loss and/or indemnity satisfactory to the Disbursing Agent**, any distributions pursuant to the Plan on account of any such Claim will be treated as an undeliverable distribution pursuant to Section VI.D.2 of the Plan.

Setoffs

Except **(1)** with respect to claims of a Debtor released pursuant to the Plan or any contract, instrument, release or other agreement or document entered into or delivered in connection with **the Plan or (2) as set forth in Section VII.D of** the Plan, each Debtor or Trust or, as instructed by the applicable Debtor or Trust, a Third Party Disbursing Agent may, to the extent such right is available pursuant to section 553 of the Bankruptcy Code or other applicable law, exercise its right to set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim) the claims, rights and causes of action of any nature that the applicable Debtor or Trust may hold against the holder of such Allowed Claim; *provided, however*, that neither the failure to effect a setoff nor the allowance of any Claim hereunder will

constitute a waiver or release by the applicable Debtor or Trust of any claims, rights and causes of action that the Debtor or Trust may possess against such a Claim holder.

Distributions on Account of Claims Allowed Under Section 502(h) of the Bankruptcy Code

Section VII.D of the Plan provides that any entity that is required to make an Avoidance Recovery Payment shall have, in accordance with section 502(h) of the Bankruptcy Code, an Allowed Avoidance Recovery Claim in Class C-2A or Class C-3A, as the case may be, in an amount equal to the principal amount of the obligations the repayment of which gave rise to such Avoidance Recovery Payment. If an Avoidance Recovery Claim becomes an Allowed Claim after the Effective Date:

- The NPF VI Percentage, the NPF XII Percentage and distributions to holders of Class C-2A Claims and Class C-3A Claims (including, without limitation, the "Adjusting Distribution," as such term is defined in the Intercompany Settlement Agreement) shall be adjusted in accordance with the Intercompany Settlement Agreement.
- The beneficial interests in the Trusts shall be recalculated and reallocated among holders of such interests to reflect the adjustments to the NPF VI Percentage and the NPF XII Percentage and the allowance of the Avoidance Recovery Claim, and such changes shall be given effect in respect of all distributions from the Trusts after the allowance of the Avoidance Recovery Claim and the effectuation of the Adjusting Distribution.
- The allowed amount of the Noteholder Deficiency Claim shall be increased by the amount of the Avoidance Recovery Claim, the Noteholder Deficiency Claim (as so increased) shall be reallocated among the NPF VI Class A Noteholders and the NPF XII Class A Noteholders (including the holder of the Avoidance Recovery Claim) in proportion to the respective amounts of such noteholders' Allowed Claims (including Secured Claims and Deficiency Claims) in respect of such NPF VI Class A Notes and NPF XII Class A Notes.
- The entity required to pay the Avoidance Recovery Payment shall be entitled to receive, simultaneously with its payment of the Avoidance Recovery Payment, the applicable Prior Distribution Amount. Payment of the Prior Distribution Amount to such entity shall be effected by (a) a reduction of the amount of the Avoidance Recovery Payment otherwise payable by such entity, (b) payment by each Estate or Trust to such entity of the portion of the Prior Distribution Amount attributable to prior distributions by such Estate or Trust and/or (c) such other method as may be agreed upon by the affected parties or ordered by the Court to place such entity and the affected Estates, Trusts and creditors in the same position they would have occupied, had the Avoidance Recovery Payment been paid and the Avoidance Recovery Claim accordingly been allowed prior to the Effective Date.

Adjustment to Final Distribution From the Unencumbered Assets Trust With Respect to the Amount of the Noteholder Deficiency Claim

Immediately prior to the final distribution from the Unencumbered Assets Trust, the beneficial interests in the Unencumbered Assets Trust shall be recalculated and reallocated among the holders of such interests to reflect the amount of the Noteholder Deficiency Claim, based upon the actual value or then-estimated value of distributions made or anticipated to be made pursuant to the Plan and/or from the VI/XII Collateral Trust to the NPF VI Class A Noteholders on account of their Secured Claims. Upon the earlier of (1) the termination of the VI/XII Collateral Trust or (2) immediately prior to the final distribution from the Unencumbered Assets Trust, the VI/XII Collateral Trustee shall determine the value or then-estimated value of distributions made or to be made from the VI/XII Collateral Trust for purposes of implementation of Section VI.K of the Plan.

