

THIS PROPOSED DISCLOSURE STATEMENT IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES AND REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE PROPOSED DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THE DEBTORS RESERVE THE RIGHT TO AMEND, SUPPLEMENT OR OTHERWISE MODIFY THIS DISCLOSURE STATEMENT PRIOR AND UP TO THE DISCLOSURE STATEMENT HEARING.

**THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
:
In re : **Chapter 11**
:
ROTECH HEALTHCARE INC., et al., : **Case No. 13-_____ ()**
:
Debtors.¹ : **Joint Administration Requested**
:
-----X

DISCLOSURE STATEMENT
FOR DEBTORS' JOINT CHAPTER 11 PLAN

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Dated: April 7, 2013

¹ The Debtors in these chapter 11 cases are listed in Exhibit A and at <http://dm.epiq11.com/rotech>. The address of the corporate headquarters of the Debtors and the mailing address of each of the Debtors is 2600 Technology Drive, Suite 300, Orlando, FL 32804.

IMPORTANT INFORMATION

THE BANKRUPTCY CODE REQUIRES THAT THE PARTY PROPOSING A CHAPTER 11 PLAN PREPARE AND FILE A DOCUMENT WITH THE BANKRUPTCY COURT CALLED A “DISCLOSURE STATEMENT.” THIS DOCUMENT IS THE DISCLOSURE STATEMENT FOR THE PLAN DESCRIBED HEREIN. THIS PROPOSED DISCLOSURE STATEMENT INCLUDES CERTAIN EXHIBITS, EACH OF WHICH ARE INCORPORATED INTO THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

[THE BANKRUPTCY COURT HAS REVIEWED THIS DISCLOSURE STATEMENT, AND HAS DETERMINED THAT IT CONTAINS ADEQUATE INFORMATION PURSUANT TO SECTION 1125(b) OF THE BANKRUPTCY CODE AND MAY BE SENT TO YOU TO SOLICIT YOUR VOTE ON THE PLAN.]

ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING, BUT NOT LIMITED TO, THE RISK FACTORS CITED HEREIN AND THE PLAN ATTACHED HERETO, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SEE SECTION VI “RISK FACTORS AND OTHER FACTORS TO BE CONSIDERED.”

THIS DISCLOSURE STATEMENT CONTAINS STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF CERTAIN FEDERAL SECURITIES LAWS. ALL STATEMENTS CONTAINED HEREIN THAT ARE NOT CLEARLY HISTORICAL IN NATURE ARE FORWARD-LOOKING AND THE WORDS “ANTICIPATE,” “BELIEVE,” “COULD,” “EXPECT,” “ESTIMATE,” “FORECAST,” “INTEND,” “POTENTIAL,” “PROJECT,” “TARGET,” AND SIMILAR EXPRESSIONS ARE GENERALLY INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, OTHER THAN STATEMENTS OF HISTORICAL FACT, INCLUDING STATEMENTS ABOUT THE DEBTORS’ PLANS, STRATEGIES, PROSPECTS, AND EXPECTATIONS REGARDING FUTURE EVENTS AND THE DEBTORS’ FINANCIAL PERFORMANCE, ARE FORWARD-LOOKING STATEMENTS THAT INVOLVE CERTAIN RISKS AND UNCERTAINTIES. WHILE THESE STATEMENTS REPRESENT THE DEBTORS’ CURRENT JUDGMENT ON WHAT THE FUTURE MAY HOLD, AND THE DEBTORS BELIEVE THESE JUDGMENTS ARE REASONABLE UNDER THE CIRCUMSTANCES, THESE STATEMENTS ARE NOT GUARANTEES OF ANY EVENTS OR FINANCIAL RESULTS, AND THE DEBTORS’ ACTUAL RESULTS MAY DIFFER MATERIALLY. THE INFORMATION INCLUDED IN THIS DISCLOSURE STATEMENT, INCLUDING THE FORWARD-LOOKING STATEMENTS, PROJECTIONS OF CERTAIN FINANCIAL DATA FOLLOWING CONSUMMATION OF THE PLAN, AND THE LIQUIDATION ANALYSIS, ARE MADE ONLY AS OF THE DATE OF THIS DISCLOSURE STATEMENT. THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE PUBLICLY THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING ANY FORWARD-LOOKING STATEMENTS, TO REFLECT NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT AS REQUIRED BY LAW. ALL FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE DEBTORS’ CONTROL, WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS TO DIFFER MATERIALLY FROM ANTICIPATED RESULTS, PERFORMANCE, OR ACHIEVEMENTS. THE DEBTORS

CANNOT GUARANTEE THAT PROJECTED RESULTS OR EVENTS WILL BE ACHIEVED. FACTORS THAT COULD CAUSE THE DEBTORS' ACTUAL RESULTS TO BE MATERIALLY DIFFERENT FROM THE DEBTORS' EXPECTATIONS INCLUDE THOSE FACTORS DESCRIBED HEREIN UNDER SECTION VI "RISK FACTORS AND OTHER FACTORS TO BE CONSIDERED" AND IN DOCUMENTS INCORPORATED HEREIN BY REFERENCE. THE DEBTORS URGE HOLDERS OF CLAIMS AND EQUITY INTERESTS TO CONSIDER THESE FACTORS CAREFULLY IN EVALUATING THE FORWARD-LOOKING STATEMENTS AND NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS.

THE STATEMENTS AND OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT WERE MADE AS OF THE DATE SET FORTH ON THE COVER PAGE, UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT THE FACTS SET FORTH HEREIN ARE UNCHANGED SINCE THE DATE SET FORTH ON THE COVER PAGE HEREOF. HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE ON THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN IN DECIDING WHETHER TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT SOLELY FOR PURPOSES OF SOLICITING HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON FOR ANY OTHER PURPOSE. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHALL NOT BE DEEMED AS PROVIDING ANY LEGAL, FINANCIAL, SECURITIES, TAX, BUSINESS, OR OTHER ADVICE. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR EQUITY INTEREST TO CONSULT WITH THEIR OWN ADVISORS WITH RESPECT TO ANY SUCH LEGAL, FINANCIAL, SECURITIES, TAX, BUSINESS, OR OTHER ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT AND THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY PARTY TO GIVE ANY INFORMATION CONCERNING THE PLAN OR THE DEBTORS, OR THE VALUE OF THEIR PROPERTY, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT RELY UPON ANY OTHER INFORMATION, REPRESENTATIONS, OR INDUCEMENTS MADE TO OBTAIN ACCEPTANCE OR REJECTION OF THE PLAN.

