UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF LOUISIANA

IN RE:	§	
	§	
NEW LOUISIANA HOLDINGS, LLC, *et al.*	§	**Case No. 14-50756**
	§	**(Chapter 11)**
	§	
DEBTORS	§	**Jointly Administered**

DISCLOSURE STATEMENT WITH RESPECT TO FIRST AMENDED JOINT PLAN OF LIQUIDATION FOR NEW LOUISIANA HOLDINGS, LLC, *ET AL.*, PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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Dated: July 18 , 2016

TABLE OF CONTENTS

I. INTRODUCTION **1**

II. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS **1**

III. EXPLANATION OF CHAPTER 11 .... **3**

A. OVERVIEW OF CHAPTER 11 3
B. PLAN OF REORGANIZATION 3

IV. SUMMARY OF THE PLAN **6**

A. GENERAL OVERVIEW 6
B. SUMMARY CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS 8
1. Unclassified Claims Against the Debtors *8*
C. MEANS OF IMPLEMENTATION OF THE PLAN 16
1. The Settlement *16*
2. Sources of Cash for Plan Distributions *17*
3. Transfers of Assets to the Claimants Trusts *17*
4. Post Effective Date Management of the Trusts and the Debtors; Certain Terms Of the Liquidating Trust *18*
5. Releases and Exculpation *21*
6. Injunction *22*
7. Revocation or Withdrawal of the Plan *22*
8. Modification of the Plan *22*
D. EXECUTORY CONTRACTS AND UNEXPIRED LEASES 23

V. DESCRIPTION OF THE DEBTORS **24**

A. OVERVIEW AND CORPORATE STRUCTURE 24
B. HISTORY OF THE DEBTORS 24
1. Palm Garden Debtors *24*
2. Georgia Debtors *25*
3. Palm Terrace Debtors *25*
4. Encore Debtors *27*
5. NLH Debtors *27*
6. Related Parties *28*

VI. THE DEBTORS' BANKRUPTCY CASES **29**

A. FACTORS LEADING TO CHAPTER 11 FILINGS 29
1. Issues Affecting Palm Garden Debtors *29*
2. Issues Affecting Georgia Debtors *31*
3. Issues Affecting Palm Terrace Debtors *32*
4. Issues Affecting Encore Debtors *32*
5. Issues Affecting the NLH Debtors *34*
B. COMMENCEMENT OF CHAPTER 11 FILINGS 36
C. SIGNIFICANT EVENTS SINCE COMMENCEMENT OF THE BANKRUPTCY CASES 36
1. Joint Administration *36*
2. Appointment of Official Committees *36*
3. Retention of Professionals *37*
4. Schedules and Statement of Financial Affairs *37*
5. DIP Financing *38*
6. Asset Sales *38*
7. Palm Garden Landlord Litigation *41*
8. Debtor's Complaint to Stay Personal Injury Litigation *42*
9. Motion to Transfer Venue of Palm Garden Bankruptcy Cases *42*
10. Committee's Investigation Into Insider and Related Party Claims *43*
11. Substantive Consolidation of Debtors' Estates *45*

VII. CONFIRMATION OF THE PLAN **45**

A. Solicitation of Votes; Voting Procedures 45
1. Ballots and Voting Deadline 45
2. Parties in Interest Entitled to Vote 46
3. Definition of Impairment 46
4. Classes Impaired Under the Plan 46
5. Vote Required For Class Acceptance 47
B. Confirmation Hearing 47
C. Requirements For Confirmation of a Plan 48
D. Cramdown 51

VIII. RISK FACTORS 52

A. Lower Than Expected Liquidation Proceeds 52
B. Insufficient Acceptances 53
C. Confirmation Risks 53
D. Conditions Precedent 53

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN 53

X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN 54

A. Tax Consequences to the Debtors and Owners 55
B. Tax Consequences To Creditors or Investors 55
C. Information Reporting and Withholding. 55

XI. CONCLUSION 57

I. INTRODUCTION

New Louisiana Holdings, LLC and its affiliated debtors (the "Debtors"), submit this Disclosure Statement with respect to the First Amended Joint Plan of Liquidation Proposed by the Debtors and the Official Committee of Unsecured Creditors (collectively the "Proponents" or the "Plan Proponents") dated July 18, 2016 (the "Plan"). This Disclosure Statement is to be used in connection with the solicitation of votes on the Plan. Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Plan (see Article I of the Plan entitled "Definitions, Construction, and Interpretation") or if not otherwise defined by the Plan, in the Bankruptcy Code.

For a summary of the proposed treatment of your Claim or Interest under the Plan, please see the charts on pages 8-16 below.

II. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

The purpose of this Disclosure Statement is to enable Holders of Claims against and Interests in the Debtors whose Claims and Interests are impaired under the Plan and are entitled to vote on the Plan to make an informed decision in exercising their right to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT CAREFULLY.

On July 19, 2016, the Bankruptcy Court conducted a hearing on the adequacy of this Disclosure Statement and subsequently entered an order pursuant to section 1125 of the Bankruptcy Code (the "Disclosure Statement Order") approving this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the solicited Holders of Claims against and Interests in the Debtors, to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Disclosure Statement Order is included in the materials accompanying this Disclosure Statement. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN.

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

Each Holder of a Claim or Interest entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Proponents and their Professionals, no Person has been authorized to use or promulgate any information concerning the Debtors, their businesses, or the Plan, other than the information contained herein, in connection with the solicitation of

votes to accept or reject the Plan. No Holder of a Claim or Interest entitled to vote on the Plan should rely upon any information relating to the Debtors, their businesses, or the Plan other than that contained in the Disclosure Statement and the exhibits hereto. Unless otherwise indicated, the sources of all information set forth herein are the Proponents, their Professionals, matters of record in the Debtors' chapter 11 cases.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot and returning the same, to the address set forth on the Ballot, in the enclosed return envelope or by facsimile to the number indicated on the Ballot so that it will be received by the Balloting Agent, Neligan Foley LLP, 325 N. St. Paul, Suite 3600, Dallas, Texas 75201, no later than 5:00 p.m. Central Time on August 15, 2016.

If you do not vote to accept the Plan, or if you are not entitled to vote on the Plan, you may be bound by the Plan if it is accepted by the requisite Holders of Claims or Interests. See "Solicitation of Votes; Voting Procedures," "Vote Required for Class Acceptance," and "Cramdown" in Article VII, Section A.5 and Article VII Section D.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M. CENTRAL TIME ON AUGUST 15, 2016. For detailed voting instructions and the name, address, and phone number of the person you may contact if you have questions regarding the voting procedures, see "Ballots and Voting Deadline" in Article VII, Section A.1 below.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a Confirmation Hearing to consider Confirmation of the Plan (the "Confirmation Hearing") commencing on **August 24, 2016, at 10:00 a.m. Central Time**, in the United States Bankruptcy Court for the Western District of Louisiana, Lafayette Division. **The Bankruptcy Court has directed that objections, if any, to Confirmation of the Plan be filed and served on or before August 15**, **2016 at 5:00 p.m. Central Time**, in the manner described in Article VII Section B below under the caption, "Confirmation Hearing."

ON JULY 19, 2016, THE BANKRUPTCY COURT CONDITIONALLY APPROVED THE SUBSTANTIVE CONSOLIDATION OF THE DEBTORS' CHAPTER 11 CASES FOR DISTRIBUTION AND VOTING PURPOSES. ACCORDINGLY, THE PLAN IS BEING PROPOSED AS A JOINT PLAN OF THE DEBTORS FOR DISTRIBUTION AND VOTING PURPOSES.

THE PROPONENTS SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF IMPAIRED CLAIMS AND INTERESTS TO ACCEPT THE PLAN.

THE PLAN PROPONENTS MAKE NO REPRESENTATION WITH RESPECT TO THE TAX CONSEQUENCES OF CONFIRMATION OF THE PLAN, THE TAX TREATMENT TO HOLDERS OF CLAIMS OR INTERESTS UNDER THE PLAN, OR THE TAX EFFECT OF MAKING ANY ELECTIONS AVAILABLE TO SUCH HOLDERS UNDER THE PLAN.

III. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, a debtor in possession attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest.

The commencement of a chapter 11 case creates an estate consisting of all the legal and equitable interests of the debtor in property as of the date the bankruptcy petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present chapter 11 cases, the Debtors have remained in possession of their property and continued to manage their assets as debtors in possession.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia*, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation and confirmation by the Bankruptcy Court of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in a debtor. Generally, unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusive Period"). However, section 1121(d) of the Bankruptcy Code permits the court to extend or reduce the Exclusive Period upon a showing of "cause." After the Exclusive Period has expired, a creditor or any other party in interest may file a plan, unless the debtor has filed a plan within the Exclusive Period, in which case, the debtor is generally given 60 additional days (the "Solicitation Period") during which it may solicit acceptances of its plan. The Solicitation Period may also be extended or reduced by the court upon a showing of "cause." In the Debtors' Bankruptcy Cases, the Court entered several orders that extended the Debtors' Exclusive Periods and Solicitation Periods.

B. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a liquidation of the debtor's assets. The Plan contemplates a liquidation of the Debtors' assets. After a plan of reorganization has been filed, certain holders of claims against or interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of a proposed plan, section 1125 of the Bankruptcy Code requires the plan proponent to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical investor to make an informed judgment about the plan. This Disclosure Statement is presented to Holders of Claims against and Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may nonetheless deny confirmation of the plan unless the court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" test and be "feasible." The "best interests" test requires that the value of the consideration to be distributed to the holders of claims and interests under a plan may not be less than those parties would receive if the debtor were liquidated in a hypothetical liquidation under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization.

The Proponents believe that the Plan satisfies all applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests of creditors" test and the "feasibility" requirement. The Proponents support confirmation of the Plan and urge all holders of impaired Claims and Interests to vote to accept the Plan.

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. At a minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under the plan. The Bankruptcy Code defines acceptance of the plan by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voting. In the present case, only the holders of impaired Claims or Interests who actually vote will be counted as either accepting or rejecting the Plan.

Classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptance of a plan will generally be solicited only from those persons who hold claims or interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash. Claims against the Debtors in Classes 4, 5, 6, 8 and 9 are impaired under the Plan and the Holders of those Claims and Interests are thus entitled to vote on the Plan. Claims against the Debtors in Classes 1, 2, 3 and 7 are not impaired under the Plan, and the Holders of those Claims and Interests are thus not entitled to vote on the Plan and are deemed to have accepted the Plan. Holders of Interests in Class 10 shall not receive any Distributions on account of their Interests and are deemed to reject the Plan. Administrative Claims and Priority Tax Claims are unclassified; their treatment is prescribed by the Bankruptcy Code. The Holders of such Claims are not entitled to vote on the Plan.

The bankruptcy court may also confirm a plan even though fewer than all the classes of impaired claims and interests accept it. For a plan to be confirmed despite its rejection by a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will, *inter alia*, receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim, or realize the indubitable equivalent of its secured claim; and (b) with respect to unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property at all unless all senior classes are paid in full.

A plan does not "discriminate unfairly" against a rejecting class of claims if: (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims, and (b) no senior class of claims is to receive more than 100% of the amount of all allowed claims in such class.

The Proponents believe that the Plan has been structured so that it will satisfy these requirements as to any rejecting Class of Claims or Interests, and can therefore be confirmed, if necessary, even if not accepted by all voting Classes of Claims or Interests. The Proponents reserve the right to request confirmation of the Plan under the "cramdown" provisions of section 1129 of the Bankruptcy Code.

IV. SUMMARY OF THE PLAN

A. General Overview

The Plan represents the culmination of almost two years of work by the Debtors, the Committee and their professionals to marshal and reduce to Cash the Debtors' Assets, investigate and analyze potential claims belonging to the Debtors' Estates (including potential claims against the Debtors' officers, managers, owners and other insiders and/or related parties), and negotiate the terms of the Plan. As discussed in more detail in Section V below, the Debtors are comprised of 59 entities that either directly or indirectly owned the operations of 47 skilled nursing facilities in 7 states, or provided services thereto. Prior to their respective Petition Dates, the Debtors' operations were negatively affected by a variety of operating problems, including, but not limited to, the following: (i) the NLH Debtors' operations never fully recovered from Hurricanes Katrina and Rita; (ii) the poor condition of the facilities coupled with significant staff turnover impaired the Encore Debtors' operations; (iii) the Georgia Debtors' operations suffered from the poor condition of the facilities an disputes with their landlord that impacted available cash flow; (iv) the Palm Terrace Debtors were affected by location and census, staffing issues and personal injury claims; and (v) the Palm Garden Debtors' leases for their facilities expired by their terms and were not renewed by the landlord. Furthermore, and perhaps most significantly, the Debtors faced a substantial number of personal injury claims, particularly in the state of Florida. As of their Petition Dates, the Debtors were, collectively, defending over one hundred personal injury claims in various stages of litigation. From 2011 through the filing of their bankruptcy petitions, the Debtors spent over $19 million in legal fees and settlement payments in connection with personal injury litigation, which negatively affected liquidity, profitability and ultimately led to an inability to sustain the Debtors' operations.

When the Debtors' prepetition efforts to reverse operating losses and improve profitability failed, the Debtors began a multi-year effort to exit unprofitable markets and transfer those facilities to third parties. By the time the Debtors' commenced their Chapter 11 cases, the Debtors operated only five facilities.

The Debtors' commenced their Bankruptcy Cases to complete the transfer of their remaining facilities and to efficiently resolve their outstanding liabilities in an orderly and responsible manner. However, it soon became apparent that the substantial number of personal injury claims presented a significant challenge to resolving the Debtors' Chapter 11 cases in a manner in which a material distribution could be made to creditors. The face value of the proofs of claim filed by personal injury claimants (several billion dollars) dwarfed the amount of other general unsecured claims filed in the Debtors' Bankruptcy Cases. In addition to the potential liability associated with the underlying personal injury claims, the Debtors' faced millions of dollars of potential administrative expenses associated with the legal fees that, absent a settlement, would have to be incurred to defend those actions and liquidate those claims. As a result, the Debtors and the Committee recognized a compromise of all, or substantially all, of the Debtors' tort claims would preserve a substantial portion of the Debtors' Assets for the benefit of other general unsecured creditors.

Ultimately, the Debtors, with the support of the Committee, negotiated settlements with tort claimants and with other parties which will eliminate several billion dollars of filed tort

claims against the Debtors. Absent settlement, the asserted value of these tort claims would have dwarfed all other general unsecured claims filed against the Debtors and threatened to substantially reduce recoveries for all creditors. The Plan also resolves potential claims against the Debtors' officers, managers, owners and other insiders and/or related parties, pursuant to which tens of millions of dollars in prepetition claims held by insiders and other parties will be either subordinated or extinguished. The Plan further eliminates millions of dollars of potential administrative claims that, but for the proposed Settlement, threatened to reduce the estimated recovery for general unsecured creditors to a few pennies on the dollar. The Plan also provides for a contribution of an additional $2.5 million dollars from certain parties receiving releases under the Plan, which will enable the Debtors to consummate settlements with the remaining tort claimants and provide approximately $1.5 million in additional funds for general unsecured creditors.

The bottom line: the Plan provides creditors with a substantially higher recovery than creditors could realistically expect to obtain under any other available option. Consequently, the Plan Proponents believe, and will demonstrate at the Confirmation Hearing, that confirmation and consummation of the Plan are in the best interests of Holders of Claims against and Interests in the Debtors. The Debtors urge all creditors to vote in favor of the Plan.

In broad terms, the Plan provides for: (i) the settlement of all (a) Claims and Causes of Action against the Released Parties, (b) the Insider Claims, (c) the TCR Personal Injury Claims and (d) the Chicago Health Care Leasing Claims; and (ii) the creation of the Unsecured Claimants Trust and the Tort Claimants Trust. A more detailed discussion of the Settlement is contained in Section VI below.