Objections to Claims or Interests and Authority to Prosecute Objections

All objections to Claims must be Filed and served on the holders of such Claims by the Claims Objection Bar Date, and, if Filed prior to the Effective Date, such objections will be served on the parties on the then-applicable service list in the Bankruptcy Cases. If an objection has not been Filed to a proof of Claim or a scheduled Claim by

the Claims Objection Bar Date, the Claim to which the proof of Claim or scheduled Claim relates will be treated as an Allowed Claim if such Claim has not been allowed earlier.

After the Confirmation Date, only the Debtors or the Trusts will have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, including pursuant to any alternative dispute resolution or similar procedures approved by the Bankruptcy Court. After the Effective Date, the Debtors or the Trusts may settle or compromise any Disputed Claim without approval of the Bankruptcy Court.

Disputed Claims

Notwithstanding any other provisions of the Plan **other than Section VII.D**, no payments or distributions will be made on account of a Disputed Claim until such Claim becomes an Allowed Claim.

Distributions on Account of Disputed Claims Once Allowed

Subject to the other provisions of the Plan, the applicable Disbursing Agent will make all distributions on account of any Disputed Claim that has become an Allowed Claim that have been payable on or since the Effective Date within 30 days of such allowance **to the extent not theretofore paid or provided for pursuant to Section VII.D**. Such distributions will be made pursuant to the provisions of the Plan governing the applicable Class. **Subject to Section VII.D of the Plan, distributions from any Trust on account of any Disputed Claim that has become an Allowed Claim will be governed by the applicable Trust Agreement.**

Distributions on Account of Disputed Claims in Class C-2A and Class C-3A

No distribution to any holder of a Claim in Class C-2A or Class C-3A pursuant to the Plan shall be delayed, deferred or reduced on account of the pendency of an objection to such Claim (including, without limitation, any objection on the basis of section 502(d) of the Bankruptcy Code or otherwise), the assertion of a right of setoff by a Debtor or such Claim otherwise qualifying as a Disputed Claim, to the extent that such holder has established to the Debtors' reasonable satisfaction such holder's financial wherewithal to return the portion of the distribution relating to the portion of such Claim subject to objection, setoff or other dispute if such objection, setoff or other dispute were determined in favor of the relevant Debtor. If a distribution to a holder of a Claim in Class C-2A or Class C-3A is delayed, deferred or reduced because such holder fails to establish its financial wherewithal as contemplated by the immediately preceding sentence, any portion of a distribution otherwise payable to such holder that is delayed, deferred or reduced shall be held in escrow pending resolution of the relevant objection, setoff or other dispute. NPF VI, NPF XII and each Trust reserve their rights, if such holder's Claim is subsequently disallowed, subordinated or otherwise encumbered, to (1) seek disgorgement of any distributions made pursuant to this Section VII.D or otherwise to such holder and (2) obtain any such other relief as may be appropriate to restore the affected Estates, Trusts and creditors to the positions they would have occupied had such Claim not been treated temporarily as an Allowed Claim.

Dissolution of the Creditors' Committee and Subcommittees

On the Effective Date, the Creditors' Committee and the Subcommittees will dissolve and the members of the Creditors' Committee and the Subcommittees will be released and discharged from all duties and obligations arising from or related to the Bankruptcy Cases. The Professionals retained by the Creditors' Committee, the Subcommittees and the members thereof will not be entitled to assert any Fee Claim for any services rendered or expenses incurred after the Effective Date, except for services rendered and expenses incurred in connection with any applications for allowance of compensation and reimbursement of expenses pending on the Effective Date or Filed and served after the Effective Date pursuant to Section III.A.1.d.ii.A of the Plan and in connection with any appeal of the Confirmation Order.