THIS DISCLOSURE STATEMENT AND THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THIS DISCLOSURE STATEMENT DO NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. FURTHER, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S CONFIRMATION OF THE PLAN.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY FOREIGN OR STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES DESCRIBED HEREIN OR THIS DISCLOSURE STATEMENT OR OPINED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY

MAY BE A CRIMINAL OFFENSE.

NONE OF THE SECURITIES TO BE ISSUED TO HOLDERS OF ALLOWED CLAIMS PURSUANT TO THE PLAN WILL HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY "BLUE SKY" LAWS, AND SUCH SECURITIES WILL BE ISSUED IN RELIANCE UPON EXEMPTIONS FROM THE SECURITIES ACT AND EQUIVALENT STATE LAWS.

THE DEBTORS RECOMMEND POTENTIAL RECIPIENTS OF REORGANIZED ROTECH COMMON STOCK TO BE ISSUED PURSUANT TO THE PLAN CONSULT THEIR OWN ADVISORS CONCERNING ANY RESTRICTIONS ON HOLDING OR THE TRANSFERABILITY OF SUCH SECURITIES, OR ANY OTHER POTENTIAL CONSEQUENCE OF HOLDING SUCH SECURITIES.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE PLAN, CERTAIN OTHER DOCUMENTS, AND CERTAIN FINANCIAL INFORMATION RELATING TO THE DEBTORS. THE DEBTORS BELIEVE THESE SUMMARIES ARE FAIR AND ACCURATE. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR THE OTHER DOCUMENTS OR FINANCIAL INFORMATION INCORPORATED HEREIN BY REFERENCE, THE PLAN, OR SUCH OTHER DOCUMENTS, AS APPLICABLE, SHALL GOVERN FOR ALL PURPOSES.

THE DEBTORS RESERVE THE RIGHT TO AMEND, MODIFY, OR WITHDRAW THE PLAN AT ANY TIME, IN ACCORDANCE WITH THE TERMS OF THE PLAN AND THE BANKRUPTCY CODE.

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LIST OF EXHIBITS

- Exhibit A List of Debtors
- Exhibit B Plan Support Agreement
- Exhibit C Declaration of Steven P. Alsene in Support of Debtors' First Day Motions and Applications
- Exhibit D Debtors' Joint Plan
- Exhibit E Disclosure Statement Order
- Exhibit F Projected Financial Information
- Exhibit G Liquidation Analysis
- Exhibit H Valuation Analysis
- Exhibit I Amended First Lien Term Loan Term Sheet
- Exhibit J Amended First Lien Term Loan Guaranty

I. INTRODUCTION

THE FOLLOWING STATEMENTS IN THIS SECTION I ARE QUALIFIED IN THEIR ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS CONTAINED ELSEWHERE IN THIS DISCLOSURE STATEMENT AND IN THE PLAN AND THE EXHIBITS TO EACH.

Pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”), Rotech Healthcare Inc. (“Rotech”) and its title 11 subsidiaries, as chapter 11 debtors and debtors in possession (collectively, with Rotech, the “Debtors” or the “Company”) in jointly administered cases under chapter 11 of the Bankruptcy Code, submit this disclosure statement (the “Disclosure Statement”) to all holders of Claims² against and Equity Interests in the Debtors in connection with (i) the solicitation of acceptances or rejections of the proposed *Debtors’ Joint Chapter 11 Plan* [Docket No. []] (the “Plan”), dated [], and (ii) the hearing on confirmation of the Plan (the “Confirmation Hearing”) scheduled for [] (prevailing Eastern Time).

To the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan will govern.

Attached as Exhibits to this Disclosure Statement are the following documents, each of which is incorporated in full:

- A list of Debtors (Exhibit A);
- The Plan Support Agreement (Exhibit B);
- The Declaration of Steven P. Alsene in Support of Debtors’ First Day Motions and Applications (Exhibit C);
- The Plan, together with its exhibits (Exhibit D);
- Order of the Bankruptcy Court, dated [], approving this Disclosure Statement (the “Disclosure Statement Order”) (Exhibit E);
- Projected Financial Information (Exhibit F);
- Liquidation Analysis (Exhibit G);
- Valuation Analysis (Exhibit H);
- Amended First Lien Term Loan Term Sheet (Exhibit I); and
- Amended First Lien Term Loan Guaranty (Exhibit J).

On the Commencement Date, the Debtors filed (i) the *Debtors’ Joint Chapter 11 Plan* [Docket No. []], and (ii) the *Proposed Disclosure Statement for Debtors’ Joint Chapter 11 Plan* [Docket No. []]. On [], the Debtors filed the *Debtors’ Motion for Order (I) Approving Notice of Disclosure Statement Hearing, (II) Approving Disclosure Statement, (III) Fixing Voting Record Date, (IV) Scheduling Plan Confirmation Hearing and Approving Form and Manner of Related Notice and Objection Procedures, (V) Appointing Balloting Agent, (VI) Approving Solicitation*

² Capitalized terms used but not otherwise defined in this Disclosure Statement are as defined in the Plan.

Packages and Procedures for the Distribution Thereof, (VII) Approving Forms of Ballots and Voting Procedures, (VIII) Approving Form and Manner of Notices to Non-Voting Plan Classes, (IX) Fixing Voting Deadline, and (X) Approving Vote Tabulation Procedures with the Bankruptcy Court [Docket No. []]. On [], the Bankruptcy Court issued the Disclosure Statement Order approving the Disclosure Statement. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

The Confirmation Hearing may be adjourned or continued from time to time. Therefore, parties in interest should check the online docket at <http://dm.epiq11.com/rhi> to confirm the latest scheduled date and time of the Confirmation Hearing.