On the Plan's Effective Date, $1.05 million will be transferred to the Tort Claimants Trust to resolve the remaining tort claims and all of the remaining Assets of the Debtors will be transferred to the Unsecured Claimants Trust. The Unsecured Claimants Trustee and the Tort Claimants Trustee will liquidate their respective Assets and make Distributions to Holders of Claims and Interests as required by the Plan, the Unsecured Claimants Trust Agreement and the Tort Claimants Trust Agreement. Under the Plan, Allowed Administrative and Priority Claims will be paid in full, and Allowed Secured Claims will either receive Cash in an amount equal to such claim or the Collateral securing such claim. Allowed General Unsecured Claims will share Pro Rata in Distributions from the Unsecured Claimants Trust. Allowed Personal Injury Claims will either receive a lump sum Cash settlement payment or will share Pro Rata in the Trust Assets of the Tort Claimants Trust. Pursuant to the Settlement, Chicago Health Care Leasing Claims, Insider Claims and TCR Personal Injury Claims shall either be subordinated to Allowed General Unsecured Claims and the Allowed Personal Injury Claims or released, as required by the Plan. The distributions to Holders of Allowed General Unsecured Claims and Allowed Tort Claims must be paid in full before the Claims of Chicago Healthcare Leasing are paid. Intercompany Claims have been extinguished as a result of the substantive consolidation of the Debtors' Estates and Holders of Interests in the Debtors shall not receive any distribution on account thereof.

B. Summary Classification and Treatment of Claims and Interests

The following is a summary of the classifications and treatments of Claims and Interests under the Plan. The classification of a Claim or Interest is without prejudice to a Holder asserting that it is entitled to a different classification or treatment. The amounts shown below constitute, to the best of the Proponents' knowledge, an estimate of the amount of such Claims, taking into account amounts, if any, paid or projected to be paid before the Effective Date. As noted below, in the view of the Plan Proponents the aggregate amount of scheduled and filed General Unsecured Claims against the Debtors materially overstates the amount of those Claims that will be ultimately Allowed by the Bankruptcy Court. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests.

THIS IS ONLY A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. THE PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN.

1. Unclassified Claims Against the Debtors

In accordance with section 1123(a)(1) of the Bankruptcy Code, unclassified Claims against the Debtors consist of Administrative Claims and Priority Tax Claims. The Debtors estimate that the amounts of such Claims as of the Effective Date will be approximately as follows:

Administrative Claims	Administrative Claims of approximately $2.8 million consisting largely of unpaid Professional fees and expenses
Priority Tax Claims	Approximately $11,414.26[1]

a. Allowance and Payment of Administrative Claims

Except to the extent an earlier bar date applies by order of the Bankruptcy Court,[2] the Holder of any Administrative Claim that is incurred, accrued or in existence prior to the Effective Date, other than (i) a Fee Claim, (ii) an Allowed Administrative Claim, or (iii) a liability in the Ordinary Course of Business must file with the Bankruptcy Court and serve on all parties required to receive such notice a request for the allowance of such Administrative Claim on or before thirty (30) days after the Effective Date for Administrative Claims against any of the Debtors. Such request must include at a minimum (i) the name of the Holder of the Claim, (ii) the amount of the Claim, and (iii) the basis of the Claim. Failure to timely and properly file and serve the request required under this Section shall result in the Administrative Claim being

[1] A majority of the Debtors are pass-through entities for tax purposes and, consequently, the Debtors do not anticipate that there will be any Priority Tax Claims based on the Debtors' income.

[2] The Bankruptcy Court established January 31, 2016 as the deadline for filing certain administrative expense claims incurred as of December 31, 2015.

forever barred and discharged. Objections to such requests must be filed and served pursuant to the Bankruptcy Rules on the requesting party and the Debtors within thirty (30) days after the filing of the applicable request for payment of an Administrative Claim.

Any Person who holds or asserts an Administrative Claim that is a Fee Claim shall be required to file with the Bankruptcy Court and serve on all parties required to receive such notice a Fee Application within thirty (30) days after the Effective Date for Fee Claims against any of the Debtors. Failure to timely and properly file and serve a Fee Application as required under this Section shall result in the Fee Claim being forever barred and discharged. No Fee Claim will be deemed Allowed until an order allowing the Fee Claim becomes a Final Order. Objections to Fee Applications must be filed and served pursuant to the Bankruptcy Rules on the Debtors and the Person whose application is the subject of the objection no later than fourteen (14) days before the hearing on such Fee Application. No hearing may be held on less than twenty-eight (28) days' notice.

An Administrative Claim with respect to which a request for payment is required and has been properly filed pursuant to Section 2.01(a) of the Plan shall become an Allowed Administrative Claim if no timely objection is filed. If a timely objection is filed, the Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed and served pursuant to Section 2.01(b) of the Plan, shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order after notice and an opportunity for hearing.

Except to the extent that a holder of an Allowed Administrative Claim has been paid before the Effective Date, or agrees to a different treatment, each holder of an Allowed Administrative Claim (other than Allowed Administrative Claims for goods sold or services rendered in the Ordinary Course of Business, which are paid as described below) shall receive, after the application of any retainer or deposit held by such holder, Cash in an amount equal to such Allowed Claim within ten (10) Business Days after the later of (i) the Effective Date or (ii) the Allowance Date with respect to such Allowed Claim.

Holders of Administrative Claims based on liabilities for goods sold or services rendered in the Ordinary Course of Business of the Debtors after the Petition Date and during the Bankruptcy Cases (other than Claims of governmental units, including, *inter alia*, those for taxes or Claims and/or penalties related to such taxes; Administrative Claims arising under Bankruptcy Code section 503(b)(9); or alleged Administrative Claims arising in tort) shall not be required to file any request for payment of such Claims. Each Administrative Claim incurred in the Ordinary Course of Business of the Debtors will be paid pursuant to the terms and conditions of the transaction giving rise to such Administrative Claim, without any further action by the holder of such Administrative Claim. The Debtors, Creditors' Committee and the Unsecured Claimants' Trust reserve the right to object before the Objection Deadline to any Administrative Claim arising, or asserted as arising, in the Ordinary Course of Business, and shall withhold payment of such claim until such time as any objection is resolved pursuant to a settlement or a Final Order.

b. Allowance and Payment of Priority Tax Claims

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to different treatment, each holder of an Allowed Priority Tax Claim shall receive, in the discretion of the Debtor, the Creditors' Committee and the Unsecured Claimants' Trust, (a) Cash in an amount equal to such Allowed Claim within ten (10) Business Days after the later of (1) the Effective Date or (2) the Allowance Date with respect to such Allowed Claim; or (b) deferred Cash payments over a period not exceeding five (5) years after the Petition Date in an aggregate principal amount equal to the Allowed amount of such Priority Tax Claim (with any interest to which the holder of such Claim may be entitled calculated in accordance with section 511 of the Bankruptcy Code), in equal annual installments with the first payment to be due within ten (10) Business Days after the later of (1) the Effective Date or (2) the Allowance Date with respect to such Allowed Claim and subsequent payments to be due on each anniversary of the Effective Date; provided, however, that all Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as they become due. Notwithstanding the foregoing, (a) any Claim or demand for payment of a penalty (other than a penalty of the type specified in Bankruptcy Code section 507(a)(8)(G)) shall be Disallowed pursuant to the Plan and the holder thereof shall not assess or attempt to collect such penalty from the Debtors, the Claimants Trusts or any of their Assets, (b) the Debtors or the Unsecured Claimants Trust shall have the right to pay any Allowed Priority Tax Claim, or any unpaid balance of such Claim, in full, at any time after the Effective Date, without premium or penalty, and (c) nothing contained herein shall relieve any owner of a Debtor from any liability for taxes arising from a Debtor's status as a pass-through entity for income tax purposes.

c. U.S Trustee Fees

The Claimants Trusts shall timely pay, in equal portions, to the United States Trustee all quarterly fees incurred by the Debtors pursuant to 28 U.S.C. § 1930(a)(6) until the Bankruptcy Cases are closed or dismissed. The Claimants Trusts shall jointly serve on the United States Trustee a quarterly financial report for each quarter (or portion thereof) after the Effective Date that the Bankruptcy Cases remain open.

2. **Classified Claims and Interests**

The following are estimates of the numbers and amounts of classified Claims and Interests under the Plan.

Nothing herein shall be dispositive of the allowance of any Claim or Interest or constitute a waiver by the Proponents or any other party of the right to object to such Claim or Interest. The Proponents are not stipulating to the validity or amount of any Claim or Interest for which estimates are provided herein. The amounts set forth herein are estimates based upon the Schedules and proofs of Claim or Interest filed as of the Bar Date applicable to such proofs of Claim or Interest or are proposed Allowed amounts based on provisions of the Plan as described in this Disclosure Statement.

Class	Treatment
Class 1 – Non-Tax Priority Claims Estimated Amount: $319,021.93 Estimated Number: Unknown	Unimpaired. Deemed to accept the Plan. On or as soon as practicable after the later of (a) the Initial Distribution Date or (b) the Allowance Date with respect to a Non-Tax Priority Claim, each holder of an Allowed Non-Tax Priority Claim shall receive, (y) Cash in an amount equal to such Allowed Claim, including such interest as may be required by applicable law, or (z) such other, less favorable treatment to which such holder and the Debtor or Unsecured Claimants' Trust agree in writing. To the extent an Allowed Non-Tax Priority Claim entitled to priority treatment under 11 U.S.C. §§ 507(a)(4) or (5) exceeds the statutory cap applicable to such Claim, such excess amount shall be treated as a Class 4 General Unsecured Claim.
Class 2 – Secured Tax Claims[3] Estimated Amount: $21,864.61 Estimated Number: 2	Unimpaired. Deemed to accept the Plan. With respect to any Allowed Secured Tax Claim for tax years prior to 2014, to the extent not already paid or otherwise satisfied, on or as soon as practicable after the later of (a) the Initial Distribution Date or (b) the Allowance Date with respect to a Secured Tax Claim, each holder of an Allowed Secured Tax Claim shall receive (x) Cash equal to the Allowed amount of such Allowed Claim (with any interest to which the holder of such Claim may be entitled calculated in accordance with section 511 of the Bankruptcy Code), (y) the Collateral securing such Allowed Claim, or (z) such other, less favorable treatment as may be agreed upon in writing by such holder and the Debtor and the Unsecured Claimants Trust. The holder of a Secured Tax Claim for ad valorem taxes for any tax year from 2014 and thereafter shall retain all rights and remedies for payment thereof in accordance with applicable non-bankruptcy law. Each holder of an Allowed Secured Tax Claim shall retain its Lien on any Collateral that secures its Claim or the proceeds of such Collateral (to the extent such Collateral is sold by the Debtor or the Unsecured Claimants Trust, free and clear of such Lien) to the same extent and with the same validity and priority as such Lien held as of the Petition Date until (a) the holder of such Allowed Claim (i) has been paid Cash equal to the value of its Allowed Claim and/or (ii) has received a return of the Collateral securing its Allowed Claim, or (iii) has been afforded such other treatment as to which such holder and the Debtor and Unsecured Claimants' Trust have agreed upon in writing, or (b) such purported Lien has been determined by a Final Order to be

[3] Class 2 includes ad valorem tax claims by any taxing authority.

Class	Treatment
	invalid or avoidable. To the extent that a Secured Tax Claim exceeds the value of the interest of the Estate in the property that secured such Claim, such Claim shall be deemed Disallowed pursuant to Bankruptcy Code section 502(b)(3). On the full payment or other satisfaction of each Allowed Other Secured Claim in accordance with the Plan, the Liens securing such Allowed Other Secured Claim shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person. For the avoidance of doubt, the substantive consolidation of the Debtors' estates shall not expand or otherwise impact a holder's interest in any Collateral, and such holder shall have no greater or lesser Lien on Collateral than such holder had prior to substantive consolidation.
Class 3 –Miscellaneous Secured Claims Estimated Amount: $491,313.00 Estimated Number: 6	Unimpaired. Deemed to accept the Plan. Subclasses. Class 3 shall contain a separate subclass for each Miscellaneous Secured Claim in such Class. Each such subclass is deemed to be a separate Class for all purposes under the Bankruptcy Code and the Plan. Allowance. The Allowed amount of each Miscellaneous Secured Claim shall be agreed to by the Debtor and the Unsecured Claimants' Trust and the holder thereof, or determined by the Bankruptcy Court. Treatment. On or as soon as practicable after the later of (i) the Initial Distribution Date or (ii) the Allowance Date, each holder of an Allowed Miscellaneous Secured Claim shall receive from the Unsecured Claimants' Trust, in full satisfaction, settlement, release and discharge of and in exchange for such Claim, (x) Cash equal to the value of its Allowed Miscellaneous Secured Claim, (y) the Collateral securing the Allowed Miscellaneous Secured Claim, or (z) such other, less favorable treatment as to which such holder and the Debtor and Unsecured Claimants' Trust agree in writing. Each holder of an Allowed Miscellaneous Secured Claim shall retain its Lien in the Collateral that secures its Claim or the proceeds of such Collateral (to the extent such Collateral is sold by the Debtor or the Unsecured Claimants Trust free and clear of such Lien) to the same extent and with the same validity and priority as such Lien held as of the Petition Date until (i) the holder of such Allowed Miscellaneous Secured Claim has received (A) Cash equal to the value of its Allowed Miscellaneous Secured Claim, (B) a return of the Collateral

Class	Treatment
	securing its Allowed Miscellaneous Secured Claim, or (C) such other treatment as to which such holder and the Debtor and the Unsecured Claimants' Trust shall have agreed upon in writing, or (ii) such purported Lien has been determined by a Final Order to be invalid or avoidable. If any Allowed Miscellaneous Secured Claim exceeds the value of the Collateral securing such Claim, then pursuant to Bankruptcy Code section 506(a), any such excess amount shall be deemed to be and shall be treated as a Class 4 General Unsecured Claim. For the avoidance of doubt, the substantive consolidation of the Debtors' estates shall not expand or otherwise impact a holder's interest in any Collateral, and such holder shall have no greater or lesser Lien on Collateral than such holder had prior to substantive consolidation.
Classes 4 General Unsecured Claims Estimated Amount: $34,514,068.00 to $49,875,632.00[4] Estimated Number: Unknown	Impaired. Allowance. The Allowed amount of each General Unsecured Claim shall be agreed to by the Debtor or the Unsecured Claimants Trust and the holder thereof, or determined by the Bankruptcy Court, and shall include interest that matured as of the Petition Date at the rate, if any, specified in an enforceable agreement between the Debtor and the holder of such Claim or such lesser amount as may be agreed by the Debtor or the Unsecured Claimants Trust and the holder of such Claim. Treatment. Provided that all Allowed Administrative Claims, all Allowed Priority Tax Claims, and all Allowed Claims in Classes 1 through 3 have been paid, reserved for or otherwise satisfied in full as provided in the Plan, each holder of an Allowed General Unsecured Claim in Class 4 shall receive from the Unsecured Claimants Trust a Pro Rata share of the Distributions available for holders of Allowed General Unsecured Claims against the Debtors. The Debtors have been substantively consolidated. As a result, Distributions to such holders from the Unsecured Claimants Trust shall be made on a Pro Rata basis as if the Debtors were a single entity. The Unsecured Claimants Trust may make multiple Distributions to holders of Allowed General Unsecured Claims. On the Initial Distribution Date, the Unsecured Claimants Trust

[4] The estimated amount of General Unsecured Claims excludes duplicates, whether under theories of joint and several liability or otherwise, and is based on the amounts set forth by the claimants in the proofs of claim filed with the Bankruptcy Court and/or scheduled by the Debtors. Additionally, certain of these claims are subject to pending litigation, were filed after the bar date, and/or are disputed by the Debtors. The range of values for the estimated amount of General Unsecured Claims reflects the Debtors' best estimate as of the filing of the Disclosure Statement.