VOTING ON AND CONFIRMATION OF THE PLAN

General

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtors, including that:

(a) the Plan has classified Claims and Interests in a permissible manner;

(b) the Plan complies with the applicable provisions of the Bankruptcy Code;

(c) the Debtors comply with the applicable provisions of the Bankruptcy Code;

(d) the Debtors, as proponents of the Plan, have proposed the Plan in good faith and not by any means forbidden by law;

(e) the disclosure required by section 1125 of the Bankruptcy Code has been made;

(f) the Plan has been accepted by the requisite votes of creditors and equity interest holders (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code (see "Voting On and Confirmation of the Plan — Confirmation" and "— Acceptance or Cramdown"));

(g) the Plan is feasible;

(h) the Plan is in the "best interests" of all holders of Claims or Interests in an impaired Class by providing to creditors or interest holders on account of such Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim or Interest in such Class has accepted the Plan;

(i) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date;

(j) the Plan provides for the continuation after the Effective Date of all retiree benefits, as defined in section 1114 of the Bankruptcy Code, at the level established at any time prior to Confirmation pursuant to section 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code, for the duration of the period that the applicable Debtor has obligated itself to provide such benefits; and

(k) the disclosures required under section 1129(a)(5) concerning the identity and affiliations of persons who will serve as officers, directors and voting trustees of the successors to the Debtors have been made.

Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only classes of claims against or equity interests in a debtor that are "impaired" under the terms of a plan of liquidation or reorganization are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of Claims and Interests that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims and Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan unless such Class otherwise indicates acceptance. The classification of Claims and Interests is summarized, together with an indication of whether each Class of Claims or Interests is impaired or unimpaired, in "Overview of the Plan — Summary of Classes and Treatment of Claims and Interests."

Pursuant to section 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting or other purposes. By order of the Bankruptcy Court, certain vote tabulation rules have been approved that temporarily allow or disallow certain Claims for voting purposes only. These tabulation rules are described in the solicitation materials provided with your Ballot.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS, IF YOU HOLD MULTIPLE GENERAL UNSECURED CLAIMS OR UNDER CERTAIN OTHER CIRCUMSTANCES, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

PLEASE CAREFULLY FOLLOW ALL OF THE INSTRUCTIONS CONTAINED ON THE BALLOT PROVIDED TO YOU. ALL BALLOTS MUST BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED.

TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY 5:00 P.M., EASTERN TIME, ON [_____] AT THE ADDRESS SET FORTH ON THE PREADDRESSED ENVELOPE PROVIDED TO YOU. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTORS THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN.

Votes cannot be transmitted orally or by facsimile. Accordingly, you are urged to return your signed and completed Ballot, by hand delivery, overnight service or regular U.S. mail, promptly.

IF ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN, (A) THE DEBTORS MAY SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO THE STANDARDS OF SUCH SECTION OR (B) THE PLAN MAY BE MODIFIED OR WITHDRAWN WITH RESPECT TO A PARTICULAR DEBTOR, WITHOUT AFFECTING THE PLAN AS TO OTHER DEBTORS, OR IN ITS ENTIRETY. See "Voting On and Confirmation of the Plan — Acceptance or Cramdown" and "— Alternatives to Confirmation and Consummation of the Plan."

IF YOU ARE ENTITLED TO VOTE AND YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, PLEASE CALL THE DEBTORS' TABULATION AGENT, JONES DAY, AT (614) 469-3939.

Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtors have fulfilled the Confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for [_____] at [__:__ __.m.] before The Honorable Donald E. Calhoun, Jr., United States Bankruptcy Judge for the United States Bankruptcy Court, Southern District of Ohio, Eastern Division, in the Judge's usual courtroom at the United States Bankruptcy Court for the Southern District of Ohio, 170 North High Street, Columbus, Ohio 43215. 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. Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest held by the objector. Any such objections must be Filed and served upon the persons designated in the notice of the Confirmation Hearing and in the manner and by the deadline described therein.

Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan: (a) is accepted by the requisite holders of Claims and Interests in impaired Classes of such Debtor or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the nonaccepting Class; (b) is in the "best interests" of each holder of a Claim or Interest in each impaired Class under the Plan for such Debtor; (c) is feasible; and (d) complies with the applicable provisions of the Bankruptcy Code.