The reorganizing Debtors are furnishing this Disclosure Statement as the proponents of the Plan pursuant to Bankruptcy Code section 1125 and in connection with the solicitation of votes to accept or reject the Plan, as it may be amended or supplemented from time to time in accordance with the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

This Disclosure Statement describes certain aspects of the Plan, the Debtors’ operations, their financial condition, including financial projections, as well as other related matters, including the treatment of holders of Claims against and Equity Interests in the Debtors. This Disclosure Statement also describes certain potential federal income tax consequences to Claim and Equity Interest holders, voting procedures, and the confirmation process.

A ballot for the acceptance or rejection of the Plan (a “Ballot”) is enclosed with the copy of this Disclosure Statement distributed to the holders of Claims and Equity Interests in the Classes that are entitled to vote to accept or reject the Plan. The Ballot includes information regarding the voting deadlines and detailed instructions for voting to accept or reject the Plan. Before voting, each holder of a Claim or Equity Interest entitled to vote should read this Disclosure Statement (including the exhibits and documents incorporated by reference) and the instructions accompanying the Ballot. These documents contain, among other things, important information concerning the classification of Claims and Equity Interests for voting purposes and tabulation of votes. No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement, as it may be amended, and Bankruptcy Code section 1125. In voting on the Plan, the holder of a Claim or Equity Interest should rely solely on the information relating to the Debtors contained or incorporated by reference in this Disclosure Statement, the Plan, and the exhibits attached to these documents.

THE PLAN IS THE PRODUCT OF SUBSTANTIAL NEGOTIATIONS AMONG THE DEBTORS AND THE SUPPORTING NOTEHOLDERS (AS DEFINED BELOW). THE DEBTORS BELIEVE THE PLAN PRESENTS THE MOST ADVANTAGEOUS OUTCOME FOR ALL CREDITORS AND SHAREHOLDERS OF THE DEBTORS AND, THEREFORE, CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR ESTATES. THE DEBTORS RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

A. Chapter 11: An Overview

The commencement of a chapter 11 case creates a bankruptcy estate comprised of all of the legal and equitable interests of the debtor as of the date of filing of the bankruptcy petition. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a “debtor in possession.”

Chapter 11 is the principal business restructuring chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to restructure its business and financial obligations for the benefit of all economic parties in interest. In addition to permitting the rehabilitation of a debtor, chapter 11 promotes fair treatment for similarly situated claims and similarly situated equity interests with respect to distributions to be made from a debtor’s bankruptcy estate.

The consummation of a chapter 11 plan is the principal objective of a chapter 11 case. A chapter 11 plan sets forth the means for treating claims against and equity interests in a debtor. Confirmation of a chapter 11 plan by the Bankruptcy Court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan, and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order confirming a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

Holders of certain claims against and equity interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of the proposed plan, however, Bankruptcy Code section 1125 requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical investor typical of the holders of claims against and equity interests in the debtor to make an informed judgment about the plan and in voting to accept or reject the plan. The Debtors are submitting this Disclosure Statement to holders of Claims against and Equity Interests in the Debtors to satisfy the requirements of Bankruptcy Code section 1125.

The Plan proposed by the Debtors includes a separate chapter 11 plan for each of the Debtors. If you have a Claim against or Equity Interest in more than one Debtor and/or different types of Claims or Equity Interests classified in different Classes against or in one Debtor, you are allowed to vote each Claim or Equity Interest separately.

B. Summary of Key Components of the Chapter 11 Plan

The Debtors submit the Plan maximizes the value of each Debtor's estate, and any alternative to confirmation of the Plan would result in significant delays, litigation, lost value, and additional costs.

The Debtors also believe the Plan's contemplated restructuring is in the best interests of their creditors and shareholders. If the Plan were not to be confirmed, the Debtors' options would be to either file an alternate chapter 11 plan or liquidate under chapter 7 of the Bankruptcy Code.

The following overview summarizes certain key components of the Plan. The overview is qualified in its entirety by the full text of the Plan.

1. Joint Plan

The Plan consists of 115 separate chapter 11 Plans – one Plan for each of the Debtors that will emerge as a reorganized entity. The Plan does not substantively consolidate any Estates. Any reference herein to the "Plan" will be a reference to the separate Plan of each Debtor, as the context requires. The votes to accept or reject the Plan by holders of Claims against or Equity Interests in a particular Debtor will be tabulated as votes to accept or reject that Debtor's separate Plan. Distributions under a Debtor's Plan will be made to the holders of Claims or Equity Interests in the Classes identified in that Plan.

Under the Plan, the Company anticipates that (i) holders of the Term Loan Facility and the First Lien Notes will receive their pro rata share of an amended and restated term loan to be secured by a first priority security interest in substantially all of the reorganized Company's assets; (ii) the Second Lien Notes will be converted into 100% of the common equity of the reorganized Company, subject to dilution by the equity interests issued under the Management Equity Incentive Program (thereby eliminating in excess of \$300 million of secured debt); (iii) all the Company's outstanding shares will receive a distribution of 10 cents per share (provided that the total amount paid on account of such interests does not exceed \$2.62 million); provided, however, that if a senior class rejects the plan, the shareholders may receive less or nothing at all; and (iv) trade creditors and vendors who agree to maintain or reinstate payment terms as existing prior to the Commencement Date will be paid in full upon the effective date of the Plan. Other unsecured claims will be paid in full if the aggregate amount of unsecured claims does not exceed \$2,500,000 and except as otherwise set forth in the Plan.