Class	Treatment
	shall make a Distribution to holders of Allowed General Unsecured Claims whose Claims were Allowed as of the Effective Date. The Unsecured Claimants Trustee shall determine, in his or her sole discretion, the amount and timing of all subsequent Distributions to holders of Allowed General Unsecured Claims.
Class 5 – Personal Injury Claims Estimated Amount: $44,354,710.75[5] Estimated Number: 41	Impaired. Allowance. As set forth more fully in the CRP (the provisions of which shall control in the event of a conflict with the Plan), each holder of a Personal Injury Claim may establish the Allowed amount, if any, of such Claim by electing to either (1) settle on an Allowed amount (the "Stipulated Claim Amount") based on various settlement criteria set forth in the CRP, as agreed to by the holder and the Tort Claimants Trustee or as determined by the Bankruptcy Court (the "Settlement Option"), or (2) participate in alternate dispute resolution ("ADR") procedures set forth in the CRP or, if ADR is unsuccessful, litigate the validity and amount of the Personal Injury Claim (the "ADR/Litigation Option"). Notwithstanding the foregoing, to the extent a holder of a Personal Injury Claim has agreed in writing to settle such Personal Injury Claim consistent with the settlement criteria set forth in the CRP, then from and after the Effective Date, such settlement shall be binding on the holder of the Personal Injury Claim and the Tort Claimants Trustee without further action of the parties or order of the Bankruptcy Court. On the Effective Date, the Debtors shall pay each such holder of a Personal Injury Claim, the agreed amount set forth within the applicable settlement agreement. With respect to all other Personal Injury Claims, within fourteen (14) days after the Effective Date, the Tort Claimants Trustee shall send each holder of a Personal Injury Claim an election form that contains, among other things, the Tort Claimants Trustee's proposed Stipulated Claim Amount of the claim under the Settlement Option. Each holder shall have thirty (30) days after service of the election form to return the election form to the Tort Claimants Trustee with the holder's election of the Settlement Option or the ADR/Litigation Option. Each holder who elects the Settlement Option must also indicate on the election form whether the holder accepts the Tort Claimants Trustee's proposed Stipulated Claim Amount, in which event the Stipulated Claim Amount will be the Allowed amount of such holder's Personal Injury Claim. If the holder elects the

[5] The estimated amount of Personal Injury Claims excludes duplicates, is based on the amounts set forth by the claimants in the proofs of claim filed with the Bankruptcy Court, and does not reflect the Debtors' views of the merits of such claim.

Class	Treatment
	Settlement Option but rejects the Tort Claimants Trustee's proposed Stipulated Claim Amount, the holder must state an alternative proposed Stipulated Claim Amount. If the Tort Claimants Trustee and the holder disagree on the applicable settlement criteria and Stipulated Claim Amount, the Bankruptcy Court shall, upon motion by the claimant, issue an Order determining the Stipulated Claim Amount for such holder's Personal Injury Claim based upon the applicable settlement criteria. Such Order shall be final and non-appealable. Any holder of a Personal Injury Claim who fails to timely return the election form shall be deemed to have accepted the Tort Claimants Trustee's proposed Stipulated Claim Amount. Each holder of a Personal Injury Claim who elects ADR/Litigation Option shall be required to participate in non-binding mediation and, at the holder's option, in binding arbitration to establish the Allowed amount of his or her Personal Injury Claim. If mediation is unsuccessful, the holder may pursue litigation of his or her Personal Injury Claim according to the terms provided in the CRP. Treatment. As set forth more fully in the CRP (the provisions of which shall control in the event of a conflict with the Plan), each holder of an Allowed Personal Injury Claim shall receive from the Tort Claimant Trust either (i) for those holders whose Personal Injury Claims are Allowed under the Settlement Option, a Cash payment from the Tort Claimants Trust equal to the Allowed amount of such holder's Allowed Personal Injury Claim, payable within forty-five days after the Allowance Date for such Claim, or (ii) for those holders whose Personal Injury Claims are Allowed under the Litigation Option, a Cash payment from the Tort Claimants Trust equal to a Pro Rata share of the Trust Assets available for such holders, payable at such time as when all Personal; Injury Claims have been fully liquidated. Distributions from the Tort Claimants Trust to holders of Allowed Personal Injury Claims against the NLH Debtors shall be limited by any statutory cap on the NLH Debtors' liability, but shall be cumulative of, and without prejudice to, each such holder's rights to seek additional compensation on account of his or her Personal Injury Claim from the Patient's Compensation Fund.
Class 6 – Chicago Health Care Leasing Claims Estimated Amount: $10,166,780.00 Estimated Number: 1	Impaired. All Chicago Health Care Leasing Claims shall be subordinated to all Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1-5. If and only if all Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1-5 have been paid in full in the

Class	Treatment
	amount Allowed under the provisions of this Plan, the holder of the Chicago Health Care Leasing Claims shall receive a Distribution from the Unsecured Claimants' Trust in an amount equal to the lesser of the Allowed amount of such Claims and the remaining Trust Assets of the Unsecured Claimants Trust.
Class 7 – Encore Lender Claims	Unimpaired. Deemed to accept the Plan. Pursuant to the Encore Settlement Agreement, the holders of the Encore Lender Claims shall not receive or retain any property or any interest in property on account of such Encore Lender Claims.
Class 8 –Insider Claims Estimated Amount: More than $41,000,000.00[6] Estimated Number of Holders: undetermined	Impaired. On the Effective Date, in partial consideration for the releases provided to the Released Parties in Section 9.06 of the Plan, all Insider Claims shall be cancelled, discharged and eliminated in full, and the holders of such Insider Claims shall not receive or retain any property or any interest in property on account of such Insider Claims.
Class 9 – TCR Personal Injury Claims Estimated Amount: $500,000,000.00[7] Estimated Number: 50	Impaired. On the Effective Date, in partial consideration for the releases provided to the Released Parties in Section 9.06 of the Plan, all TCR Personal Injury Claims shall be cancelled, discharged and eliminated in full, and the holders of such TCR Personal Injury Claims shall not receive or retain any property or any interest in property on account of such TCR Personal Injury Claims.
Class 10 – Interests in the Debtors	Impaired. Deemed to reject the Plan. Each holder of a Class 10 Interest will continue to hold such Interest from and after the Effective Date, but will not receive any Distribution or exercise any voting or other governing authority on account of such Interest.

C. <u>Means of Implementation of the Plan</u>

1. The Settlement

Pursuant to Bankruptcy Rule 9019 and section 1123(b)(3)(A) of the Bankruptcy Code, in

[6] The estimated amount of Insider Claims includes the following: (i) $24,122,370 claimed by Halcyon; (ii) $14,022,232 claimed by HCN; and (iii) approximately $2.857 million claimed by Gulf Coast Health Care.

[7] The estimated amount of TCR Personal Injury Claims excludes duplicates, is based on the amounts set forth by the claimants in the proofs of claim filed with the Bankruptcy Court, and does not reflect the Debtors' views of the merits of such claims.

consideration for the classification, distribution, resolution of Insider Claims, TCR Personal Injury Claims and other benefits provided under the Plan, including, without limitation, the Release Payment, upon the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all controversies relating to: (i) any Claims and Causes of Action against the Released Parties; (ii) the Insider Claims; (iii) the TCR Personal Injury Claims; and (iv) the Chicago Health Care Leasing Claim (the "Settlement"). The Settlement shall be binding upon Persons receiving Distributions under the Plan and on each of the Debtors, the Debtors' Estates, the Committee, the Claimants Trusts and any other party treated under the Plan.

2. Sources of Cash for Plan Distributions

The Unsecured Claimants' Trust shall make all Distributions required under (and subject to the provisions of) the Plan to be made by the Debtors to holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1-4 and, if applicable, Allowed Claims in Class 6. The Tort Claimants Trust will make all Distributions required under (and subject to the provisions of) the Plan to holders of Allowed Personal Injury Claims in Class 5. The sources of Cash necessary for the Tort Claimants Trust to pay Allowed Personal Injury Claims in Class 5 shall be the portion of the Release Payment paid to the Tort Claimants Trust. The sources of Cash necessary for the Unsecured Claimants Trust to pay Allowed Claims under the Plan will be: (a) all Cash of the Debtors on hand as of the Effective Date; (b) the portion of the Release Payment (net of the payment made to the Tort Claimants Trust) to be provided by or on behalf of the Released Parties; and (c) any Cash generated or received by the Unsecured Claimants Trust on or after the Effective Date from any other source, including, without limitation, the liquidation of all non-Cash Assets and accounts receivable of the Debtors and any recoveries from the prosecution of all Causes of Action.

3. Transfers of Assets to the Claimants Trusts

(a) Release Payment. On the Effective Date, the Released Parties shall pay, or cause to be paid, the sum of $1,450,000 from the Release Payment in Cash to the Unsecured Claimants' Trust. Provided that there remains at least one unsettled Class 5 Claim on the Effective Date, the balance of the Release Payment will be paid to the Tort Claimants' Trust. In the event that all Class 5 Claims have been settled prior to the Effective Date, then the balance of the Release Payment shall be paid to the Debtors for distribution to Holders of Class 5 Claims, with any excess balance paid to the Claimants' Trust.

(b) Debtors' Cash and Accounts Receivable. On the Effective Date, the Debtors shall pay all cash on hand to the Unsecured Claimants Trust. In addition, from and after the Effective Date, HCN, in consultation with the Unsecured Claimants Trust, shall administer the liquidation of the Debtors' accounts receivable pursuant to a Transition Services Agreement among HCN and the Unsecured Claimants Trust. The Transition Services Agreement shall be included in the Plan Supplement. On ten days' notice, the Unsecured Claimants Trust may direct that all remaining accounts receivable be transferred to the Unsecured Claimants Trust, which shall thereafter be responsible for collecting any remaining amounts due. HCN shall, as received, transfer all proceeds from the liquidation of the accounts receivable of the Debtors to the Unsecured Claimants Trust.

(c) Causes of Action. Pursuant to § 1123(b)(3)(B) of the Code, the Debtors shall retain, and shall contribute to the Unsecured Claimants Trust, each and every claim, demand or cause of action whatsoever which the Debtor may have had power to assert immediately prior to Confirmation (other than Causes of Action against the Released Parties which are being released under Section 9.06 of the Plan), including but not limited to actions for avoidance and recovery of transfers pursuant to §§ 544, 545, 547, 548, 549, 550 and 553(b) of the Bankruptcy Code (the "Reserved Litigation Claims"). A non-exhaustive list of Reserved Litigation Claims is attached hereto as **Exhibit F**. By including on **Exhibit F** a potential claim, the Debtors do not represent that they have a definitive claim or cause of action against such person or entity or that any particular claim or cause of action will be pursued, and in no event will a claim be pursued if it would give rise to a Claim against one or more of the Released Parties. To the extent permitted by applicable law, the Reserved Litigation Claims may be pursued by the Unsecured Claimants Trust after Confirmation and may be commenced or continued in any appropriate court or tribunal for the enforcement of same.

To the extent any Cause of Action is not transferable by a Debtor to the Unsecured Claimants Trust under applicable law, such Debtor shall retain such Cause of Action and the Unsecured Claimants Trustee shall be entitled to prosecute such Cause of Action in the name of such Debtor for the benefit of the Unsecured Claimants Trust.

The Unsecured Claimants Trust shall have the exclusive right to prosecute, settle, or compromise any Cause of Action vested in or transferred to it under the Plan. All expenses of prosecuting and administering the Causes of Action shall be allocated to and paid by the Unsecured Claimants Trust. The net Cash proceeds from the prosecution of the Causes of Action shall be paid to the Unsecured Claimants Trust.

(d) Remaining Assets. Any remaining assets of the Debtors, in addition to those specifically identified herein, shall, at the direction of the Unsecured Claimants' Trust be transferred to such trust for liquidation for the benefit of Class 4 General Unsecured Claims.

4. Post Effective Date Management of the Trusts and the Debtors; Certain Terms Of the Liquidating Trust

(a) Unsecured Claimants Trust

Establishment of the Unsecured Claimants Trust. On the Effective Date, the Unsecured Claimants Trust shall be established and shall become effective, and the Unsecured Claimants Trustee shall execute the Unsecured Claimants Trust Agreement, and all other necessary steps shall be taken to establish the Unsecured Claimants Trust. In the event of any conflict between the terms of the Plan and the terms of the Unsecured Claimants Trust Agreement, the terms of the Unsecured Claimants Trust Agreement shall govern. The Unsecured Claimants Trust Agreement may provide powers, duties and authorities in addition to those described herein and in the Plan, but only to the extent that such powers, duties and authorities do not affect the status of the Unsecured Claimants Trust as a liquidating trust for United States federal income tax purposes.

Purpose of the Unsecured Claimants Trust. The Unsecured Claimants Trust shall be established for the sole purpose of liquidating and distributing its Trust Assets, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to preserve or enhance the value of the Trust Assets of the Unsecured Claimants Trust and consistent with the purpose of the Unsecured Claimants Trust. The Unsecured Claimants Trust shall not be considered a "business trust" for purposes of Bankruptcy Code section 101(9)(A)(v) or otherwise an entity eligible to commence or be the subject of a proceeding under the Bankruptcy Code.

Transfer and Vesting of Assets. All property paid, delivered and/or transferred to the Unsecured Claimants Trust at any time, including all property transferred to the Unsecured Claimants Trust pursuant to Section 6.02 of the Plan, shall vest in the Unsecured Claimants Trust and constitute Trust Assets, free and clear of all Claims, Liens, interests and encumbrances, and shall thereafter be administered, liquidated by sale, collection, recovery, or other disposition and distributed by the Unsecured Claimants Trust in accordance with the terms of the Plan and the Unsecured Claimants Trust Agreement.

(b) Tort Claimants Trust

Establishment of the Tort Claimants Trust. On the Effective Date, provided that there remains at least one unsettled Class 5 Claim, the Tort Claimants Trust shall be established and shall become effective, and the Tort Claimants Trustee shall execute the Tort Claimants Trust Agreement, and all other necessary steps shall be taken to establish the Tort Claimants Trust. In the event of any conflict between the terms of the Plan and the terms of the Tort Claimants Trust Agreement, the terms of the Plan shall govern. The Tort Claimants Trust Agreement may provide powers, duties and authorities in addition to those described herein and in the Plan, but only to the extent that such powers, duties and authorities do not affect the status of the Tort Claimants Trust as a liquidating trust for United States federal income tax purposes.

Purpose of the Tort Claimants Trust. The Tort Claimants Trust shall be established for the sole purpose of liquidating and distributing its Trust Assets, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to preserve or enhance the value of the Trust Assets and consistent with the purpose of the Tort Claimants Trust. The Tort Claimants Trust shall not be considered a "business trust" for purposes of Bankruptcy Code section 101(9)(A)(v) or otherwise an entity eligible to commence or be the subject of a proceeding under the Bankruptcy Code. The Tort Claimants Trust shall administer, process, settle, resolve and liquidate all Personal Injury Claims; and shall use the Trust Assets and the proceeds and income therefrom to pay all Personal Injury Claims that become Allowed and qualify for payment only in accordance with the terms of the Tort Claimants Trust Agreement, the CRP, the Plan and the Confirmation Order. The Tort Claimants Trustee will administer, process, settle, resolve, liquidate, litigate, and/or pay, as applicable, all Personal Injury Claims in such a way that the holders of Allowed Personal Injury Claims are treated equitably and in a substantially similar manner, subject to the terms of the Tort Claimants Trust Agreement, the CRP, the Plan and the Confirmation Order.

The Tort Claimants Trust Agreement and the CRP; Amendment and Modification. From and after the Effective Date, the Tort Claimants Trust shall implement the Tort Claimants Trust Agreement and the CRP in accordance with their terms. The CRP shall provide mechanisms such as, without limitation, Pro Rata and/or percentage Distributions of the Trust Assets to the holders of Allowed Personal Injury Claims, net of payment or reserves for fees, costs and expenses of the Tort Claimants Trust; periodic estimates by the Tort Claimants Trustee and his professionals of the numbers and values of Personal Injury Claims and the costs of liquidating such Claims under the terms of the CRP; and/or other comparable mechanisms that provide reasonable assurance that the Tort Claimants Trust will be in a financial position to pay similar Allowed Personal Injury Claims in substantially the same manner.

The Tort Claimants Trustee shall have the power to amend, supplement or modify the Tort Claimants Trust Agreement and the CRP with the written consent of the Unsecured Claimants Trustee, provided, however, that to the extent any amendment, supplement or modification would constitute a material modification that would affect the substantive rights of holders of Personal Injury Claims, such holders shall be provided ten (10) days' notice of such amendment, supplement or modification and an opportunity to contest it before the Bankruptcy Court. If any holder contests a proposed amendment, supplement or modification within the notice period, such amendment, supplement or modification shall not become effective until the Bankruptcy Court has authorized, or each objecting party has consented to, amendment, supplement or modification.