Acceptance or Cramdown

A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a claim or interest in an impaired class. See "Voting On and Confirmation of the Plan — Best Interests Test; Chapter 7 Liquidation Analysis." The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. As indicated above, the Plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of section 1129 of the Bankruptcy Code, it (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each Class of Claims or Interests that is impaired under, and has not accepted, the Plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting Class of Unsecured Claims or a Class of Interests with respect to a debtor receives full compensation for its Allowed Claims or Allowed Interests, no holder of Allowed Claims or Interests with respect to such debtor in any junior Class may receive or retain any property on account of such Claims or Interests. With respect to a dissenting Class of Secured Claims, the "fair and equitable" standard requires, among other things, that holders either (a) retain their liens and receive deferred cash payments with a value as of the Effective Date equal to the value of their interest in property of the applicable Estate or (b) receive the indubitable equivalent of their Secured Claims. The "fair and equitable" standard has also been interpreted to prohibit any Class senior to a dissenting Class from receiving under a plan more than 100% of its Allowed Claims or Allowed Interests. The Debtors believe that, if necessary, the Plan may be crammed down over the dissent of certain Classes of Claims, in view of the treatment proposed for such Classes.

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be treated substantially equally with respect to other Classes of equal rank. The Debtors do not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan.

Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan, as it applies to any particular Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code will not limit or affect: (a) the confirmability of the Plan as it applies to any other Debtor or (b) the Debtors' ability to modify the Plan, as it applies to any particular Debtor, to satisfy the provisions of section 1129(b) of the Bankruptcy Code.

Best Interests Test; Chapter 7 Liquidation Analysis

Notwithstanding acceptance of the Plan by each impaired Class, to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of such impaired Class a recovery on account of the member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the applicable Debtor or Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each impaired Class of Claims or Interests would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if each of the Bankruptcy Cases were converted to a chapter 7 case under the Bankruptcy Code and each of the respective Debtor's assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value of a Debtor would consist of the net proceeds from the disposition of the assets of the Debtor, augmented by any cash held by the Debtor.

The Liquidation Value available to holders of Unsecured Claims and Interests would be reduced by, among other things: (a) the Claims of secured creditors to the extent of the value of their collateral; (b) the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtor's chapter 7 case; (c) unpaid Administrative Claims of the Bankruptcy Cases; and (d) Priority Claims and Priority Tax Claims. The Debtors' costs of liquidation in chapter 7 cases would include the compensation of trustees, as well as of counsel and of other professionals retained by such trustees, asset disposition expenses, applicable Taxes, litigation costs, Claims arising

from the operation of the Debtors during the pendency of the chapter 7 cases and all unpaid Administrative Claims incurred by the Debtors during the Bankruptcy Cases that are allowed in the chapter 7 cases. The liquidation itself would trigger certain Priority Claims, such as Claims for severance pay, and would likely accelerate the payment of other Priority Claims and Priority Tax Claims that would otherwise be payable in the ordinary course of business. These Priority Claims and Priority Tax Claims would be paid in full out of the net liquidation proceeds, after payment of Secured Claims, before the balance would be made available to pay Unsecured Claims or to make any distribution in respect of Interests. The Debtors believe that the liquidation also would generate a significant increase in Unsecured Claims, such as rejection damages claims, and Tax and other governmental Claims.

The information contained in Exhibit H hereto provides a summary of the Liquidation Values of the Debtors' interests in property, assuming a chapter 7 liquidation in which one or more trustees appointed by the Bankruptcy Court would liquidate each of the Debtors' properties and interests in property.

In summary, the Debtors believe that chapter 7 liquidations of the Debtors would result in substantial diminution in the value to be realized by holders of Claims, as compared to the proposed distributions under the Plan, because of, among other factors: (a) the substantial negative impact of conversion to a chapter 7 case and subsequent liquidation on the employees of the Debtors; (b) additional costs and expenses involved in the appointment of trustees, attorneys, accountants and other professionals to assist such trustees in the chapter 7 cases; and (c) additional expenses and Claims, some of which would be entitled to priority in payment, that would arise by reason of the expedited liquidation. Consequently, the Debtors believe that the Plan will provide a substantially greater ultimate return to holders of Claims than would chapter 7 liquidations.

Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the Plan). Because the Debtors' plan proposes a liquidation of all of their assets, for purposes of this test the Debtors have analyzed the ability of the ~~Litigation Trusts and the Liquidation~~ Trusts to meet their respective obligations under the Plan. Based on the Debtors' analysis, the ~~Litigation Trusts and the Liquidation~~ Trusts will have sufficient assets to accomplish their respective tasks under the Plan. Therefore, the Debtors believe that their liquidation pursuant to the Plan will meet the feasibility requirements of the Bankruptcy Code.

Compliance with Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believe that the Plan complies with all provisions of the Bankruptcy Code.

Alternatives to Confirmation and Consummation of the Plan

The Debtors have evaluated numerous alternatives to the Plan, including alternative structures and terms of liquidation for the Debtors, including the continuation of these chapter 11 cases while the Debtors' continue to liquidate their assets. While the Debtors have concluded that the Plan is the best alternative and will maximize recoveries by holders of Claims, if the Plan is not confirmed, the Debtors, individually or collectively, or (subject to the Debtors' exclusive periods under the Bankruptcy Code to File and solicit acceptances of a plan or plans of liquidation) any other party in interest in the Bankruptcy Cases could attempt to formulate and propose a different plan or plans of liquidation. Further, if no plan of liquidation under chapter 11 of the Bankruptcy Code can be confirmed, the Bankruptcy Cases may be converted to chapter 7 cases. In a liquidation case under chapter 7 of the Bankruptcy Code, a trustee or trustees would be elected or appointed to liquidate the assets of each Debtor. The proceeds of the liquidation would be distributed to the respective creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code. For further discussion of the potential impact on the Debtors of the conversion of the Bankruptcy Cases to chapter 7 liquidations, see "Voting and Confirmation of the Plan — Best Interests Test; Liquidation Analysis." The Debtors believe that Confirmation and consummation of the Plan is preferable to the alternatives described above.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN

General

A DESCRIPTION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION MAY HAVE RETROACTIVE EFFECT, WHICH MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. NO RULING HAS BEEN REQUESTED FROM THE IRS AND NO LEGAL OPINION HAS BEEN REQUESTED FROM COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN, AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS, NOR DOES IT ADDRESS TAX CONSEQUENCES TO HOLDERS OF STOCK INTERESTS IN THE DEBTORS. THIS DESCRIPTION DOES NOT DISCUSS THE POSSIBLE STATE TAX OR NON-U.S. TAX CONSEQUENCES THAT MIGHT APPLY TO THE DEBTORS OR TO HOLDERS OF CLAIMS.

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 FOREIGN TAX CONSEQUENCES OF THE PLAN.

Tax Treatment of the Trusts

Although not free from doubt, the Debtors believe that the ~~respective~~ Trusts should each qualify as a "liquidating trust" described in Treasury Regulation § 301.7701-4(d) and be treated as a "grantor trust" under ~~section~~Section 671 of Internal Revenue Code. Assuming that this treatment is correct, none of the Trusts will be treated as separate taxable entities and no entity-level tax will be imposed on any income or gain derived from the Debtor assets held by the Trusts. Instead, the holders of beneficial interests in each ~~respective~~ Trust will be treated as the owners of ~~the respective~~that Trust's assets ~~(~~, net of ~~the Debtor~~ the Debtor liabilities assumed ~~by the respective~~ by the Trust).

The assumed Debtor liabilities will include, in the case of the Unencumbered Assets Trust, Secured Claims reinstated pursuant to the Plan and certain unpaid Administrative Claims, Priority Claims and Priority Tax Claims and, in the case of the VI/XII Collateral Trust, certain other unpaid Administrative Claims, Priority Claims and Priority Tax Claims. It is intended that holders of Secured Claims, Administrative Claims, Priority Claims and Priority Tax Claims be treated as Trust creditors rather than owners of beneficial interests in the Trust. The IRS may disagree, however, and conclude that one or more Trusts have issued multiple classes of interests. The consequences of such a conclusion are unclear. A Trust with multiple classes of interests may still qualify as a grantor trust and avoid an entity-level tax if the issuance of multiple classes of interests is "incidental" to the purpose of facilitating direct investment in the Trust's assets. However, the scope of this exception is uncertain and a Trust with multiple classes of interests might not fall within it.