2. Treatment of Allowed Claims and Equity Interests

On the Effective Date, (i) each holder of an Allowed Non-Tax Priority Claim against Rotech shall receive Cash in an amount equal to the Allowed amount of its Claim; (ii) each holder of an Allowed First Lien Claim against Rotech shall receive its Pro Rata Share of the Amended First Lien Term Loan; (iii) each holder of an Allowed Second Lien Notes Claim against Rotech shall receive its Pro Rata Share of 100% of the Reorganized Rotech Common Stock, subject to dilution by the equity interests issued under the Management Equity Incentive Program; provided, however, if Rotech Class 5.1 votes to reject the Plan, each holder of Allowed Second Lien Notes Claims shall also receive its Pro Rata Share of \$2,620,000, (the “Additional Consideration”), and shall distribute such funds as follows: (a) the holders of Allowed Second Lien Notes Claims that vote to accept the Plan shall transfer their Pro Rata Shares of the Additional Consideration to the holders of Allowed Equity Interests in Rotech (the “Accepting Second Lien Noteholders Share”); and (b) the holders of Allowed Second Lien Notes Claims that do not vote to accept the Plan shall retain their Pro Rata Shares of the Additional Consideration; (iv) at the Debtors’ election, to be filed with the Bankruptcy Court no later than fourteen (14) Business Days before the Confirmation Hearing, each holder of an Allowed Other Secured Claim against Rotech shall either (x) be reinstated in accordance with Bankruptcy Code section 1124, (y) be treated in accordance with Bankruptcy Code section 1129(b)(2)(A)(i), (ii), or (iii), or (z) with the prior written consent of the Consenting Noteholders, be paid in full in Cash, including the payment of any interest required to be paid under Bankruptcy Code section 506(b), on the Effective Date or as soon thereafter as reasonably practicable or, if payment is not then due, in accordance with the payment terms of any applicable agreement; (v) each holder of an Allowed Qualified Claim against Rotech shall receive Cash in an amount equal to the Allowed amount of its Claim; (vi) each holder of an Allowed General Unsecured Claim against Rotech (other than holders of a Second Lien Notes Deficiency Claims) shall receive Cash in an amount equal to (a) if the aggregate amount of Allowed General Unsecured Claims (other than Second Lien Notes Deficiency Claims) in Rotech Class 5.1 and each GD Class 5.1 does not exceed \$2,500,000, 100% of the Allowed amount of its Claim and (b) if the aggregate amount of Allowed General Unsecured Claims (other than Second Lien Notes Deficiency Claims) in Rotech Class 5.1 and each GD Class 5.1 exceeds \$2,500,000, its Pro Rata Share of \$2,500,000 (it being understood that for purposes of this clause (b) the denominator of the fraction calculated pursuant to the definition “Pro Rata Share” shall exclude the Second Lien Notes Deficiency Claims); provided, however, (x) if Rotech Class 5.1 or any GD Class 5.1 rejects the applicable Plan, there shall be no Distribution to Rotech Class 5.1 and holders of Allowed General Unsecured Claims against Rotech; and (y) if Rotech Class 5.1 and each GD Class 5.1 vote to accept the applicable Plan and the fees and expenses for any professionals retained pursuant to a Bankruptcy Court order to represent a statutory committee exceed \$300,000 and such professionals seek reimbursement for such fees and expenses from any of the Debtors’ estates, the holders of Second Lien Notes Deficiency Claims shall receive Distributions under this Rotech Class 5.1 and each applicable GD Class 5.1 on account of such Claims (it being understood that for purposes of this clause (y) that the denominator of the fraction calculated pursuant to the definition “Pro Rata Share” shall include the Second Lien Notes Deficiency Claims); (vii) Allowed Debtor Intercompany Claims against Rotech shall, at Reorganized Rotech’s option, be reinstated in accordance with Bankruptcy Code section 1124 or cancelled, and, in each case, no Distribution shall be made on account of such Debtor Intercompany Claims; and (viii) each holder of an Allowed Equity Interest in Rotech shall receive Cash equal to ten (10) cents per share (provided the total amount paid on account of such Allowed Equity Interests in Rotech does not exceed \$2,620,000); provided, however, that if a Class senior to Rotech Class 7 rejects the Rotech Plan, each holder of an Allowed Equity Interest in Rotech shall receive its Pro Rata Share of the Accepting Lien Noteholders Share; provided, further, that if the Bankruptcy Court does not allow payment of the Accepting Second Lien Noteholder Share by gift or otherwise, the Distribution to Rotech Class 7 and holders of Allowed Equity Interests in Rotech shall be zero.

3. Summary of Terms of New Securities: Amended First Lien Term Loan and Reorganized Rotech Common Stock

a. *Amended First Lien Term Loan*

On the Effective Date, Reorganized Rotech will amend and restate, pursuant to the Plan, the Term Loan in accordance with the terms set forth in the Amended First Lien Term Loan Term Sheet, attached hereto as Exhibit I.

On the Effective Date, in connection with the amendment and restatement of the Term Loan, Reorganized Rotech and the Reorganized Guarantor Debtors will execute the Amended First Lien Term Loan Guaranty, attached hereto as Exhibit J, pursuant to which Reorganized Rotech and the Reorganized Guarantor Debtors will guarantee Reorganized Rotech's obligations with respect to the Amended First Lien Term Loan.

b. *Reorganized Rotech Common Stock*

On the Effective Date, Reorganized Rotech will issue, in accordance with the Plan, [1,000,000] shares of Reorganized Rotech Common Stock, par value [\$0.001] per share, for distribution to the holders of Allowed Second Lien Notes Claims subject to dilution under the Management Equity Incentive Program (as discussed in Section V below, and the Plan Supplement).

All Reorganized Rotech Common Stock issued by Reorganized Rotech pursuant to the Plan will be duly authorized and validly issued, fully paid, and nonassessable.

Each holder of Reorganized Rotech Common Stock will be entitled to one vote per outstanding share with respect to the election of directors and on all other matters submitted to the vote of the stockholders.

The holders of Reorganized Rotech Common Stock will be entitled to receive dividends as may be declared from time to time by the Board of Directors of Rotech out of funds legally available for dividend payments. In the event of liquidation, dissolution or winding up, after full payment of all liabilities, the holders of Reorganized Rotech Common Stock will be entitled to share ratably in any distributions of any remaining assets or the proceeds of those assets. Reorganized Rotech Common Stock will have no preemptive or conversion rights or other subscription rights.

c. *Stock Non-Certificated and Exempt from Registration*

As discussed in Section X.A., pursuant to Bankruptcy Code section 1145, the Reorganized Rotech Common Stock will be exempt from registration under applicable securities laws, including Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended, or any state or local law requiring registration for the offer or sale of securities.

Shares of Reorganized Rotech Common Stock issued under the Plan will be non-certificated. Reorganized Rotech does not intend to list the Reorganized Rotech Common Stock on a securities exchange, and Reorganized Rotech will not participate in making a market (or facilitate making a market) in any such securities.