Transfer and Vesting of Assets; Defenses. All property paid, delivered and/or transferred to the Tort Claimants Trust pursuant to Section 6.02 of the Plan, shall vest in the Tort Claimants Trust and constitute Trust Assets, free and clear of all Claims, Liens, interests and encumbrances, and shall thereafter be administered and distributed by the Tort Claimants Trust in accordance with the terms of the Plan and the Tort Claimants Trust Agreement. The Tort Claimants Trust shall have all objections, defenses, cross-claims, offsets and recoupments that the Debtors have or would have had under applicable law with respect to the Personal Injury Claims.

(c) The Reorganized Debtors

To the extent it has not previously occurred, each Reorganized Debtor is authorized and empowered to merge into or with each other Reorganized Debtor and the officers or managers thereof and any successor thereto (including without limitation any other designated officer or trustee or representative of each such Reorganized Debtor) is authorized and empowered to effect each such merger and to take and cause to be taken such actions in order to carry out such mergers, in each case, on such terms and conditions it may deem necessary or desirable. The officers or managers of such Reorganized Debtors (including without limitation any other designated officer or trustee or representative of each such Reorganized Debtor) are authorized and empowered to effect the dissolution of any remaining Reorganized Debtors as soon as practicable after the Effective Date. The foregoing actions are pursuant to the applicable laws of the states in which the Debtors and the Reorganized Debtors are organized, without any requirement of further action by the stockholders, directors, members, managers, or partners of the Debtors or Reorganized Debtors.

5. Releases and Exculpation

Release. ***In consideration of the Release Payment and the other consideration provided under the Plan, as of the Effective Date, each of the Debtors (including in their individual capacities and as debtors in possession) and their Estates will and will be deemed to have forever released, waived and discharged each of the Released Parties from any and all Causes of Action, Claims, obligations, suits, judgments, damages, demands, debts, rights, and liabilities, whether for tort, contract, or any other theory of liability or recovery (including, without limitation, alter ego, piercing the corporate veil, breach of fiduciary duty, or conspiracy), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, and whether asserted or assertable directly or derivatively, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date in any way relating to the Debtors, the ownership, management and operations of the Debtors, the Bankruptcy Cases, or the Plan, or negotiations regarding or concerning the Plan, and the Released Parties shall not have or incur any liability or obligation, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, and in law, equity, or otherwise, to the Debtors or their Estates (or, derivatively of the Debtors, to any holder of a Claim or Interest or any other Person) for any of the foregoing Causes of Action or Claims.***

Each Person to which this Section applies shall be deemed to have granted the releases described above notwithstanding that it may hereafter discover facts in addition to, or different from, those that it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such Persons expressly waive any and all rights that they may have at common law or under any statute or other applicable law that would limit the effect of such releases to those Claims or Causes of Action actually known or suspected to exist as of the Effective Date.

Exculpation. ***The Debtors and their respective present or former principals, agents, members, officers, directors, and employees; the Debtors' Professionals; the members of the Creditors Committee (solely in their capacity as such and not in their individual capacity); the Creditors Committee's Professionals; and any of such parties' representatives, successors, and assigns shall not have or incur any liability or obligation, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, and whether asserted or assertable directly or derivatively, in law, equity, or otherwise, to any holder of a Claim or Interest or any other Person for any act or omission originating or occurring on or after the Petition Date through and including the Effective Date in connection with, relating to, or arising out of the Debtors, the Estates, the administration of the Bankruptcy Cases, the operation of the Debtors' business during the Bankruptcy Cases, the formulation, negotiation, preparation, filing, dissemination, approval, or confirmation of the Plan, the Disclosure Statement, the solicitation of votes for or confirmation of the Plan, the consummation or administration of the Plan, or the property to be distributed under the Plan, except for their willful misconduct or gross negligence as determined by a Final Order of a court of competent jurisdiction. The foregoing parties will be entitled to rely reasonably upon the advice of counsel in all respects regarding their duties and responsibilities under the Plan.***

Approval by Bankruptcy Court. ***Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases contained in the Plan, and further, shall constitute its findings that such third-party releases are: (1) in exchange for the good and valuable consideration provided by the parties to the Settlement; (2) a good faith settlement and compromise of the claims released by such third-party release; (3) in the best interests of the Debtors, the Released Parties and all Holders of Claims and Interests; (4) fair, equitable and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar against the Debtors or any other Person from asserting any of the foregoing released claims.***

6. Injunction

Except as otherwise provided in the Plan, the Confirmation Order shall provide that from and after the Effective Date, all holders of Claims against and Interests in the Debtors are permanently enjoined from taking any of the following actions against the Debtors, the Claimants Trusts and/or any of the Released Parties or any of their property on account of any such Claim or Interest: (a) commencing or continuing in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any encumbrance or Lien; (d) asserting a setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to a Debtor; and (e) commencing or continuing, in any manner or in any place, any action that does not conform to or comply with, or is inconsistent with, the provisions of the Plan; provided, however, that nothing contained herein shall preclude such Persons from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order. If allowed by the Bankruptcy Court, any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

7. Revocation or Withdrawal of the Plan

The Proponents reserve the right to revoke and/or withdraw the Plan at any time before the Confirmation Date. If the Proponents revoke or withdraw the Plan, or if confirmation or the Effective Date of the Plan does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any other Person in any further proceedings involving the Debtors or any other Person.

8. Modification of the Plan

The Proponents reserve the right to modify the Plan in writing at any time before the Confirmation Date, provided that (a) the Plan, as modified, meets the requirements of Bankruptcy Code sections 1122 and 1123 and (b) the Proponents shall have complied with Bankruptcy Code section 1125. The Proponents further reserve the right to modify the Plan in writing at any time after the Confirmation Date and before substantial consummation of the Plan, provided that (a) the Plan, as modified, meets the requirements of Bankruptcy Code sections

1122 and 1123, (b) the Proponents shall have complied with Bankruptcy Code section 1125, and (c) the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under Bankruptcy Code section 1129. A Holder of a Claim or Interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such Holder changes its previous acceptance or rejection.

D. Executory Contracts and Unexpired Leases

The Plan constitutes and incorporates a motion under Bankruptcy Code sections 365 and 1123(b)(2) to (a) reject, as of the Effective Date, all Executory Contracts to which a Debtor is a party, except for any Executory Contract that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered before the Effective Date, and (b) assume all Executory Contracts identified on any Schedule of Assumed Contracts that may be included in a Plan Supplement.

The Confirmation Order shall constitute an order of the Bankruptcy Court under Bankruptcy Code sections 365 and 1123(b)(2) approving the rejection or assumption, as applicable, of Executory Contracts pursuant to the Plan as of the Effective Date. Notice of the Confirmation Hearing shall constitute notice to any non-debtor party to an Executory Contract that is to be assumed or rejected under the Plan of the proposed assumption or rejection of such Executory Contract and any proposed Cure Amount.

If the rejection of an Executory Contract pursuant to Section 7.01 of the Plan gives rise to a Claim by any non-Debtor party or parties to such contract, such Claim shall be forever barred and shall not be enforceable against the Debtors, the Proponents, the Claimants' Trusts, the Estates, or the agents, successors, or assigns of the foregoing, unless a proof of such Claim is filed with the Bankruptcy Court and served upon the Proponents and the Claimants' Trusts on or before the Rejection Bar Date. Any Holder of a Claim arising out of the rejection of an Executory Contract that fails to file a proof of such Claim on or before the Rejection Bar Date shall be forever barred, estopped, and enjoined from asserting such Claim against the Debtors, the Proponents, the Claimants' Trusts, the Estates or any of their Assets and properties. Nothing contained herein shall extend the time for filing a proof of Claim arising out of the rejection of any Executory Contract before the Confirmation Date.

Any Rejection Claim arising out of the rejection of an Executory Contract shall be treated as a General Unsecured Claim pursuant to the Plan, except as limited by the provisions of Bankruptcy Code sections 502(b)(6) and 502(b)(7) and mitigation requirements under applicable law. Nothing contained herein shall be deemed an admission by the Debtors or the Proponents that such rejection gives rise to or results in a Rejection Claim or shall be deemed a waiver by the Debtors or the Proponents or any other party in interest of any objections to such Rejection Claim if asserted.

Except as otherwise provided in a Final Order, pursuant to Bankruptcy Code sections 365(a), (b), (c) and (f), all Cure Amounts that may require payment under Bankruptcy Code section 365(b)(1) under any Executory Contract that is assumed pursuant to a Final Order shall be paid by the Unsecured Claimants Trust within fifteen (15) Business Days after the later that

such order becomes a Final Order with respect to undisputed Cure Amounts or within fifteen (15) Business Days after a Disputed Cure Amount is Allowed by agreement of the parties or a Final Order. If a party to an assumed Executory Contract has not filed an appropriate pleading on or before the date of the Confirmation Hearing disputing any proposed Cure Amount, the cure of any other defaults, the promptness of the Cure Amount payments, or the provisions of adequate assurance of future performance, then such party shall be deemed to have waived its right to dispute such matters. Any party to an assumed Executory Contract that receives full payment of a Cure Amount shall waive the right to receive any payment on a Class 4 General Unsecured Claim that relates to or arises out of such assumed Contract.

While the Debtors reserve the right to identify Executory Contracts for assumption in accordance with the terms of the Plan, the Debtors do not currently anticipate the assumption of any Executory Contracts and believe that all such Executory Contracts will be rejected under the Plan.

V. DESCRIPTION OF THE DEBTORS

A. Overview and Corporate Structure

The Debtors are part of a group of related entities affiliated with CHG Legacy Group, LLC f/k/a Cypress Health Group, LLC ("CHG") and commonly known as Cypress Health Group ("Cypress"), that were formed for the purpose of acquiring the operations of various skilled nursing facilities and operating those facilities. The organization that ultimately became Cypress began with the acquisition of the operations of fourteen (14) facilities in Florida in June 2002. Over the course of the ensuing five years, additional operations of skilled nursing facilities located in Georgia, Florida, Louisiana, Texas, Missouri, Kansas and Illinois were acquired. At Cypress's peak in 2011, Cypress entities operated 47 facilities (6,123 beds), employed over 9,900 full and part-time employees, and generated over $399 million in annual revenues.

Charts setting forth the ownership structure of the Debtors as of the Petition Date are attached hereto as **Exhibit A**.

B. History of the Debtors

1. Palm Garden Debtors

On June 6, 2002, newly formed entities affiliated with New Surfside Administrators, LLC ("NSA", the predecessor to Cypress Health Care Management, LLC) acquired the operations of fourteen (14) skilled nursing facilities located in the State of Florida (each a "Palm Garden Facility" and, collectively, the "Palm Garden Facilities") pursuant to an Operations Transfer Agreement with affiliates of Integrated Health Services, Inc. ("IHS"). The transfer was prompted by IHS's rejection of the leases for the palm Garden Facilities in connection with IHS's bankruptcy proceeding.

The parent company of the newly formed entities, SA-PG Operator Holdings, LLC ("PG Parent"), leased all of the Facilities from Palm Gardens Healthcare, Inc. and Springdale Health Centers LLC (collectively, "Palm Garden Landlord"). PG Parent in turn entered into a separate

sublease for each of the Palm Garden Facilities with the newly formed entity that would act as the licensed operator of the related Palm Garden Facility (each a "PG Operator" and, collectively, the "PG Operators"). The PG Operators commenced operation of the Palm Garden Facilities on or about June 29, 2002. The lease provided for a term of approximately eleven (11) years, ending on October 31, 2013, which corresponded with the term of the rejected IHS leases. While there was no extension or automatic renewal right set forth in the leases, Palm Garden Landlord granted to PG Parent a right of first offer and a right to negotiate exclusively with Landlord with respect to a lease or sale of the Palm Garden Facilities at the end of the lease term.

The number and geographic footprint of the Palm Garden Facilities led to the creation of a management company infrastructure to maximize efficiencies and create opportunities for future growth. That management company ultimately became CHG, which at its peak oversaw operations of 47 health care facilities and one apartment building in seven states.

2. Georgia Debtors

On August 29, 2003, newly formed entities affiliated with Cypress Health Care Management of Georgia, LLC ("CHM") entered into subleases with affiliates of GA Buckingham LLC ("GAB") related to ten (10) skilled nursing facilities located in the State of Georgia (the "Georgia Facilities"). The Georgia Facilities had previously been operated by affiliates of IHS under prime leases from the owners of the related properties. The lease rights to each of the Georgia Facilities were acquired by GAB through a series of transactions stemming from the IHS bankruptcy.

An Agreement to Lease entered into between CHM and GAB on May 30, 2003 (the "Agreement to Lease"), set forth the specific terms and conditions pursuant to which CHM affiliates would sublease the Georgia Facilities after obtaining the necessary licenses. Among the terms set forth in the Agreement to Lease was a complicated, aggregate rent formula that based the amount of rent payments on the financial performance of the Georgia Facilities. The Agreement to Lease was amended immediately prior to the execution of the subleases to address a number of issues identified during the due diligence that ensued after the original Agreement to Lease was entered into (including clarifying certain rent provisions, addressing matters relating to accounts receivable, valuing certain liabilities being assumed by CHM, allowing for rent offsets based on assumed liabilities, and treatment of recoupment claims).

3. Palm Terrace Debtors

CHC-CLP Operator Holding, LLC, CHC-SPC Operator, Inc. (the "Palm Terrace Parents"), SA-Lakeland, LLC ("Lakeland"), SA-Clewiston, LLC ("Clewiston") and SA-St. Petersburg, LLC ("St. Pete", and together with Lakeland and Clewiston, collectively, the "Palm Terrace Operators" and, together with the Palm Terrace Parents, the "Palm Terrace Debtors"), were formed in 2004 for the purpose of acquiring the operations (collectively, the "Palm Terrace Operations") of three (3) skilled nursing facilities in Florida (each a "Palm Terrace Facility" and, collectively, the "Palm Terrace Facilities"). Lakeland was the licensed operator of Palm Terrace of Lakeland, a skilled nursing facility with 185 licensed beds in Lakeland, Florida. Clewiston was the licensed operator of Palm Terrace of Clewiston, a skilled nursing facility with 155 beds in Clewiston, Florida. St. Pete was the licensed operator of Palm Terrace of St. Petersburg, a

skilled nursing facility with 96 beds in St. Petersburg, Florida.

The Palm Terrace Operators began operating their respective Palm Terrace Facility on October 29, 2004. The Palm Terrace Facilities were originally acquired for Twenty-Three Million Dollars ($23,000,000.00) pursuant to an Agreement for the Sale and Purchase of Real Estate dated as of March 16, 2004 (the "Original Purchase Agreement"), whereby non-debtor affiliates of the Palm Terrace Debtors (the "Original Purchasers") acquired fee title to the St. Petersburg and Lakeland Facilities and leasehold rights in the long term Ground Lease for the Clewiston Facility and leased them to the Palm Terrace Debtors pursuant to Facility Lease Agreements, each dated as of October 29, 2004 (the "Facility Lease Agreements").

From August 2, 2004, until October 29, 2004, NSA managed the Palm Terrace Facilities pending the closing of the transactions contemplated by the Original Purchase Agreement pursuant to a Management Agreement dated August 2, 2004.

Effective as of October 27, 2006 (the "Sale-Leaseback Date"), the Original Purchasers sold their real estate interests in the Facilities to NAE Florida LLC, 29-31 Florida LLC, Sagamore Florida LLC, Lovely Hills Florida LLC and VLC Florida LLC (collectively, the "Palm Terrace Master Lessor") for Thirty Million Dollars ($30,000,000.00), pursuant to an Agreement for the Sale and Purchase of Real Estate by and among the Palm Terrace Master Lessor and the Original Purchasers. As part of the transactions contemplated thereby, SA-PT Master Tenant, LLC (the "Palm Terrace Master Tenant"), an affiliate of Cypress, entered into a Master Lease Agreement with the Palm Terrace Master Lessor. Palm Terrace Master Tenant simultaneously became the sublandlord for the Palm Terrace Facilities by taking assignment of the Original Purchasers' rights as landlord under the Facility Lease Agreements pursuant to separate Assignment and Assumption of Lease Agreements, dated as of the Sale-Leaseback Date.

Each of the Palm Terrace Operators were party to a Management Services Agreement (collectively, the "Palm Terrace Service Agreements") with CHG as assignee of Cypress Health Care Management Region III, LLC, for the management of the Palm Terrace Facilities. In August 2013, after CHG reduced its headcount to correspond with its shrinking portfolio, CHG sub-contracted with Gulf Coast Health Care, LLC ("Gulf Coast") to provide substantially all of the services to be provided by Cypress to the Palm Terrace Facilities under the Service Agreements. As a result, Gulf Coast managed the Palm Terrace Facilities until the closing of the transactions contemplated by the Palm Terrace Transfer Agreement described below.