If a Trust fails to qualify as a "liquidating trust," it may be treated as a partnership. If a Trust is treated as a partnership but not as a publicly traded partnership, each holder of a beneficial interest in that Trust must take into account its allocable (generally, pro rata) share of each item of income, gain, deduction or loss recognized by the Trust and the Trust itself will not be subject to an entity-level tax. If a Trust is treated as a publicly traded partnership, however, it will be taxed as if it were a corporation and any net income or gain recognized by the Trust will be subject to tax at up to the highest tax rate imposed on corporations.

The remainder of this discussion assumes that ~~the respective Trusts are grantor trusts~~each Trust qualifies as a liquidating trust or will otherwise be treated as a grantor trust. If the IRS succeeds in requiring a different

characterization ~~of~~for one or more of the Trusts, the affected Trust could be subject to tax on its income and gains, and the amounts received by the holders of beneficial interests in the affected Trust with respect to their Claims could be reduced as a result.

~~*Establishment of the Trusts*~~

~~The transfer of Debtor assets (subject to certain Debtor liabilities) to the respective Trusts on the Effective Date should be treated as a transfer of the Debtor assets to the holders of Allowed Claims in Classes C-2A, C-3A and C-6, followed by the holders' contribution of those assets to the applicable Trust in exchange for all of the applicable Trust's beneficial interests. After the deemed contribution, each holder of an Allowed Claim in Class C-2A, C-3A or C-6 should be treated as owning its pro rata share of the applicable Trust's assets (net of the liabilities the applicable Trust has assumed from the Debtors).~~

~~*Taxation of Holders of Beneficial Interests in the Trusts*~~

~~Each holder of a beneficial interest in any of the Trusts will be required to include in income the holder's allocable share of any income, gain, loss, deduction or credit recognized or incurred by the Trusts, respectively, including interest or dividend income earned on bank accounts and other investments.~~

~~If a Trust sells or otherwise disposes of an asset in a transaction in which gain or loss is recognized, each holder of a beneficial interest in that Trust will be required to include in income gain or loss equal to the difference between (i) the holder's pro rata share of the cash or property received in exchange for the asset sold or otherwise disposed of, and (ii) the holder's adjusted basis in the holder's pro rata share of the asset. The character and amount of any gain or loss will be determined by reference to the character of the asset sold or otherwise disposed of. Holders of beneficial interests in a Trust will be required to report any income or gain recognized on the sale or other disposition of a Trust asset whether or not the Trust distributes the sales proceeds currently and may, as a result, incur a tax liability before the holder receives a distribution from the Trust.~~

~~If a Trust obtains a recovery (net of deductible expenses) with respect to a claim assigned to the it and if the net recovery exceeds the fair market value of the claim assigned to the Trust on the Effective Date, the excess amount should constitute taxable income to holders of beneficial interests in the Trust. If a Trust obtains a net recovery that is less than its assigned claims' fair market value on the Effective Date, the difference should constitute a taxable loss to holders of beneficial interests in the Trust. That loss may or may not be available to offset other income of those holders, depending on each holder's particular circumstances. The Debtors anticipate that the respective claims assigned to the respective Trusts will be assigned nominal or no value on the Effective Date and that any net recovery would be income to the holders of beneficial interests in the respective Trust. The income, however, would generally reduce the holder's bad debt deduction with respect to its Allowed Claim (to the extent a bad debt deduction has not been claimed in a previous tax year) rather than give rise to a tax liability for the holder. See "Tax Consequences of Payment of Allowed Claims Pursuant to Plan."~~

Tax Consequences of Payment of Allowed Claims Pursuant to Plan

The ~~federal income tax~~ consequences of ~~the~~**Plan** implementation ~~of the Plan~~ to the holders of Allowed Claims will depend, among other things, on the consideration to be received by the holder, whether the holder reports income on the accrual or cash method**, whether the holder receives distributions under the Plan in more than one taxable year** and ~~on~~ whether the holder has taken a bad debt deduction or worthless security deduction with respect to its claim.