C. Holders of Claims and Equity Interests Entitled to Vote on the Plan

Pursuant to the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and are not deemed to have accepted or rejected a proposed chapter 11 plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under the plan are presumed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests will receive no recovery under the plan are deemed to have rejected the plan and are also not entitled to vote to accept or reject the plan.

Holders of Allowed Claims in the following Classes are Unimpaired under the Plan: Rotech Class 1, Rotech Class 5, Rotech Class 6, GD Class 1, GD Class 5, GD Class 6, and GD Class 7. Accordingly, holders of Allowed Claims in those Classes are conclusively presumed to have accepted the Plan and are not entitled to vote.

Holders of Allowed Claims and Equity Interests in the following Classes are Impaired under the Plan and will receive distributions under the Plan: Rotech Class 2, Rotech Class 3, Rotech Class 4, Rotech Class 5.1, Rotech Class

7, GD Class 2, GD Class 3, GD Class 4, and GD Class 5.1. Accordingly, holders of Allowed Claims and Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

DISCHARGE: THE PLAN DISCHARGES THE WIDEST POSSIBLE UNIVERSE OF CLAIMS AND RIGHTS. IN ADDITION TO DISCHARGING ALL RIGHTS TO PAYMENT AND ALL EQUITABLE RIGHTS FOR WHICH MONEY DAMAGES ARE A POSSIBLE REMEDY, THE PLAN DISCHARGES ALL EQUITABLE RIGHTS FOR WHICH MONEY DAMAGES ARE NOT A REMEDY, INCLUSIVE OF RIGHTS TO SETOFF AND RECOUPMENT.

Bankruptcy Code section 1126 defines “acceptance” of a plan by a class of claims or interests, as applicable, as acceptance by creditors or equity security holders in that class holding at least two-thirds in dollar amount and more than one-half in number of the claims or interests, as applicable, voted for acceptance or rejection of the plan. Thus, acceptance of the Plan by Claims or Equity Interests in Rotech Class 2, Rotech Class 3, Rotech Class 4, Rotech Class 5.1, Rotech Class 7, GD Class 2, GD Class 3, GD Class 4, and GD Class 5.1 will occur only if at least two-thirds in dollar amount and a majority in number of the holders of Claims or Equity Interests, as applicable, in each Class that cast their Ballots vote in favor of acceptance of the Plan.

As noted above, holders of Claims in Rotech Class 1, Rotech Class 5, Rotech Class 6, GD Class 1, GD Class 5, and GD Class 6, and Equity Interests in GD Class 7, are, in each case, conclusively presumed to have accepted the Plan. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that the acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

It is important that holders of Claims and Equity Interests in Rotech Class 2, Rotech Class 3, Rotech Class 4, Rotech Class 5.1, Rotech Class 7, GD Class 2, GD Class 3, GD Class 4, and GD Class 5.1 exercise their right to vote to accept or reject the Plan. **EVEN IF YOU DO NOT VOTE TO ACCEPT THE PLAN, YOU MAY BE BOUND BY THE PLAN IF IT IS ACCEPTED BY THE REQUISITE HOLDERS OF CLAIMS OR EQUITY INTERESTS IN THE SAME CLASS AS YOUR CLAIM OR EQUITY INTEREST.** The amount and number of votes required for acceptance or rejection of the Plan by a Class are computed on the basis of Claims or Equity Interests actually voting to accept or reject the Plan. There are no quorum requirements with respect to the number of Claims or Equity Interests in a Class that actually vote.

If at least one impaired class of claims or equity interests has accepted a chapter 11 plan (without counting the votes of insiders), Bankruptcy Code section 1129(b) permits the confirmation of the plan under certain conditions notwithstanding the rejection of the plan by one or more other impaired classes of claims or equity interests. Under that section, a plan may be confirmed by a bankruptcy court if the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each rejecting class. Refer to Section VII.F for further information.

The Debtors’ determination as to whether to request confirmation of the Plan pursuant to Bankruptcy Code section 1129(b) will be announced prior to or at the Confirmation Hearing.

D. SOLICITATION AND VOTING PROCEDURES

Pursuant to the Disclosure Statement Order, the Bankruptcy Court set [] as the record date for voting on the Plan. Accordingly, only holders of record as of [] otherwise entitled to vote under the Plan will receive a Ballot(s) and may vote on the Plan. To determine whether your Class is entitled to vote on the Plan, refer to the table in Section V.B.2 below.

If you are entitled to vote, you should carefully review this Disclosure Statement, including the attached exhibits and the instructions accompanying the Ballot. Then, indicate your acceptance or rejection of the Plan by voting for or against the Plan on the enclosed Ballot and return the Ballot in the postage-paid envelope provided. Please read

your Ballot carefully and provide all the information requested. If you hold Claims or Equity Interests in more than one Class and you are entitled to vote Claims or Equity Interests in more than one Class, you will receive separate Ballots, each of which must be used for the appropriate Class of Claims against or Equity Interests in the appropriate Debtor. Please refer to Exhibit E for further information.

If you are a holder of Claims in Rotech Class 4, Rotech Class 5.1, GD Class 4, or GD Class 5.1, please vote and return your Ballot(s) to the Debtors' Claims Agent:

Rotech Healthcare Inc.
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017
Telephone: (646) 282-2400

Janice E. Livingstone
Case Manager
Epiq Systems
Bankruptcy Solutions
Phone: 860.731.6029

If you are the beneficial owner (a "Beneficial Owner") of Claims or Equity Interests in Rotech Class 2, Rotech Class 3, Rotech Class 7, GD Class 2, GD Class 3, please vote and return your Ballot(s) to your broker, bank, commercial bank, trust company, dealer, or other agent or nominee (a "Voting Nominee") to permit your Voting Nominee to complete and return a master ballot (a "Master Ballot") to the Claims Agent.