The Palm Terrace Operators obtained working capital to finance the operations of the Palm Terrace Facilities from Pacific West Bank, successor by merger to CapitalSource Bank ("PacWest"), under the terms of a Revolving Credit and Security Agreement, dated November 25, 2008 (as amended, the "Palm Terrace Credit Agreement"). The amounts owed under the Palm Terrace Credit Agreement were secured by liens on all or substantially all of the Palm Terrace Operators' assets.

4. Encore Debtors

The Encore Debtors were formed for the purpose of acquiring the operations (collectively, the "Encore Operations") of skilled nursing facilities in Illinois, Texas, Kansas, Missouri and Florida. During 2006, Encore Nursing Center Partners Limited Partnership-85 ("Encore") approached the predecessors of CHG about taking over the flagging operations of seven (7) skilled nursing facilities (each, an "Encore Facility", and collectively, the "Encore Facilities") owned by Encore. At the time, Encore was leasing the Encore Facilities to an unrelated third party and was trying to find a replacement operator.

After a limited due diligence period, CHG decided to proceed with the proposed transaction. CHG formed seven new entities to act as the operators of the Encore Facilities: SA-ENC Blu Fountain, LLC, SA-ENC VIP Manor, LLC, SA-ENC Park Haven, LLC (collectively, the "Illinois Operators"), SA-ENC Fort Myers, LLC (the "Florida Operator"), SA-ENC Glennon, LLC, SA-ENC Tonganoxie, LLC, SA-ENC Sunrise, LLC (all seven operators collectively referred to as the "Encore Operators"). Encore entered into a Master Lease and Security Agreement (the "Encore Lease") with SA-ENC Master Tenant, LLC (the "Encore Master Tenant") effective as of January 1, 2007. The Encore Master Tenant then entered into separate subleases with each of the Encore Operators.

As an inducement to take over the operations of the Encore Facilities, Encore agreed to provide the Encore Operators with a revolving working capital loan in an aggregate amount of up to $5 million (the "Encore Loan"). The amount of the Encore Loan was later increased to $5.378 million. Although the Encore Loan by its terms was to be secured by the accounts receivable generated by the operations of the Encore Facilities, the Encore Operators contended that the security interest of Encore in those accounts lapsed in 2013.

5. NLH Debtors

New Louisiana Holdings, LLC ("NLH") is a Louisiana limited liability company that, together with certain other subsidiaries and affiliates (collectively, the "NLH Group"), was formed for the purpose of acquiring the leasehold rights to an apartment building located in Louisiana ("Citiscape") and the operations of twelve (12) skilled nursing and assisted living facilities and properties (the "NLH Facilities"), eleven (11) of which were located throughout Louisiana and one (1) of which was located in Texas. The NLH Facilities were acquired in a series of transactions that closed effective January 1, 2006 pursuant to which the NLH Group purchased the operations of the NLH Facilities and leased the real property related to the Facilities and Citiscape from Westside, an unrelated third party. At the peak of operations, the NLH Group operated twelve (12) Facilities that collectively had more than 1600 beds.

The proceeds necessary to consummate the acquisitions by the NLH Group and Westside were derived in substantial part from financing provided by a consortium of lenders led by Merrill Lynch Capital ("MLC"). NLH obtained a term loan in the original aggregate principal amount of $14 million in order to acquire the operations of the Properties, as well as a working capital line (secured by accounts receivable generated by operations of the Properties) with an initial commitment of $8 million. Westside obtained a mortgage loan in the original aggregate principal amount of approximately $45 million from the same lenders. Because the payments

under Westside's mortgage loan were entirely dependent on the operations of the Properties, Westside's obligations under the mortgage loan were cross-collateralized and cross-defaulted with the obligations of the NLH Group under its loans.

6. Related Parties

Attached hereto as **Exhibit B** is a schedule setting forth certain officers, managers, owners, insiders and/or related parties with a brief description of their relationship to the Debtors. In addition to the description provided in **Exhibit B**, the following entities engaged in significant transactions with the Debtors which are summarized below.

a. HCN

HCN is a Delaware limited liability company that was formed for the purpose of providing consulting and other services to owners and operators of skilled nursing facilities. Pursuant to the terms of a Consulting and Advisory Services Agreement, dated as of July 1, 2010 (as amended, the "HCN Agreement"), CHG engaged HCN to provide advisory, consulting, accounting, risk management insurance and legal services (the "HCN Services") to CHG, in return for which CHG agreed to pay HCN a monthly fee equal to $150,000 plus all reasonable out-of-pocket costs and expenses incurred by HCN in connection with providing the HCN Services to CHG.

HCN is indirectly owned by certain family trusts that are affiliated with the entitites which own indirect beneficial interests in the Debtors.

As of June 25, 2014, HCN asserted that it was owed $14,022,232 for services provided to CHG and the other Debtors. Additionally, HCN has continued to provide services to CHG and the other Debtors following the commencement of their respective Chapter 11 cases, for which it has not received any compensation from the Bankruptcy Estates other than limited reimbursement of actual costs incurred on behalf of the Debtors.

b. Halcyon

Halcyon Rehabilitation, LLC is a Delaware limited liability company that was formed for the purpose of providing therapy and other services to skilled nursing facilities. Pursuant to the terms of certain Therapy and Administrative Services Agreements, dated as of various dates (collectively, the "Halcyon Agreements"), certain of the Debtors engaged Halcyon to provide physical therapy, occupational therapy, and speech language pathology services (the "Halcyon Services") to the Debtors, in return for which the Debtors agreed to pay Halcyon fees in accordance with a schedule attached to the Halcyon Agreements. The fees varied depending on the payor (i.e., Medicare or private pay) and the services provided.

Halcyon is a wholly owned subsidiary of HCN.

Following the commencement of the Debtors' Chapter 11 cases, Halcyon filed a proof of claim in the amount of $23,716,914.00 for services provided to the Debtors.

c. Gulf Coast

Gulf Coast is a Delaware limited liability company that was formed for the purpose of providing management services to owners and operators of skilled nursing facilities. Pursuant to the terms of a Services Agreement, dated as of August 12, 2013 (the "Gulf Coast Agreement"), CHG engaged Gulf Coast to provide a full range of management and administrative support services (the "Gulf Coast Services") to CHG and the skilled nursing facilities identified on the Gulf Coast Agreement, in return for which CHG agreed to pay Gulf Coast a service fee equal to Gulf Coast's actual costs of providing the Gulf Coast Services plus 0.5%.

Gulf Coast is indirectly owned, in part, by certain entities that are affiliated with the entities which own indirect beneficial interests in the Debtors.

VI. THE DEBTORS' BANKRUPTCY CASES

A. Factors Leading to Chapter 11 Filings

1. Issues Affecting Palm Garden Debtors

Sometime in 2004, disputes arose between the Palm Garden Landlord and PG Parent related to, among other things, alleged breaches under the leases. Litigation ensued that was eventually settled in 2007. As part of the settlement, the leases were amended to revise or clarify certain obligations of the Palm Garden Operators under the leases. Despite efforts on the part of PG Parent and the Palm Garden Operators to obtain an extension of the original term of the leases as part of the settlement, Palm Garden Landlord refused to agree to any extension of the term.

During 2009, the Palm Garden Operators (particularly those in the Tampa and Central Florida regions) began to experience a rise in litigation brought by residents at the Palm Garden Facilities. Over the ensuing four years, the costs of defending and settling these cases, and the associated diversion of resources, began to weigh on the portfolio.

The Palm Garden Facilities were situated in desirable locations near strong referral sources and were in generally good physical condition, although a bit dated in terms of the configuration. PG Parent began to develop a capital improvement plan for the Palm Garden Facilities to address needed upgrades and structural improvements to the physical plant, which included conversion of multi-bed wards to semi-private rooms and alterations to common areas in order to make the buildings more appealing to the changing needs of the target resident population. It was expected that this plan would be implemented in connection with a renewal or extension of the lease beginning in 2014.

In November 2012, PG Parent notified Palm Garden Landlord that it was exercising its right to negotiate with Palm Garden Landlord exclusively regarding a new lease covering the Palm Garden Facilities. Based on conversations between representatives of CHG and Palm Garden Landlord prior to the date of notification, it was expected that an agreement on a new lease could be achieved fairly quickly because Palm Garden Landlord had indicated it was

interested in keeping the Palm Garden Operators as tenants of the Palm Garden Facilities to maintain continuity of the operations.

Following a series of phone conversations and exchanges of information, representatives of Landlord and CHG met in January 2013 at the Orlando offices of Palm Garden Landlord's counsel. At that meeting, CHG presented a comprehensive proposal for renovations to the Palm Garden Facilities (including innovative designs for communal dining areas, expanded therapy suites and upgrades to resident rooms) and ideas for improving portfolio performance (such as bundling initiatives and expansion of technology platforms), as well as terms for a new lease arrangement that would cover all of the Palm Garden Facilities. Palm Garden Operators felt that the lease proposal was fair and reasonable in light of the pressures facing the skilled nursing industry in Florida at that time (including increased litigation exposure).

Shortly after the January 2013 meeting, it became evident that Palm Garden Landlord was interested in exploring other options with regard to the Palm Garden Facilities, and CHG learned that Palm Garden Landlord was meeting with at least two other operator candidates to take over the Palm Garden Facilities at the end of the Palm Garden Operators' lease term. For the next two months, there were virtually no substantive conversations between Palm Garden Operators and any of Palm Garden Landlord's representatives, and no response or counterproposal to new lease terms offered by the Palm Garden Operators.

On March 28, 2013, Palm Garden Operators were summarily advised by letter from Palm Garden Landlord's counsel that Palm Gardens Landlord had decided to take over the operations of the Palm Garden Facilities. At no time in the process of attempting to negotiate a new lease did Palm Garden Landlord ever mention this possibility.

Throughout the period negotiations were ongoing, operations at the Palm Garden Facilities were fairly stable. However, as soon as Palm Garden Operators were notified of Palm Garden Landlord's decision to take over the Palm Garden Facilities, significant problems began to develop. Palm Garden Operators were unable to keep critical staff members and encountered challenges filling the vacancies. Resident census declined as marketing efforts were curtailed. Palm Garden Operators were required to spend considerable time and resources facilitating the transition process and responding to information requests from Palm Garden Landlord's lender, which diverted attention from customary operational matters. Morale at the Palm Garden Facilities was low and financial performance ultimately suffered.

The operations at the Palm Garden Facilities were turned over to Palm Garden Landlord's operator affiliate on November 1, 2013 upon termination of the leases. Following the transition, disputes arose between the Palm Garden Landlord and the Palm Garden Debtors, and Palm Garden Landlord commenced an action styled *Springdale Health Centers LLC, et al. v. SA-PG Operator Holdings, LLC, et al.*, Case No. 16-2013-CA-010468, in the Fourth Judicial Circuit, Duval County, Florida (the "Florida Litigation"). The Florida Litigation arises out of disputes over the parties' rights under the certain leases and involves significant claims between the Palm Garden Landlord and the Palm Garden Debtors. In general, the Palm Garden Landlord seeks to collect amounts allegedly due under the leases. In response, the Palm Garden Debtors have asserted numerous defenses and counterclaims against the Palm Garden Landlord and believe they have claims against the Palm Garden Landlord for, *inter alia*, breaching the leases at

issue and tortiously interfering with the Palm Garden Debtors' business and contractual relationships.

2. Issues Affecting Georgia Debtors

Operations at the Georgia Facilities commenced on September 1, 2003, and there were immediate challenges. Most of the physical plants required extensive capital improvements, some of the Georgia Facilities were in remote areas where maintaining census was difficult due to a lack of reliable referral networks, and overhead costs ran higher than anticipated. CHM and its affiliates implemented a number of strategies over the next 18 months and by mid-2007 the Georgia Facilities were showing improvement in all categories. While capital improvements were still necessary, most were deferred due to lack of available funds.

In 2008, GAB notified CHM that the full amount of rent due under the subleases for the period beginning September 1, 2003 through December 31, 2007, had not been paid. The shortfall, estimated by GAB to be approximately $3.78 million, was due principally to the manner in which the contingent rent (referred to as "Additional Rent" and "Super Rent" under the Agreement to Lease) was determined and GAB's insistence that certain expenses incurred in connection with the operation of the Georgia Facilities should be disregarded in making the computations. GAB ultimately filed a lawsuit in Georgia asserting a number of breaches under the Agreement to Lease, including a claim for the unpaid contingent rent. That litigation was settled in part by the agreement of the parties to a further amendment of the Agreement to Lease, effective January 1, 2008 (the "Third Amendment"), which eliminated the contingent rent provisions in favor of a $2 million increase in the annual rent for the Georgia Facilities (payable in two $1 million semiannual installments). GAB's claim for unpaid contingent rent for the September 2003 to December 2007 period remained outstanding and became the subject of a later lawsuit filed in state court in Uniondale, New York after efforts to mediate the dispute failed.

While the Third Amendment eliminated any controversy as to the manner in which rent for the Georgia Facilities would be computed in the future, the additional $2 million in annual fixed rent obligations proved to be more than the operations of the Georgia Facilities could bear. That burden, coupled with the capital needs of most of the Georgia Facilities, strained cash flow and restricted CHM's ability to implement any meaningful strategies for improving the overall performance of the Georgia Facilities. Then, in April 2012, the sublease for the Hart Care Center, one of the few profitable Georgia Facilities, expired by its terms and the operations were transferred to an affiliate of the landlord, after attempts by the CHM affiliate to negotiate a lease extension were rejected. The resulting loss of available cash flow from that Facility created additional stress on the portfolio.

Periodically, representatives of CHM (and later SA-GA Operator Holdings, LLC, the successor in interest to CHM) would meet with GAB to try and resolve the contingent rent claim and propose strategies to improve the Georgia Facilities. All of these efforts were rebuffed.

In January 2013, the first installment of the $2 million additional rent payment due to GAB was withheld. A series of conversations ensued in which a variety of arrangements were discussed. At that time, GAB proposed taking the Georgia Facilities over and operating for their

own account, but no definitive terms were presented. As the July installment approached, and discovery for the contingent rent lawsuit began, the GAB proposal was revisited.

In September 2013, negotiations began in earnest on a transaction that would result in the transfer of operations of the nine remaining Georgia Facilities to a new operator identified by GAB and resolve all outstanding issues under the Agreement to Lease (including the pending New York litigation). That transaction eventually closed on January 7, 2014, with an effective date of January 1, 2014. In August 2014, all remaining "true up" items under the Operations Transfer Agreement entered into to effect the transaction were settled with the new operator of the Georgia Facilities and accounts receivable were reconciled.

3. Issues Affecting Palm Terrace Debtors

The operations of the Palm Terrace Facilities were adversely affected by a number of factors, including, but not limited to, the following: (i) demographics that negatively impacted both the target population for potential residents as well as staff; (ii) sub-prime and/or deteriorating physical conditions of certain of the Facilities, and associated maintenance and repair costs; and (iii) an increase in the number of threatened and pending personal injury litigation claims asserted against the Palm Terrace Debtors. With respect to the latter of these, as of the Palm Terrace Petition Date, there were approximately 18 personal injury claims pending against the Palm Terrace Debtors that were in various stages of litigation (including pre-suit, in arbitration, and in various courts). All of the foregoing have had a negative impact on the operations of the Palm Terrace Facilities.

The poor operating performance of the Palm Terrace Facilities resulted in certain covenant defaults in the Palm Terrace Credit Agreement. Beginning in 2009 and continuing at various times thereafter, certain Events of Default (as defined in the Palm Terrace Credit Agreement) occurred, and the parties entered into various amendments to the Palm Terrace Credit Agreement. As a result of the Events of Default, the amounts outstanding under the Palm Terrace Credit Agreement began accruing interest at the default rate.

4. Issues Affecting Encore Debtors

The Encore Operators commenced operations at the Encore Facilities between January and February, 2007, and immediately faced several challenges. The physical plants of many of the Encore Facilities were in poor physical condition and there was high employee and administrator turnover due to a lack of managerial continuity. The Illinois Operators faced reimbursement hurdles due to extended delays in State Medicaid payments. The geographic footprint of many of the Encore Facilities was disjointed and remote from any of the other skilled nursing facilities operated by CHG affiliates, making it difficult for senior management to confront operational issues on a timely and regular basis.