Tax Characterization of Exchange to Holders of Certain Allowed Claims

~~A holder of an Allowed Claim that receives cash or property in an amount less than the holder's tax basis in its claim may be entitled in the year of receipt (or in an earlier year) to a bad debt deduction under section 166(a) of the Internal Revenue Code. The rules governing the timing and amount of bad debt deductions 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 Allowed Claims are urged to consult their own tax advisors with respect to their ability to take a bad debt deduction.~~

Each holder of an Allowed Claim in Class C-2A, C-3A or C-6 on the Effective Date should be treated as transferring the claim to the Debtors in exchange for cash and the holder's pro rata share of the assets in the applicable Trust (~~less~~**subject to** the Debtor liabilities assumed by the ~~applicable~~ Trust) **and then as transferring the holder's pro rata share of the assets (subject to the liabilities) to the Trust in exchange for a Trust beneficial interest**. The holder should recognize gain or loss equal to the difference between (i) the cash received and the fair market value of the ~~assets in~~**holder's share of** the ~~applicable~~ Trust ~~allocable to such holder~~**assets** (less the ~~amount of the~~**Debtor** liabilities assumed by the ~~applicable~~ Trust) and (ii) the holder's adjusted basis in its Allowed Claim.

The character of any gain or loss **recognized by the holder of an Allowed Claim** as capital or ordinary gain or loss and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the nature and origin of the Allowed Claim, (ii) the tax status of its holder, (iii) whether the Allowed Claim has been held for more than one year and (iv) the extent to which the holder previously claimed a loss or bad debt deduction with respect to the Allowed Claim. Each holder of an Allowed Claim in Class C-2A, C-3A or C-6 is urged to consult the holder's own tax advisor as to the character of any gain or loss recognized with respect to the holder's Allowed Claim.

~~***Basis and Holding Period of the Trust Assets***~~

Taxation of Holders of Beneficial Interests in the Trusts

Each holder of a beneficial interest in a Trust will be required to include in income the holder's allocable share of any income, gain, loss, deduction or credit recognized or incurred by the Trust, including interest income earned on bank accounts and other investments.

If a Trust sells or otherwise reduces an asset to cash in a transaction in which gain or loss is recognized, each holder of a beneficial interest in that Trust will be required to include in income gain or loss equal to the difference between (i) the holder's pro rata share of the cash or property received in exchange for the asset sold or otherwise disposed of, and (ii) the holder's adjusted basis in the holder's pro rata share of the asset. The character and amount of any gain or loss will be determined by reference to the character of the asset sold or otherwise disposed of. Holders of beneficial interests in a Trust will be required to report any income or gain recognized on the sale or other disposition of a Trust asset whether or not the Trust distributes the cash proceeds currently and may, as a result, incur a tax liability before the holder receives a distribution from the Trust.

If a Trust obtains a recovery (net of deductible expenses) with respect to a Debtor claim that has been transferred to it and if the recovery exceeds the fair market value assigned to the claim on the Effective Date, the excess should constitute taxable income to holders of beneficial interests in the Trust. If a Trust obtains a net recovery that is less than the claim's fair market value on the Effective Date, the difference should constitute a taxable loss to holders of beneficial interests in the Trust. That loss may or may not be available to offset other income of those holders, depending on each holder's particular circumstances. The Debtors anticipate that the claims assigned to the Trusts will be assigned nominal or no value on the Effective Date and that any net recovery would be income to the holders of beneficial interests in the respective Trust. The income, however, would generally reduce the holder's bad debt deduction with respect to its Allowed Claim (to the extent a bad debt deduction has not been claimed in a previous tax year) rather than give rise to a tax liability for the holder.

The tax basis of property received in exchange for an Allowed Claim in Class C-2A, C-3A or C-6 will be the amount that is included in the holder's amount realized on the exchange of its Allowed Claim. This basis should be the fair market value of the assets in the applicable ~~Trusts~~**Trust** (less the Debtor liabilities assumed by ~~such~~**the ~~Trusts~~Trust**), in each case as of the date of the exchange. The holding period for the property will begin on the day following the exchange.