If you are the Voting Nominee for Beneficial Owners of Claims or Equity Interests in Rotech Class 2, Rotech Class 3, Rotech Class 7, GD Class 2, or GD Class 3, please summarize the votes cast by Beneficial Owners to accept or reject the Plan as described in your master ballot (a "Master Ballot"), and return your Master Ballot to the Debtors' Claim Agent at the following address:

Rotech Healthcare Inc.
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017
Telephone: (646) 282-2400

Janice E. Livingstone
Case Manager
Epiq Systems
Bankruptcy Solutions
Phone: 860.731.6029

TO BE COUNTED, YOUR BALLOT(S) INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY THE CLAIMS AGENT NO LATER THAN [] (PREVAILING EASTERN TIME). YOUR BALLOT(S) WILL NOT BE COUNTED IF RECEIVED AFTER THIS DEADLINE. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN WILL NOT BE COUNTED.

If the return envelope provided with your Ballot is addressed to your bank or brokerage firm, please allow sufficient time for that firm to process your vote on a Master Ballot before the voting deadline on [] (prevailing Eastern Time) (the "Voting Deadline").

Any Claim in an Impaired Class as to which the Debtors have served an objection or request for estimation at least fifteen (15) days before the Voting Deadline, or that is listed on the Debtors' schedules of assets and liabilities filed with the Bankruptcy Court as unliquidated, disputed, or contingent and for which a proof of claim was not (i) filed by the applicable bar date for the filing of proofs of claim established by the Court, or (ii) deemed timely filed by an order of the Court prior to the Voting Deadline, is not entitled to vote unless the holder of that Claim has obtained an order of the Bankruptcy Court temporarily allowing the Claim for the purpose of voting on the Plan, to the extent, if any, that temporary allowance under the Bankruptcy Rules does not impermissibly conflict with the Bankruptcy Code. The Debtors reserve the right to assert that the temporary allowance of any Claim impermissibly conflicts with the Bankruptcy Code.

If you are a holder of a Claim or Equity Interest entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot, or lost your Ballot, or if you have any questions concerning the Disclosure Statement, the Plan, or the procedures for voting on the Plan, please contact Epiq Bankruptcy Solutions, LLC by telephone at (646) 282-2500 or by email at tabulation@epiqsystems.com, or visit the Debtors' restructuring website: <http://dm.epiq11.com/rhi>.

DO NOT RETURN ANY DOCUMENTS WITH YOUR BALLOT(S).

THE DEBTORS BELIEVE ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY CLASS OF CREDITORS AND SHAREHOLDERS. THE DEBTORS URGE ALL HOLDERS OF IMPAIRED CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE ON THE PLAN TO ACCEPT THE PLAN.

E. CONFIRMATION HEARING

Pursuant to Bankruptcy Code section 1128, the Bankruptcy Court has scheduled the Confirmation Hearing on [] (prevailing Eastern Time), in the United States Bankruptcy Court for the District of Delaware, before The Honorable [], United States Bankruptcy Judge for the District of Delaware. The Confirmation Hearing may be adjourned from time to time without notice except as given at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

The Bankruptcy Court has ordered that objections, if any, to confirmation of the Plan be filed and served on or before [] (prevailing Eastern Time).

II. DESCRIPTION AND HISTORY OF THE COMPANY'S BUSINESSES

A. PRE-BANKRUPTCY BUSINESS

1. The Company's History

Rotech Healthcare Inc. was incorporated in the State of Delaware on March 15, 2002. Rotech Medical Corporation ("RMC"), Rotech's predecessor, was founded in 1981. In October 1997, RMC was acquired by Integrated Health Services, Inc. ("IHS"), a large, publicly-held provider of post-acute and related specialty health care services and products. Following the acquisition, RMC operated as a wholly owned subsidiary of IHS. On February 2, 2000, IHS and substantially all of its subsidiaries, including RMC, filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court in the District of Delaware. The principal reason for the commencement of RMC's Chapter 11 case was that RMC had jointly guaranteed approximately \$2.3 billion of obligations of IHS, under credit agreements with IHS' senior creditors. IHS defaulted on its obligations under those agreements in 1999. RMC's plan of reorganization was confirmed on February 13, 2002, became final on February 25, 2002 and became effective on March 26, 2002. As a result of the reorganization, substantially all of RMC's assets,

business, and operations were transferred to Rotech, an independent company. On December 20, 2004, the Bankruptcy Court entered a final decree closing RMC's bankruptcy case.

2. The Company's Businesses

Rotech is one of the largest providers of home medical equipment and related products and services in the United States, with a comprehensive offering of oxygen, and other respiratory therapy equipment and services. The Company provides its equipment and services principally to the elderly with breathing disorders, most typically associated with chronic obstructive pulmonary diseases ("COPD"). COPD is a group of diseases of the lungs in which the airways become narrowed. This leads to a limitation of the flow of air to and from the lungs causing shortness of breath. COPD is the fourth most common cause of death in the United States. The two main forms of COPD are chronic bronchitis and emphysema.

Rotech provides equipment and services, primarily in non-urban markets, in all 50 states and the District of Columbia through approximately 409 operating locations. While the Debtors' operations are geographically wide-spread, they are organized into three geographic divisions, nine regions and 48 areas. The Debtors have also centralized billing and collection functions into eight billing centers. Rotech also provides centralized corporate control over purchasing, payables, payroll, human resources, compliance, development of policies and procedures, real estate, information systems, accounting, legal and financial reporting. This structure provides control and consistency among its divisions and operating locations and allows the Company to implement standard policies and procedures across a large number of geographically remote operating locations, while preserving the localized operating structure necessary to maintain the personalized customer and referral relationships characteristic of the home health care business.

3. Rotech's Service and Products

a. Oxygen and Other Respiratory Therapy Equipment and Services

The rental and sale of oxygen and other respiratory therapy equipment and services represented 87.5% of Rotech's net revenues for the 12-month period ending December 31, 2011. Patients in need of oxygen and other respiratory therapy equipment and services typically suffer from breathing disorders, such as COPD, obstructive sleep apnea and other cardiopulmonary disorders. Individuals diagnosed with COPD or similar diseases generally will require treatment for the rest of their lives. The majority of Rotech's oxygen and other respiratory therapy equipment is rented and reimbursed on a monthly basis.