Despite a variety of measures aimed at improving census and stabilizing staffing, the Encore Facilities as a group never became profitable. Early in 2013, CHG representatives met with Encore to discuss exiting the Encore Facilities and disposing of the operations. Encore indicated that it desired to sell the real estate on which the Encore Facilities were located, and the

parties reached an understanding to cooperate in identifying prospects to acquire the Encore Facilities and the operations.

In March 2013, due to the deterioration in cash flow of the Encore Facilities, the Encore Operators stopped making rent payments to Encore Master Tenant under the subleases, and as a result Encore Master Tenant was unable to make its rent payments to Encore under the Encore Lease. Encore did not declare a default immediately, but indicated that it had its own payment obligations under a loan that was secured by the Encore Facilities in Texas and Florida. Encore told CHG that those payments were dependent on its receipt of rent from the Encore Master Tenant under the Lease and that its lender, Highland Park CDO I, Ltd. (the "Encore Lender"), would not entertain any moratorium pending sale of the Encore Facilities.

During the summer of 2013, negotiations began in earnest on seven transactions that would result in the transfer of operations of the three Illinois Facilities to affiliates of Infinity Healthcare Management of Illinois, LLC ("Infinity"), and the four remaining Facilities to affiliates of Stesel Enterprises, Inc. ("Stesel"). Each transfer faced difficulties due in part to transitional logistics and regulatory complications, and the closings were postponed several times. The delays only exacerbated the already strained relationships between the parties.

On January 14, 2014, the Illinois Operators entered into an Interim Services Agreement with three Infinity affiliates: Smithton Rehabilitation and Nursing Center, LLC, Godfrey Rehabilitation and Nursing Center, LLC and Wood River Rehabilitation and Nursing Center, LLC (collectively, the "Consultants"). During the period the Interim Services Agreement remained in effect, the Consultants operated the three Illinois Facilities for their own account, being entitled to all revenues generated by those Facilities and being responsible for all expenses necessary to operate those Facilities (including rent payments to Encore). The Consultants officially assumed operations of the three Illinois Facilities on November 24, 2014. Pursuant to the Operations Transfer Agreement, the Illinois Operators transferred the three Illinois Facilities for no cash consideration. Given the lack of profitability of the three Illinois Facilities, the arrangement under the Interim Services Agreement allowed the Illinois Operators to stem losses for the nine months prior to closing.

The transfers of the operations at the Kansas and Missouri Facilities closed on July 1, 2014, and the Texas Facility closed on September 16, 2014. The Operators of each of these Facilities conveyed substantially all of their assets and personal property to an affiliate of Lyon Financial Services, LLC ("Lyon") for no cash consideration but each retained their own accounts receivable.

On May 23, 2014, the Florida Operator entered into an Operations Transfer Agreement with Team Regency Healthcare, LLC (the "Assignee"), successor-in-interest to Stesel (the "Florida OTA"). Shortly after the Florida OTA was executed, the Florida Facility began maintenance and remediation work (including a roof replacement) that had been deferred due to financial constraints. The work took much longer than expected and, although the Assignee had originally indicated it would take over operations even if the work were still in process, the Assignee and its financing sources ultimately determined that they would not be able to close until all the work was completed to their satisfaction. In the meantime, the Florida Facility was cited by Florida regulators for various deficiencies, which complicated the transfer process and

required the Florida Facility to incur significant additional expense in order to remedy. As a result of these complications and resulting delays, it became apparent to CHG that the Assignee no longer had access to the necessary financing and that it was unlikely the Assignee would be able to consummate the transfer contemplated by the Florida OTA. Accordingly, in January of 2015, the Assignee terminated the Florida OTA.

Discussions ensued immediately with Encore, the Encore Lender and Stesel to renegotiate a suitable arrangement for the transfer of the Florida Facility. Because of defaults under the Loan, the Encore Lender effectively assumed Encore's position in the course of those discussions. No definitive agreements were reached regarding the transfer of the Florida Facility operations. On April 10, 2015, the Encore Lender commenced a foreclosure action (the "Encore Foreclosure Action") against Encore, Master Tenant, and the Florida Operator in an attempt to compel the Florida Operator to transfer the operations of the Florida Facility to a Stesel affiliate.

5. Issues Affecting the NLH Debtors

The NLH Properties were located in the region that had been most severely damaged by Hurricanes Katrina and Rita in late summer 2005. As a result, the NLH Group faced a number of challenges in terms of property repair and maintenance. In addition, census was adversely affected due to the unexpected migration out of the area. Operations of the NLH Properties suffered, but MLC and other the lenders recognized the unique and unprecedented situation in which NLH found itself and accommodated NLH's efforts to improve results.

In December 2007, GE Business Financial Services, Inc. ("GE") acquired MLC's healthcare financing business and assumed MLC's interests in the obligations related to the NLH Properties. GE assumed the role of administrative agent under the loans, and shortly thereafter declared the obligations to be in default due to technical breaches of covenants requiring the maintenance of minimum fixed charge coverage and consolidated leverage ratios. While these technical breaches had existed during MLC's tenure as administrative agent, MLC had never declared any of the obligations in default.

By declaring the loans in default, GE immediately triggered a number of provisions in the documents that impacted NLH's cash flow and made an already difficult scenario untenable. Among those provisions triggered were the escalation of the rate at which interest accrued on all of the obligations by over 500 basis points and unjustifiable restrictions on the amounts that could be advanced on the working capital line. GE also began to conduct invasive clinical evaluations at the NLH Properties and charged NLH fees and expenses associated with those evaluations.

In addition to the financial and operational problems resulting from GE's technical default declarations, NLH's efforts to modify the loans or seek interim relief that would allow the NLH Properties to recover from the effects of Hurricanes Katrina and Rita were repeatedly rebuffed or ignored by GE. On several separate occasions, NLH submitted proposals to refinance and pay down the term loan, but GE summarily rejected each offer.

It soon became clear that, under the circumstances created by GE, NLH would not be able to improve the operations of the NLH Properties to the point of break even, let alone

profitability. In spite of the commitment and focus of management to rehabilitate the condition and the financial performance of the NLH Properties, NLH and its affiliates continued to sustain considerable losses. Throughout the entire loan period, NLH never missed any scheduled payment of interest or principal, maintained all reserves required under the loan documents and paid all fees levied by the lenders.

In late 2010, restrictions on cash available under the working capital line began to create operational issues, in some cases creating life safety problems at some of the NLH Properties. After three years of being charged millions in default interest and lender fees that should have gone to fund patient care, NLH confronted GE and demanded that the restrictions be removed or, in the alternative, that GE replace NLH as operator of the NLH Properties. Following a series of negotiations, GE and Westside initiated a search for a new operator, but it was abundantly clear that GE would continue to impair NLH's ability to operate the NLH Properties. Although GE had received all of its interest and default fees to date, and had internally admitted that the loan was not significantly impaired, GE indicated that, in exchange for releasing NLH from its obligations under the loans in connection with the substitution of a new operator, it would require a significant cash penalty from NLH and its affiliates.

In light of GE's intractable conduct during the period it acted as administrative agent under the loans, NLH was concerned that GE would make unreasonable demands of any potential new operator and that the status quo would continue indefinitely. After numerous efforts to amicably resolve the situation, consultation with advisors and considerable internal debate, NLH made the difficult decision to file suit against GE and the other lenders to seek redress for the damage caused to NLH by GE's inexplicable behavior. One particular aspect of the suit addressed comments and actions of GE's team leader, both of which appeared to be motivated by personal animus toward NLH's principals (as opposed to legitimate business concerns), and the failure of GE and the other lenders to properly deal with that situation after having been notified of the team leader's unprofessional and seemingly prejudiced conduct. The filing of the lawsuit was a last resort by NLH after it had become abundantly clear that GE had no intention of changing the manner in which the NLH loans were administered and was not going to approve the substitution of NLH as operator of the NLH Properties on reasonable business terms.

In August 2011, NLH reached the first of several agreements with GE and the other lenders to exit as operator of the NLH Properties. NLH transferred operations of one of the Properties located in Louisiana effective September 1 2011, simultaneously with the sale of the facility by Westside; on October 3, 2011, NLH transferred operations of the facility located in Texas as part of the sale of that property by Westside; and on November 1, 2011, operations of all but one of the remaining NLH Properties were transferred by NLH to a new operator who entered into new leasing arrangements with Westside. Terms of the new leasing arrangements were never disclosed to NLH.

On November 14, 2011, NLH and its affiliates reached final agreements with GE and the other lenders regarding their obligations under the loans. All amounts outstanding under the loans were paid in full by NLH on or prior to that date.

In exchange for NLH releasing the lenders from any and all claims (including those contained in the lawsuit previously filed), GE and the other lenders released NLH and its affiliates from the few remaining obligations NLH had under the Westside loan. NLH and Westside also entered into mutual releases. On November 21, 2011, an agreed order was entered dismissing with prejudice the claims brought against GE and the other lenders in the lawsuit filed by NLH.

B. Commencement of Chapter 11 Filings

On June 25, 2014, NLH filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On July 3, 2014, Fountain View 215 Tenant, LLC and Jackson Manor 1691 Tenant, LLC filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On July 16, 2014, the balance of the NLH Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

On July 28, 2014 (the "Palm Garden Petition Date"), the Palm Garden Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

On August 26, 2014, Cypress Health Care Management, LLC and Cypress Health Care Holdings, LLC filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

On September 3-4, 2014 (as applicable, the "Palm Terrace Petition Date"), the Palm Terrace Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

On October 17, 2014 (the "Georgia Petition Date"), the Georgia Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

On May 20, 2015 (the "Encore Petition Date"), the Encore Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

On April 25, 2016 (the "CHG Petition Date"), CHG and Cypress Administrative Services filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

C. Significant Events Since Commencement of the Bankruptcy Cases

1. Joint Administration

On or about their respective Petition Dates, the Debtors filed Motions for Joint Administration of the Bankruptcy Cases. By orders of the Bankruptcy Court, the Debtors' Bankruptcy Cases were procedurally and administratively consolidated under case 14-50756.

2. Appointment of Official Committees

On October 3, 2014, the United States Trustee appointed a single Official Committee of Unsecured Creditors (the "Committee") for the Bankruptcy Cases, consisting of the following creditors: (i) Healthcare Services Group, Inc.; (ii) Medline Industries, Inc.; and (iii) Omnicare, Inc. The Committee was subsequently expanded to include David Deal, a personal injury claimant, and two additional unsecured creditors.

3. Retention of Professionals

a. Bankruptcy Counsel to the Debtors

On July 25, 2014, the Debtors filed an Application for an Order Authorizing the Retention of Neligan Foley LLP ("NF") as Counsel to the Debtors (the "NF Application"), as well as an Application for an Order Authorizing the Retention and Employment of Baker Donelson LLP ("Baker") as Local Co-Counsel to the Debtors (the "Baker Application").

From time to time thereafter, as additional Debtors commenced their Chapter 11 cases, the NF Application and the Baker Application were amended to expand the scope of the retention of NF and Baker to include the additional Debtors.

On October 9, 2014, the Palm Terrace Debtors filed an Application for an Order Authorizing the Retention of H. Kent Aguillard ("Aguillard") as local counsel to the Palm Terrace Debtors (the "Aguillard Application"), due to a conflict with Baker with respect to the Palm Terrace Debtors' secured lender at the time.

b. Counsel to the Committee

On October 22, 2014, an Application to employ Pepper Hamilton LLP ("PH") as counsel to the Committee was filed. On October 29, 2014, an Application to employ McGlinchey Stafford, PLLC ("MS") as counsel to the Committee was filed. The Bankruptcy Court granted both applications.

c. Financial Advisor to the Committee

On January 6, 2015, an Application to employ CBIZ Accounting, Tax & Advisory of New York, LLC, CBIZ Valuation Group, LLC and CBIZ KA Consulting Service, LLC ("CBIZ") as financial advisors to the Committee was filed. The Bankruptcy Court issued an order approving the Application on January 28, 2015, effective as of December 22, 2014.

d. Retention of Brokers for Palm Terrace Debtors and for the Committee

On February 20, 2015, an Application to employ Senior Living Investment Brokerage, Inc. ("SLIB") as broker for the Palm Terrace Debtors was filed. On March 9, 2015, an Application to employ Marcus & Millichap ("M&M") as real estate consultant for the Committee was filed. The Bankruptcy Court issued orders on April 9, 2015 and April 16, 2015 approving the Applications of SLIB and M&M, respectively.

4. Schedules and Statement of Financial Affairs

At various points in time during their respective Chapter 11 cases, the Debtors filed their Schedules and Statement of Financial Affairs and/or amendments thereto. A chart summarizing the Debtors' filing is attached hereto as **Exhibit C**.

5. DIP Financing

Prior to commencing their Chapter 11 cases, the Palm Terrace Debtors advised PacWest of the Palm Terrace Debtors' intention to file voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, and requested that PacWest consent to the use of cash collateral and fund the Palm Terrace Debtors post-petition operations under the Palm Terrace Credit Agreement. PacWest advised the Palm Terrace Debtors that it did not want to serve as a post-petition lender to the Palm Terrace Debtors, and requested that the Palm Terrace Debtors find an alternate lender that would "take out" PacWest and pay off any amounts due to PacWest under the Palm Terrace Credit Agreement. Similarly, PacWest further advised the Palm Terrace Debtors that it would not authorize the use of cash collateral for the duration of the Palm Terrace Debtors' bankruptcy cases, but instead insisted on being paid in full at or prior to the Chapter 11 filing.

The Palm Terrace Debtors did not believe that they could operate on cash collateral alone, and did not believe it was in the best interests of their bankruptcy estates to engage in a long and expensive fight with PacWest over the use of cash collateral and financing. Consequently, the Palm Terrace Debtors sought additional sources of post-petition funding and, on September 3, 2014, the Palm Terrace Debtors filed their Motion For Interim and Final Orders Authorizing and Approving (a) Debtor in Possession Financing; (b) Granting Security Interests and Superpriority Claims Pursuant to Section 364 (c) and (d) and 507 of the Bankruptcy Code and Bankruptcy Rule 4001 (c); and (d) Modifying the Automatic Stay; and Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001 (the "DIP Financing Motion").

In accordance with the DIP Financing Motion, SA Mezz Holdings, LLC ("SA Mezz"), a related party, made post-petition loans and advances to the Palm Terrace Debtors in an amount up to Three Million Dollars ($3,000,000.00) pursuant to a Debtor In Possession Loan and Security Agreement (as amended, the "DIP Loan").

The Bankruptcy Court entered an interim order approving the DIP Financing Motion on September 16, 2014, and a final order approving the DIP Loan on October 7, 2014. The Final DIP Order was amended and supplemented from time to time thereafter to allow for extensions of the maturity date, to approve budgets, and granting related relief.

6. Asset Sales

From time to time, during the Bankruptcy Cases, the Debtors sold or otherwise liquidated Assets. Some of the liquidations were not material in amount and constituted ordinary course transactions for which Bankruptcy Court approval was neither required nor sought. However, during the Bankruptcy Cases, when the Debtors sold or liquidated a substantial Asset, Bankruptcy Court approval was sought and granted, after notice and a hearing. In each instance, the Bankruptcy Court found that the proposed transaction represented a proper exercise of the applicable Debtors' business judgment, that the sale was at arm's length and that the purchase price was fair and reasonable. Material transactions are described in summary fashion below. [8]

[8] The Debtors filed pleadings in support of these Asset sales and these pleadings can be found on the docket maintained by the Bankruptcy Court in the Bankruptcy Cases.

a. Regency

Regency 14333 Tenant, LLC ("Regency") operated a 129-bed skilled nursing facility in Baton Rouge, Louisiana (the "Regency Facility"). The Regency Facility was subject to that certain Lease of Immovable Real Property and Improvements, dated January 1, 2004 (the "Regency Master Lease"), between Baton Rouge Total Care Center, a Louisiana limited partnership ("Regency Landlord") and RO2002, L.L.C. ("Original Lessee"), as amended by that certain First Amendment to Lease, dated January 1, 2006, between regency Landlord, Regency 14333 LLC, as assignee of Original Lessee ("Lessee"), Master Tenant LLC ("Master Tenant") and Regency.