Post-Effective Date Cash Distributions on Allowed Claims

Because certain holders of Allowed Claims, including Disputed Claims that ultimately become Allowed Claims, may receive Cash distributions subsequent to the Effective Date of the Plan, the imputed interest provisions of the Internal Revenue Code may apply to treat a portion of the subsequent distributions as imputed interest. Imputed interest may, with respect to certain holders, accrue over time using the constant interest method, in which event the holder may be required to include imputed interest in income prior to the actual distribution. Additionally, because holders may receive distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the holder may be deferred. All holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their claims.

Receipt of Pre-Effective Date Interest

Holders of Allowed Claims will recognize ordinary income to the extent that they receive cash or property, including beneficial interests in ~~the respective Trusts~~ a Trust, that is allocable to accrued but unpaid interest which the holder has not yet included in its income. If an Allowed Claim includes interest, and if the holder receives less than the amount of the Allowed Claim pursuant to the Plan, the holder must allocate the Plan consideration between principal and interest. The holder may take the position that the amounts received pursuant to the Plan are allocable first to principal, up to the full amount of principal, and only then to interest. However, the proper allocation of Plan consideration between principal and interest is unclear and holders of Allowed Claims should consult their own tax advisors in this regard. If the Plan consideration allocable to interest with respect to an Allowed Claim is less than the amount that the holder has previously included as interest income, the previously included but unpaid interest may be deducted, generally as a loss.

~~*Debtor Net Operating Losses*~~

Bad Debt or Worthless Securities 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 claim may be entitled in the year of receipt (or in an earlier year) to a bad debt deduction in some amount under Section 166(a) of the Internal Revenue Code or a worthless securities deduction under Section 165(g) of the Internal Revenue Code. The rules governing the character, timing and amount of bad debt and/or worthless securities deductions 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.

Tax Treatment of Disputed Claims Reserve

On the Effective Date, a portion of the beneficial interests in the Unencumbered Assets Trust will be reserved for holders of Disputed Claims that become Allowed Claims. While the proper tax treatment of disputed claims reserves is uncertain, the reserve established by the Plan will be treated as a "disputed ownership fund" within the meaning of Proposed Treasury Regulation Section § 1.468B-9 for tax purposes. As such, the reserve will be subject to tax on any income realized by it.

Tax Consequences of Plan to Debtors

The Debtors will recognize gain or loss on the deemed transfer of their assets to the holders of Allowed Claims in an amount equal to the difference, if any, between the fair market value of the assets at the time of transfer and the assets' adjusted tax bases in the Debtors' hands.

The Debtors may realize substantial cancellation of indebtedness income as a result of the Plan but the income will not be taxable to the Debtors or the Trusts.

The Debtors will retain their net operating losses and other tax attributes until the ~~time the~~ Debtors are liquidated. ~~At that time~~ or the tax attributes are reduced or eliminated as a result of the excluded cancellation of

indebtedness income. On liquidation, any unused net operating losses or other Debtor tax attributes will be extinguished.

Information Reporting and Withholding

Under the Internal Revenue Code's backup withholding rules, the holder of an Allowed Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan unless the holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Allowed Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

ADDITIONAL INFORMATION

Any statements in this Disclosure Statement concerning the provisions of any document are not necessarily complete, and in each instance reference is made to such document for the full text thereof. Certain documents described or referred to in this Disclosure Statement have not been attached as exhibits because of the impracticability of furnishing copies of these documents to all recipients of this Disclosure Statement. The Debtors will File all exhibits to the Plan with the Bankruptcy Court and make them available for review on the Debtors' web site at www.ncfe.comon or before [_____], ~~2003~~. The exhibits also will be available upon request from the Debtors' counsel.

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all holders of Claims in voting Classes to vote to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received on or before the Voting Deadline.

Dated: December ~~8~~ 24, 2003

Respectfully submitted,

NATIONAL CENTURY FINANCIAL ENTERPRISES, INC.
(for itself and on behalf of the NCFE Subsidiary Debtors)

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