Typically, patients are referred to Rotech by their physician or a hospital discharge planner. Upon receipt of a referral, Rotech's local customer service representative obtains the necessary medical and insurance coverage information, and assignment of benefits, and coordinates equipment delivery. Equipment delivery and setup is performed in the patient's home by one of Rotech's patient service technicians or clinicians who then provide instruction and training to the patient and the patient's family regarding appropriate equipment use and maintenance, and compliance with the prescribed therapy. Following the initial delivery and setup, Rotech's patient service technicians and/or clinicians make periodic visits to the patient's home, the frequency of which is dictated by the type of therapy prescribed and physician orders. All services and equipment are coordinated with the prescribing physician and, during the period that Rotech provides services and equipment for a patient, the patient remains under the physician's care and medical supervision. Respiratory therapy is monitored by licensed respiratory therapists and other clinical staff as prescribed by physicians and in accordance with applicable state laws. Rotech provides 24-hour on-call support to its patients through a centralized after-hours call center located in Murray, Kentucky.

i. Home Oxygen Equipment

Rotech offers a variety of oxygen delivery systems in order to accommodate patients' needs. Each system and combination has different characteristics that make it more or less suitable to specific patient applications.

Oxygen Concentrator: An oxygen concentrator is an electrically powered device that separates oxygen from room air and converts the oxygen into a more pure form. It is small, reliable and generally provides the least expensive supply of oxygen to the patient. The concentrator is not an ambulatory product. It stays in the room in which it is placed, and patients use different lengths of oxygen tubing to continue to receive oxygen while moving around.

Portable Oxygen Concentrator: A portable oxygen concentrator works in the same way as a regular oxygen concentrator, but with the addition of a battery and AC/DC adapter. Portable concentrators are generally used for travel purposes and not as the primary oxygen system in the patient's home.

Liquid Oxygen: Liquid oxygen is delivered to the patient's home in a base unit that can also serve as the patient's primary source of oxygen while at home and can be used to fill a smaller portable unit when the patient leaves home. Conventional liquid oxygen vessels require no power source to operate, making it an appropriate choice for patients in areas with frequent power outages. Conventional liquid oxygen systems are quiet and have no major moving parts. However, when the conventional liquid oxygen base unit is used as the primary oxygen source, it needs to be refilled approximately every two weeks, depending on the patient's consumption rate and liter flow.

High Pressure Oxygen Cylinders: High Pressure Oxygen Cylinders come in various sizes and are used as backup systems and when an oxygen concentrator patient travels outside the home.

Homefill System: A homefill system is used in conjunction with an oxygen concentrator. The homefill unit allows the patient to fill their own oxygen cylinders at home using oxygen generated by their oxygen concentrator.

ii. *Other Respiratory Therapy Equipment and Services*

In addition to home oxygen, Rotech also provides other home respiratory therapy equipment and services to its patients, including:

Continuous Positive Airway Pressure ("CPAP") Devices and Supplies: CPAPs are primarily used for the home treatment of obstructive sleep apnea. Obstructive sleep apnea occurs when the upper airway becomes narrow as the muscles relax naturally during sleep. This reduces oxygen in the blood and causes arousal from sleep. The CPAP machine stops this phenomenon by delivering a stream of compressed air via a hose to a nasal pillow, nose mask or full-face mask, keeping the airway open under air pressure so that unobstructed breathing becomes possible, reducing and/or preventing apneas.

CPAP Supplies: CPAPs include component parts and supplies which require routine replacement to ensure proper functioning of the CPAP device. The supplies include hoses, masks, filters, chin straps, pillows, cushions and humidification units. Hoses and masks accumulate exfoliated skin and particulate matter, and can develop mold, all of which may reduce the effectiveness of the unit or expose the patient to infection risk. Such parts need to be cleaned or replaced on a regular basis. Most units also employ some type of filtration, and the filters also require regular maintenance.

Bi-level Positive Airway Pressure ("BiPap") Devices and Supplies: BiPAPs are likewise used for the home treatment of sleep apnea for patients who cannot tolerate use of a CPAP. With a BiPAP, air delivered through a mask can be set at one pressure for inhaling and another for exhaling. This makes a BiPAP much easier for users to adapt to, as they do not have to exhale against extra air pressure as they do with a CPAP. Because of these dual settings, BiPAP allows people to get more air in and out of the lungs without the natural muscular effort needed to do so. BiPAPs have been found to be especially useful for patients with congestive heart failure and lung disorders. BiPAPs include the same component parts and supplies as a CPAP, which require routine replacement to ensure proper functioning.

Non-invasive Positive Pressure Ventilator ("NiPPV") Devices and Supplies: NiPPV refers to delivery of mechanically assisted or generated breaths without placement of an artificial airway, such as an endotracheal tube. In most

cases, ventilation is delivered via a tightly fitting nasal mask. NiPPVs include the same component parts and supplies as a CPAP and BiPAP, which require routine replacement to ensure proper functioning.

Nebulizer Devices and Medications: A nebulizer is a device used to administer medication to people in the form of a mist inhaled into the lungs. Nebulizer medications are distributed in unit dose vials. Typically patients with COPD are prescribed some combination of the following nebulizer medications: Albuterol, Ipratropium, Brovana³, Perforomist⁴ and/or Budesonide. Rotech manages its nebulizer medication business through its centralized pharmacy and call center operations in Murray, Kentucky.

b. *Durable Medical Equipment*

The rental and sale of durable medical equipment (“DME”) represents 10.6% of Rotech’s net revenues for the 12-month period ending December 31, 2011. DME includes hospital beds, wheelchairs, walkers, patient aids and other ancillary supplies. Typically, lower cost items, such as patient aids and walkers, are sold, and higher cost items, such as hospital beds and wheelchairs, are rented. Rotech considers DME to be a complementary offering to respiratory therapy equipment and related services.

4. Rotech’s Operations

a. *Organization*

As described above, Rotech has approximately 409 operating locations, which it currently operates through three geographic divisions, nine regions and 48 areas. Rotech has division vice presidents, as well as region and area managers who are responsible for operational and sales assessment and oversight for their respective operating locations. Each operating location is typically staffed with a location manager, patient service technicians, customer service representatives and a sales representative. Each operating location is also covered by a respiratory therapist or other clinical staff as required by applicable state laws. Location managers are responsible for the day-to-day management of their operating location. The division vice presidents report to Rotech’s Chief Executive Officer.