Lessee sublet the Regency Facility to Master Tenant, LLC pursuant to the terms of a Lease Agreement, dated January 1, 2006 (the "Master Tenant Sublease"), and Master Tenant further sublet the Regency Facility to Regency pursuant to the terms of a Sublease Agreement, dated January 1, 2006 (the "Regency Sublease" and, together with the Master Tenant Sublease and the Regency Master Lease, the "Regency Leases").

By letter dated December 27, 2013, Regency Landlord asserted that Lessee had failed to properly calculate the annual rental adjustment set forth in the Master Lease and, as a result, owed Regency Landlord an additional $182,487.79. Regency Landlord demanded that such amount be paid within fifteen days of receipt of Regency Landlord's demand letter.

On or about February 13, 2014, Regency Landlord filed its Petition for Past Due Rents in the Nineteenth Judicial District, Parish of East Baton Rouge, Louisiana, against Regency, Lessee, Master Tenant, Albert Schwartzberg and Harris Schwartzberg, Case Number C628283 (the "Regency Lease Litigation"). The Regency Lease Litigation was subsequently removed to the United States District Court for the Middle District of Louisiana.

In the Regency Lease Litigation, Landlord sought judgment (i) declaring the Master Lease terminated, (ii) accelerating all remaining rents due under the Master Lease, and awarding judgment for such amounts (less any amounts for mitigation), and (iii) ordering the defendants to vacate the property. The defendants disputed Regency Landlord's claims and filed a counterclaim against Regency Landlord relating to the Regency Facility's alleged failure to comply with certain applicable law.

Following the commencement of Regency's Chapter 11 case, Regency Landlord filed proof of claim numbers 67 and 68 against Regency, each in the amount of $500,000.00 (collectively, the "Regency Landlord Claim").

Following extensive arms'-length negotiations over several months during Regency's Bankruptcy Case, Regency, Regency Landlord, Diversified Healthcare, L.L.C. ("New Operator"), Lessee, Master Tenant, Harris Schwartzberg and Albert Schwartzberg entered into an Operations Transfer Agreement for the sale of the Regency operations (the "Regency OTA").

The OTA provided for a transfer of Regency's operations to Regency Landlord, and resolved all disputes among the parties relating to, among other things: (i) the Regency Lease Litigation; (ii) the Regency Leases; and (iii) the Regency Landlord Claim.

A settlement agreement was signed by the parties which, after notice and a hearing, was approved by the Bankruptcy Court by order dated November 3, 2015. The transactions contemplated by the Regency OTA closed with an effective date of October 31, 2015.

b. Palm Terrace

The Palm Terrace Debtors determined that a sale of the operations of the Palm Terrace Facilities as a going-concern represented both the best way to maximize the value of their estates, and limit any disruption to the residents and employees at the Palm Terrace Facilities. Consequently, the Palm Terrace Debtors filed motions seeking authority to establish a competitive sale process, market their assets for higher and better offers, and sell the operations of the Palm Terrace Facilities, as is further discussed below. With Bankruptcy Court approval, the Palm Terrace Debtors also retained SLIB to assist with the marketing and sale of the operations.

On March 20, 2015, the Bankruptcy Court entered an Amended Order granting the Palm Terrace Debtors' motion for entry of an Order (i) approving bidding procedures in connection with the sale of the Palm Terrace Facilities, (ii) approving a break-up fee, (iii) scheduling an auction and hearing to consider the proposed sale of the Palm Terrace Facilities, and (iv) approving the sale of the Palm Terrace Facilities.

On June 5, 2015, the Palm Terrace Debtors received qualified bids from TL Management, LLC and Lyon Financial Services, LLC ("Lyon") for the acquisition of the Operations through the bankruptcy auction. After determining that Lyon was the superior initial bid, the Palm Terrace Debtors entered into an Operations Transfer Agreement (the "Palm Terrace OTA") on June 5, 2015, with Lyon for the acquisition of the operations of the Palm Terrace Facilities as a stalking horse bidder with a purchase price of Six Million Dollars ($6,000,000.00). Affiliates of Lyon agreed separately with Palm Terrace Master Lessor to acquire the real estate rights associated with the Palm Terrace Facilities for Thirty Million Dollars ($30,000,000.00).

On June 9, 2015, an auction took place at the offices of Neligan Foley, LLP in Dallas, Texas. After approximately Seventy-Seven (77) rounds of competitive bidding, the Palm Terrace Debtors determined that Lyon had submitted the best bid for the operations at a purchase price of Nine Million Eight Hundred Fifty Thousand Dollars ($9,850,000.00), as was reflected in a subsequent amendment to the Palm Terrace OTA.

On August 24, 2015, the Bankruptcy Court issued a Sale Order authorizing the transfer of the Palm Terrace Facilities to Lyon pursuant to the terms of the Palm Terrace OTA. On February 11, 2016, an Order Enforcing Court's Prior Order Relating to the Sale of the Palm Terrace Debtor's Assets was entered.

After a series of delays caused by changes in senior lenders financing the acquisition, as well as changes in the equity owners of the real estate buying group, among other things outside of the control of the Palm Terrace Debtors, the transactions contemplated by the Palm Terrace OTA, as amended, closed effective as of March 31, 2016. On that date, operations of the Palm Terrace Facilities were transferred to affiliates of Lyon. The Palm Terrace Facilities were the

last remaining operating entities within the Cypress organization. The sale of Palm Terrace Master Lessor's interest in the Palm Terrace Facilities' real estate also closed effective March 31, 2016.

c. Citrus Gardens

Following the commencement of the Chapter 11 cases, the Encore Debtors filed their Emergency Motion For Interim And Final Orders Authorizing The Debtors To Use Cash Collateral And To Provide Adequate Protection To Parties Asserting An Interest In Cash Collateral (the "Encore Cash Collateral Motion").

On June 18, 2015, Encore Lender filed an objection to the Cash Collateral Motion (the "Objection"). In the Objection, Encore Lender asserted, *inter alia*, that the Encore Leases terminated prior to the Encore Petition Date and that Florida Operator did not have any interest in the sublease or the income/revenues generated from the Florida Facility. Florida Operator disputed those claims.

On September 25, 2015, Encore filed various proofs of claim against the Encore Debtors in the amount of $6,081,003.04 (collectively, the "Encore Claim").

Following extensive arms'-length negotiations over several months, the Encore Debtors, Encore Master Tenant, Encore Master Lessor, Encore Lender and Encore entered into a Settlement Agreement (the "Encore Settlement Agreement"). The Encore Settlement Agreement resolved all disputes between the parties relating to, among other things: (i) the Encore Foreclosure Action; (ii) the Encore Leases, including claims for pre- and post-petition rent owed by Florida Operator; (iii) the Encore Loan and the Encore Claim; and (iv) the transfer of the operations under the Florida OTA.

The settlement provided for a number of material benefits to the Encore Debtors, including the following: (i) the receipt by Florida Operator of $499,000 as a result of the transfer of the Purchased Assets to the Purchaser (as those terms were defined in the Florida OTA); (ii) the resolution of the Encore Claim against the Encore Debtors for a net payment of $1000; (iii) the release of liens asserted by Encore on other assets, including Florida Operator's accounts receivable; (iv) the release of claims for pre- and post-petition rent owed by Florida Operator (which had not been paid since late 2013 and which accrued at approximately $46,484 per month); and (v) the avoidance of additional administrative costs and expenses that the Encore Debtors would incur in prosecuting objections to the Encore Claim, the Encore Cash Collateral Motion and the Objection, including associated discovery and contested hearings, among other things.

After notice and a hearing, the Encore settlement was approved by the Bankruptcy Court by order dated October 23, 2015. The transaction contemplated by the Florida OTA closed with an effective date of December 31, 2015.

7. Palm Garden Landlord Litigation

On September 2, 2014, Palm Garden Landlord filed its Motion for Order (I) Requiring Production of Documents, and (II) Authorizing the Oral Examination of Representative of the

Debtors (the "Palm Garden 2004 Exam"). Following discussions between counsel for Palm Garden Landlord and the Debtors, and conferences with the Bankruptcy Court, the parties consented to an agreed order with respect to the Palm Garden 2004 Exam which was entered by the Bankruptcy Court on October 22, 2014.

In response to the Palm Garden 2004 Exam, the Debtors established a data room and produced thousands of pages of documents pertaining the Debtors and their financial affairs.

On March 22, 2015, the Palm Garden Debtors removed the Florida Litigation to the United States Bankruptcy Court for the Middle District of Florida and subsequently transferred the Florida Litigation to the Bankruptcy Court. As a result of the imposition of the automatic stay upon the commencement of the Palm Garden Debtors cases, the Florida Litigation has been stayed.

8. Debtor's Complaint to Stay Personal Injury Litigation

On December 5, 2014, certain of the Debtors filed a Complaint to Extend the Automatic Stay or, in the Alternative, Obtain an Injunction or other Equitable Relief, in the case styled SA-PG Operator Holdings, LLC, et al. v. Patricia Haley, as personal representative of the Estate of Dorothy Oram, Sonia M. Rivera, as personal representative of the Estate of Anicasio Rivera; and Geraldine Rosa, as personal representative of the Estate of Herbert Watson, Adv. Pro. No. 14-5025, pursuant to which the Debtors sought to stay certain personal injury claimants that were attempting to proceed with personal injury litigation in Florida state court against various parties related to the Debtors. Following the filing of the complaint, two of the defendants agreed to stay the related state court litigation. With respect to the third defendant, the Bankruptcy Court granted both preliminary and permanent injunctions staying the related state court litigation.

9. Motion to Transfer Venue of Palm Garden Bankruptcy Cases

Beginning on September 8, 2014 and periodically thereafter, certain personal injury claimants represented by the law firm of Wilkes & McHugh (the "Wilkes Firm") filed substantially identical motions to transfer venue of the Palm Garden Debtors' Bankruptcy Cases to the Bankruptcy Court for the Middle District of Florida (the "Venue Transfer Motions"), allegedly for the convenience of the parties.

On September 30, 2014, the Palm Garden Debtors filed their objection to the Venue Transfer Motions in which the Palm Garden Debtors noted, among other things, that a debtor's choice of forum was generally to be afforded great deference, that the Palm Garden Debtors' cases should be administered with those of their affiliates in Louisiana, that the Palm Garden Debtors' assets and management, and a majority of the Palm Garden Debtors' creditors were located outside of Florida, that Louisiana was a more convenient forum for the Debtors' bankruptcy counsel, and that the major stakeholders had already engaged counsel and appeared before the Bankruptcy Court. The Wilkes Firm subsequently cancelled the hearing on the Venue Transfer Motions and did not seek a further hearing.

10. Committee's Investigation Into Insider and Related Party Claims

a. Background

Beginning in October 2014 after the Committee was formed and had retained counsel, and continuing thereafter, the Debtors' representative and their professionals devoted significant time, effort and resources to the sharing of information with the Committee. To that end, the Debtors and the Committee held numerous in-person meetings, lasting several hours each, to discuss both the Debtors' operations and financial affairs and the specific information the Committee needed to complete its analysis of the Debtors' prepetition transactions and potential claims against certain insiders and related parties. The Committee served numerous information requests to which the Debtors provided substantive narrative responses. Additionally, the Debtors established a data room into which the Debtors voluntary produced tens of thousands of pages of documents for the Committee's review. The Committee was also provided with the documents produced in the Palm Garden 2004 Exam.

In addition to the informal discovery undertaken by the Committee, on March 20, 2015, the Committee filed its *Motion to Authorize Examination of Witnesses and Requests for Production of Documents* (the "Committee 2004 Motion") pursuant to which the Committee sought authorization to (i) serve requests for documents on the Debtors, (ii) to subpoena documents from certain affiliates of the Debtors; and (iii) to examine, under oath, certain current and former officers and representatives of the Debtors.

On March 30, 2015, the Debtors filed a limited opposition to the Committee 2004 Motion, largely pertaining to the scope and proposed deadline to complete the production of documents responsive to the Committee's requests. Those issues were resolved by agreement between the Committee and the Debtors.

b. Plan Settlement Meetings

In June 2015, representatives for the Committee and representatives for the Debtors and certain of the related parties attended an in-person meeting during which Pepper and CBIZ presented their analysis of various potential claims and causes of action against certain of the Debtors' insiders and other related parties. In broad terms, the Committee focused on two categories of transactions: (i) transactions related to services allegedly provided by related parties to the Debtors pursuant to written service agreements; and (ii) transactions relating to the movement of cash within the Debtor group and the manner in which the Debtors funded their operations. With respect to the first category of transactions, the Committee identified potential claims for allegedly avoidable transfers (including fraudulent transfer and preference claims), as well as various state law claims. With respect to the second category of transactions, the Committee identified potential claims against officers, members and owners of the Debtors, including claims for alleged breaches of their respective fiduciary duties, among others.

Following the June meeting, the Debtors and certain of the related parties analyzed the claims identified by the Committee, as well as the potential defenses available thereto and the potential value to the affirmative claims that the potential defendants may have against the Debtors (e.g., for actual services rendered that remained unpaid). In September 2015, the

Committee, the Debtors and certain related parties met again to discuss a potential resolution of the Debtors' cases, including the potential claims identified by the Committee. Following significant negotiations that continued after the September 2015 meeting, the participants agreed to support a liquidating plan for all of the Debtors.

c. The Settlement

The Settlement contained in the Plan represents a compromise of the various claims, arguments and objections between the Debtors and the Released Parties. All of the Proponents agree that it represents a balanced, fair and reasonable resolution of substantial disputes which have already prolonged the Bankruptcy Cases. All Proponents submit that the Settlement far exceeds the legal standards needed to approve a settlement.

As part of the Settlement, and conditioned on the Plan becoming effective, the Released Parties will pay $2.5 million to the Debtors. However, this cash payment, while significant, represents a small fraction of the total consideration received by the Debtors in return for the releases provided under the Plan. In addition, the Holders of all Insider Claims will receive no distribution on account of their claims. The Insider Claims include, without limitation, those claims identified on **Exhibit D**, among which are the following: (i) the Halcyon proof of claim in the amount of $24,122,370.00 for actual services rendered to the Debtors pre-petition; (ii) HCN's pre-petition claim in the amount of $14,022,232 for actual services rendered to the Debtors pre-petition; (iii) Gulf Coast's pre-petition claim in the approximate amount of $2.857 million for actual services rendered to the Debtors pre-petition; and (iv) HCN's post-petition Administrative Claim in the asserted amount of several million dollars, for actual services rendered to the Debtors during the pendency of the Bankruptcy Cases. The treatment of the Insider Claims under the Plan avoids both Administrative Expenses associated with challenging any such claims, and significantly improves recoveries to Holders of Allowed Claims in Classes 4 and 5.

Furthermore, all of the TCR Personal Injury Claims (with a face amount of approximately $500 million excluding duplicates (and several billion dollars when duplicates are counted)) will be released, and the Chicago Health Care Leasing Claims will be subordinated to the payment of all other claims. The settlement and release of the TCR Personal Injury Claims benefits the Estates in several material ways. First, the Estates avoid the time and expense of having to litigate and liquidate fifty tort claims that assert claims for wrongful death and/or substantial bodily injury. Based on the Debtors' history litigating similar claims, the Estates stand to save several million dollars in legal expenses that would otherwise have to be incurred litigating those claims, thereby leaving more funds available for the Claimants Trusts. Second, the TCR Personal Injury Claims will be released under the Plan, thereby substantially reducing the claims asserted against the Debtors and dramatically increasing the percentage distribution to Holders of other Allowed Claims, as the balance of Estate Assets (including the $2.5 million settlement payment and the net proceeds of the asset sales) will inure to the beneficiaries of the Claimants' Trusts. Similarly, the subordination of the Chicago Health Care Leasing Claims (in the amount of $10,166,780) results in a smaller number of claims entitled to share in the assets being contributed to the Claimants Trusts, thereby improving recoveries to the beneficiaries of the Claimants Trusts.

To protect against the running of any statute of limitations on claims against the Released Parties pending approval of the Plan and the Settlement, on June 3, 2016, the Debtors and the Committee filed their *Agreed Motion for an Order Pursuant to Sections 105(A) and 107 and Rule 9018 Authorizing the Committee to File a Complaint Under Seal* (the "Motion to Seal"). On June 6, 2016, the Bankruptcy Court entered an order approving the Motion to Seal. On June 24, 2016, the Committee filed under seal a complaint against the Released Parties (the "Complaint"). Upon the Effective Date of the Plan, the Complaint will be dismissed with prejudice and withdrawn from the docket.

11. Substantive Consolidation of Debtors' Estates

On June 22, 2016, the Plan Proponents filed their *Joint Motion, Pursuant to Bankruptcy Code Section 105(A), for Entry of An Order Substantively Consolidating the Debtors' Estates* (the "Subcon Motion"). On July 19, 2016, the Bankruptcy Court held a hearing on the Subcon Motion and, following the presentation of evidence and argument of the Plan Proponents, approved the substantive consolidation of the Debtors for voting purposes on the Plan, and conditionally granted the Subcon Motion for distribution purposes, subject to confirmation of the Plan.

As a result, all intercompany claims between the Debtors will be extinguished, the Debtors' assets and liabilities will be pooled for Plan distribution purposes, and creditors will vote as a single class.

VII. CONFIRMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

1. Ballots and Voting Deadline

A Ballot to be used for voting to accept or reject the Plan is enclosed with all copies of this Disclosure Statement mailed to all Holders of Claims and Interests entitled to vote. BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.

The Bankruptcy Court has directed that in order to be counted for voting purposes, Ballots for the acceptance or rejection of the Plan must be received no later than 5:00 p.m. Central Time on August 15, 2016, at the following address:

Balloting Agent
Neligan Foley LLP
325 N. St. Paul
Suite 3600
Dallas, TX 75201
Fax: 214-840-5301

YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS OR FAX NUMBER AFTER 5:00 P.M. CENTRAL TIME ON AUGUST 15, 2016.

2. Parties in Interest Entitled to Vote

Any Holder of a Claim or an Interest as of the date on which the Disclosure Statement Order was entered and whose Claim or Interest has not previously been disallowed by the Bankruptcy Court is entitled to vote to accept or reject the Plan, if such Claim or Interest is impaired under the Plan and either (a) such Holder's Claim has been scheduled by a Debtor (and such Claim is not scheduled as disputed, contingent, or unliquidated), (b) the Holder of an Interest has been identified in a list of equity security holders filed by a Debtor with the Bankruptcy Court or is authorized by the Bankruptcy Court to vote on the Plan, or (c) such Holder has filed a proof of Claim or proof of Interest on or before the applicable Bar Date.[9] Any Claim or Interest as to which an objection has been filed is not entitled to vote unless the Bankruptcy Court, upon application of the Holder to whose Claim or Interest an objection has been made, temporarily allows such Claim or Interest in an amount that it deems proper for the purpose of voting to accept or reject the Plan. Any such application must be heard and determined by the Bankruptcy Court on or before commencement of the Confirmation Hearing. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

3. Definition of Impairment

As set forth in section 1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a plan of reorganization unless, with respect to each claim or equity interest of such class, the plan:

(a) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or

(b) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default: cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;

(c) reinstates the maturity of such claim or interest as it existed before such default;

(d) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and

(e) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

4. Classes Impaired Under the Plan

Classes of claims or equity interests that are not "impaired" under a plan of

[9] If a Holder did not file a proof of Claim or Interest on or before the applicable Bar Date, but such Holder subsequently obtained an order from the Bankruptcy Court allowing the Holder to file a proof of Claim or Interest thereafter, such Holder will be entitled to vote to accept or reject the Plan.

reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will be solicited only from those persons who hold claims or equity interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in Cash.

Claims against the Debtors in Classes 4, 5, 6, 8 and 9 are impaired under the Plan and the Holders of those Claims are entitled to vote on the Plan Holders of Interests in Class 10 shall not receive or retain any property or interest in property on account of their Claims and Interests under the Plan and are deemed to have rejected the Plan under Section 1126(g) of the Bankruptcy Code and are not entitled to vote on the Plan.

Claims against the Debtors in Classes 1, 2, 3 and 7 are not impaired under the Plan, and the Holders of those Claims are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f) and are thus not entitled to vote on the Plan.

Administrative Claims and Priority Tax Claims are unclassified. Their treatment is prescribed by the Bankruptcy Code, and the Holders of such Claims are not entitled to vote on the Plan.

5. Vote Required For Class Acceptance

Under the Bankruptcy Code, a Class of Claims that is entitled to vote to accept or reject the Plan shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such Class that have voted on the Plan. The Bankruptcy Code also provides that a Class of Interests that is entitled to vote to accept or reject the Plan shall have accepted the Plan if it is accepted by the Holders of at least two-thirds (2/3) in amount of the Allowed Interests in such Class that have voted on the Plan.

B. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, **the Confirmation Hearing on the Plan has been scheduled to commence on August 24, 2016 at 10:00 a.m. Central Time** in the United States Bankruptcy Court for the Western District of Louisiana, Lafayette Division. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. **Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court on or before 5:00 p.m. Central Time on August 15, 2016**, at the following address:

Clerk of the United States Bankruptcy Court
Western District of Louisiana–Lafayette Division

214 Jefferson Street
Lafayette, Louisiana 70501

In addition, any such objection must be served upon the following parties, together with proof of service, so that they are ***received*** **by such parties on or before 5:00 p.m. Central Time on August 15, 2016**:

NELIGAN FOLEY LLP Patrick J. Neligan James P. Muenker 325 N. St. Paul, Suite 3600 Dallas, TX 75201 (214) 840-5300 Fax: (214) 840-5301	PEPPER HAMILTON LLP Francis J. Lawall Donald J. Detweiler 3000 Two Logan Square Eighteenth and Arch Streets Philadelphia, PA 19103-2799 Telephone: (215) 981-4000 Facsimile: (215) 981-4750	Gail McCullough Office of the U.S. Trustee 300 Fannin Street, Suite 3196 Shreveport, LA 71101
BAKER DONELSON Jan M. Hayden 201 St. Charles Avenue, 36th Floor New Orleans, LA 70170 Telephone: (504) 566-8645 Facsimile : (504) 585-6945	MCGLINCHEY STAFFORD, PLLC Rudy J. Cerone 601 Poydras Street, 12th Floor New Orleans, LA 70130 Telephone: (504) 596-2786 Facsimile: (504) 910-9362	
COUNSEL FOR THE DEBTORS	**COUNSEL FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**	

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and the Order Approving Disclosure Statement and Setting Deadline for Objections. **UNLESS AN OBJECTION TO CONFIRMATION IS SERVED AND FILED ON THE PROPONENTS, THROUGH THEIR COUNSEL SO THAT IT IS ACTUALLY RECEIVED BY NO LATER THAN 5:00 P.M. CENTRAL TIME ON AUGUST 15, 2016, THE BANKRUPTCY COURT MAY NOT CONSIDER IT.**

C. <u>Requirements For Confirmation of a Plan</u>

At the Confirmation Hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, these requirements are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.

2. The proponent of the plan complied with the applicable provisions of the Bankruptcy Code.

3. The plan has been proposed in good faith and not by any means forbidden by law.

4. Any payment made or promised by the debtors, by the plan proponents, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

5. (a) (i) The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan; and

(ii) the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and

(b) the proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized debtors, and the nature of any compensation for such insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

7. With respect to each impaired class of claims or interests:

(a) each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the Debtor was liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or

(b) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

8. With respect to each class of claims or interests:

(a) such class has accepted the plan; or

(b) such class is not impaired under the plan.

9. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:

(a) with respect to a claim of a kind specified in section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive:

(i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(ii) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and

(c) with respect to a claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim regular installment payments in cash –

(i) of a total value, as of the effective date of the plan, equal to the allowed amount of such claim;

(ii) over a period ending not later than 5 years after the date of the order for relief under section 301, 302, or 303; and

(iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b); and

(d) with respect to a secured claim which would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8), but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as described in subparagraph (c) above.

10. If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class.

11. Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

12. All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the effective date of the plan.

13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

The Proponents believe that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code and that they have complied or will have complied with all the requirements of chapter 11.

D. Cramdown

In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Proponents if, as to each impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to that Class. A plan of reorganization "does not discriminate unfairly" within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its claims or equity interests.

"Fair and equitable" has different meanings with respect to the treatment of secured and unsecured claims and interests. As set forth in section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

1. With respect to a class of *secured claims*, the plan provides:

(a) (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property;

(b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or

(c) the realization by such holders of the "indubitable equivalent" of such claims.

2. With respect to a class of *unsecured claims*, the plan provides:

(a) that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

3. With respect to a class of *equity interests*, the plan provides:

(a) that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or

(b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired Class of Claims or Interests. The Proponents believe the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired Class of Claims or Interests and, thus, that the Plan may be confirmed under the applicable "cramdown" standards if necessary.

VIII. RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each Holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such holder's own advisors.

A. Lower Than Expected Liquidation Proceeds

The Plan provides for the orderly liquidation of Assets after the Effective Date. The timing of Distributions from the Claimants Trusts will be made at the discretion of the respective trustee in the manner described earlier in this Disclosure Statement and in the Plan. While the Proponents have not commissioned a formal appraisal of the Debtors' Assets in connection with

Confirmation, the Debtors and CBIZ have developed estimates for the value of the Assets and the Debtors' expenses through the projected Effective Date. Based upon these estimates, the Proponents believe that the value of the Assets contributed to the Unsecured Claimants' Trust on the Effective Date, including cash on hand on the Effective Date, should be at least $13.7 million. **This is an estimate and as a forward looking statement it is not a representation as to the current or future value of the Assets. The amount of Distributable Cash is subject to the collectability of accounts receivable, the uncertainties of litigation and the costs of liquidation, among other things.**

B. Insufficient Acceptances

For the Plan to be confirmed, each impaired Class of Claims and Interests is given the opportunity to vote to accept or reject the Plan. With regard to such impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by claimants of such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Claims of the Class voted. The Plan will be deemed accepted by a Class of impaired Interests if the Plan is accepted by Interest Holders in such Class actually voting on the Plan who hold at least two-thirds (2/3) of the number of shares actually voting. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. The Proponents reserve the right to request confirmation pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan regardless of the fact that a particular Class of Claims or Interests has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims or Interests under the Plan will accept the Plan or that the Proponents would be able to satisfy the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

C. Confirmation Risks

The following specific risks exist with respect to confirmation of the Plan:

(i) Any objection to confirmation of the Plan filed by a member of a Class of Claims or Interests, if sustained by the Bankruptcy Court, could either prevent confirmation of the Plan or delay confirmation for a significant period of time.

(ii) Although the Proponents believe that the Plan will meet all applicable standards and tests for confirmation, there can be no assurance that the Bankruptcy Court will reach the same conclusion and confirm the Plan.

D. Conditions Precedent

Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may never occur or be waived. The Proponents, however, are working diligently with all parties in interest to ensure that all conditions precedent are satisfied.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The chief alternative to the Plan is the conversion of the Bankruptcy Cases to Chapter 7.

If the Plan is not consummated and the litigation over the claims against the Released Parties were to commence, additional professional fees would be incurred. While the amount of those fees cannot be estimated with any certainty, it is believed that they could exceed several million dollars. Moreover, if the Plan is not confirmed and the tentative settlement embodied in the Plan is not consummated, the Debtors will not receive the $2.5 million settlement payment, the TCR Personal Injury Claims and the Insider Claims will not be released and the Chicago Health Care Leasing Claims will not be subordinated. The face value of those claims exceeds $550 million. To the extent those claims were disputed, they would have to be litigated at substantial cost to the Estates, and if allowed in any material amount would substantially dilute the claims pool for other creditors.

It is the Proponents' position that there is no certainty that the Holders of Claims in Classes 4 and 5 would fare better absent the Settlement embodied in the Plan and, more likely, would fare substantially worse. The Proponents have analyzed whether a chapter 7 liquidation of the Assets would be in the best interest of Holders of Claims and Interests and concluded that the liquidation value in a chapter 7 would be lower than the value that may be realized under the Plan. Additionally, the Proponents believe that a chapter 7 conversion and liquidation: (1) would lead to additional administrative expenses for the fees and costs of the trustee(s) and their professionals; (2) would result in additional expenses and claims, some of which would be entitled to priority in payments; and (3) would lead to substantial delay with uncertain litigation results. A liquidation analysis is attached hereto as **Exhibit E**.

The Proponents believe that the Plan is in the best interest of Holders of Claims and Interests and should be accepted by all.

X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following is a brief summary of certain federal income tax consequences that Holders of Claims and Interests should consider. This summary does not address all aspects of federal income taxation that may be relevant to all persons considering the Plan. Special federal income tax considerations not discussed in this summary may be applicable to, among other persons, financial institutions, insurance companies, foreign corporations, tax-exempt institutions and persons who are not citizens or residents of the United States. In addition, this summary does not discuss any foreign, state or local tax law, the effects of which may be significant.

This summary is based on the Internal Revenue Code of 1986, as amended ("IRC"), the regulations promulgated thereunder, judicial decisions, and administrative positions of the Internal Revenue Service (the "Service"). All Section references in this summary are to Sections of the IRC. Any change in the foregoing authorities may be applied retroactively in a manner that could adversely affect persons considering the Plan.

No ruling will be sought from the Service with respect to the federal income tax aspects of the Plan and there can be no assurance that the conclusions set forth in this summary would be accepted by the Service. No opinion has been sought or obtained with respect to the tax aspects of the Plan.

THIS SUMMARY IS INTENDED FOR GENERAL INFORMATION ONLY. PERSONS CONSIDERING THE PLAN ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PLAN AND THE LIQUIDATION OF THE DEBTORS AND OTHER TRANSACTIONS PROVIDED OR CONTEMPLATED UNDER THE PLAN, THE RECEIPT OF ANY PAYMENT UNDER THE PLAN, THE IMPACT ON THAT PERSON OR ANY OTHER PERSON OF ANY OBLIGATION IMPOSED UNDER THE PLAN AND/OR THE ELECTION OF ANY TREATMENT PROVIDED UNDER THE PLAN.

THE PLAN REPRESENTS A RESTRUCTURING OF ASSETS AND LIABILITIES OF UNITED STATES ENTITIES. THE PLAN PROPONENTS MAKE NO REPRESENTATION WITH RESPECT TO THE TAX CONSEQUENCES OF CONFIRMATION OF THE PLAN, THE TAX TREATMENT TO HOLDERS OF CLAIMS OR INTERESTS UNDER THE PLAN, OR THE TAX EFFECT OF MAKING ANY ELECTIONS AVAILABLE TO SUCH HOLDERS UNDER THE PLAN.

A. Tax Consequences to the Debtors and Owners

Under the IRC, a taxpayer generally must include in gross income the amount of any discharge-of-indebtedness income realized during the taxable year. A majority of the Debtors are pass-through entities for income tax purposes. If the Claimants Trusts do not pay all Allowed Claims in full, then the Debtors or the applicable owner may be required to realize discharge-of-indebtedness income with respect to some or all of such claims. Each Holder of an Interest is urged to consult with its tax advisor regarding the tax and financial implications of Confirmation of the Plan.

B. Tax Consequences To Creditors or Investors

A Holder of an Allowed Claim or an Allowed Interest who receives Cash or other consideration in satisfaction of any Allowed Claim or Allowed Interest may recognize ordinary income. Each Holder of a Claim or Interest is urged to consult with its tax advisor regarding the tax and financial implications of Confirmation of the Plan, of any Distributions it may receive under the Plan and the elections available to it under the Plan.

C. Information Reporting and Withholding.

All distributions to Holders of Claims and Interests are subject to any applicable withholding (including employment tax withholding). Under the IRC, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" then in effect. Backup withholding generally applies if the Holder (a) fails to furnish a social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that he is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

THE FOREGOING SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES THAT MAY BE APPLICABLE UNDER THE PLAN.

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XI. <u>CONCLUSION</u>

The Proponents urge Holders of Claims and Interests who are entitled to vote on the Plan to **ACCEPT** the Plan and to evidence such acceptance by returning their Ballots so that they will be received by **5:00 p.m. Central Time on August 15, 2016.**

New Louisiana Holdings, LLC, *et al.*,
as Debtors and Debtors-in-Possession

By: _*/s/ Raymond Mulry*________

Its Authorized Representative

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