Billing and collections functions are centralized into eight billing centers, each managed by a billing center director. Rotech’s Vice President of Billing and Collections provides oversight for all billing and collections functions. Rotech’s Vice President of Billing and Collections reports to the Chief Executive Officer.

Sales and marketing functions are managed through the operating teams with central oversight, as well as sales and marketing program development, being provided by Rotech’s Chief Sales Officer. Rotech’s Chief Sales Officer reports to the Chief Executive Officer.

In addition to these areas, Rotech also provides centralized corporate control over purchasing, payables, payroll, human resources, compliance, development of policies and procedures, real estate, information systems, accounting, legal and financial reporting.

Rotech believes that this management structure provides control and consistency among its divisions and operating locations and allows the Company to implement standard policies and procedures across a large number of geographically remote operating locations, while preserving the localized operating structure necessary to maintain the personalized customer and referral relationships characteristic of the home health care business.

³ Brovana is a registered trademark of Sepracor Inc.

⁴ Perforomist is a registered trademark of Dey Pharma, L.P.

b. *Operating Systems and Controls*

Rotech's operating systems provide management with information to measure and evaluate key components of its operations. During 2011, Rotech completed implementation of its new order intake system. In conjunction with Rotech's new electronic medical record system implemented in 2009, the Company has redesigned its front-end order intake processes. As a result, Rotech has been able to automate and consolidate many of its historically paper-based processes. Rotech believes that this new intake system will result in significant improvements in its operating efficiency.

Rotech has a proprietary billing system that is scalable and is used for substantially all of its billing sources, including Medicare, the Company's largest source of revenues. All Medicare claims are aggregated, processed, archived and transmitted to Medicare on a daily basis. Rotech also utilizes a third-party web-based billing management system for managing and transmitting electronic claims to certain other payors. These processes are highly automated and have proven to be reliable and cost effective. Rotech currently transmits approximately 70% of its claims electronically (excluding Department of Veterans Affairs (the "VA") claims which require invoice-based billing).

Rotech's billing and collection departments work closely with the personnel at its operating locations and third-party payors and are responsible for the review of patient coverage, the adequacy and timeliness of documentation and the follow-up with third-party payors to expedite reimbursement payments. Rotech communicates with its operating locations through an intranet based system that provides its managers with detailed information that allows the Company to address operating efficiencies. Rotech believes this reporting capability allows its managers to operate their businesses more effectively and allocate their resources more appropriately.

c. *Rotech's Revenue Sources*

Rotech derives its revenues principally by reimbursement from third-party payors. Rotech accepts assignment of insurance benefits from patients and, in most instances, invoices and collects payments directly from Medicare, Medicaid, commercial payors, the Department of Veterans Affairs and private insurance carriers, as well as directly from patients under co-insurance provisions. The following table sets forth Rotech's payor mix for each of the years ended December 31:

	2011	2010	2009
Medicare	39%	41%	42%
Commercial payors	38%	38%	38%
Department of Veterans Affairs	11%	10%	10%
Medicaid	7%	7%	6%
Private payors	5%	4%	4%

The Company has experienced annual net revenues averaging in excess of \$500,000,000 over the past five years.

The Company contracts with insurers and managed care entities on a local, regional, and national basis. The Company generally contracts with those insurers and managed care entities having a significant patient population across numerous geographic regions, typically on a fee-for-service basis. Under existing Medicare laws and regulations, the sale and rental of the Company's products is generally reimbursed by the Medicare program according to prescribed fee schedule amounts calculated using statutorily-prescribed formulas. Pursuant to contracts with the VA, the Company provides equipment and services to persons eligible for VA benefits in those geographic regions covered by the contracts. The VA contracts typically provide for an annual term, subject to three, four or five one-year renewal periods unless terminated or not renewed by the VA.

B. REORGANIZED DEBTORS' BUSINESSES

The Debtors plan to continue their businesses after emergence from these chapter 11 cases. To that end, the Debtors have developed a post-confirmation business plan with the intent of increasing sales and profitability.

Significant risks are inherent in the Debtors' ability to achieve their business plan. All holders of Claims and Equity Interests should carefully read and consider fully the "Important Information" section at the front of this Disclosure Statement and Section VI, "Risk Factors and Other Factors to be Considered."

C. EMPLOYEES

As of the date of this Disclosure Statement, the Debtors employ approximately 4,000 individuals located at Rotech's headquarters in Orlando, Florida, and at 450 other locations in 47 states. None of the Debtors' employees are represented by labor unions.

D. PUBLICLY AVAILABLE INFORMATION

Certain historical financial and other information about Rotech can be found in, among other publicly available sources, (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed by Rotech with the U.S. Securities and Exchange Commission (the "SEC") on March 14, 2012; (ii) the Quarterly Report on Form 10-Q for the period ended March 31, 2012, filed by Rotech with the SEC on May 15, 2012; (iii) the Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed by Rotech with the SEC on August 10, 2012; and (iv) the Quarterly Report on Form 10-Q for the period ended September 30, 2012, filed by Rotech with the SEC on November 15, 2012. The documents are available at <http://rotech.com/investors/index.php>. Documents filed by Rotech with the SEC may be read at and copied from the SEC's Public Reading Room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reading Room may be obtained by calling the SEC at 1-800-SEC-0300. The SEC also maintains an Internet site (www.sec.gov) through which reports and other information regarding Rotech and its subsidiaries may be accessed.

The Debtors' monthly operating reports are available on the Bankruptcy Court's Electronic Case Filing System, which can be found at [], the official website for the Bankruptcy Court.⁵ See Section VI.B for important information that should be considered when reviewing the Debtors' financial information.

III. EVENTS LEADING TO CHAPTER 11**A. ROTECH'S ORIGINAL CAPITALIZATION**

As described above, Rotech's predecessor, RMC, was founded in 1981. In October 1997, IHS, a large, publicly-held provider of post-acute and related specialty health care services and products, acquired RMC. In 2000, IHS and substantially all of its subsidiaries, including RMC, commenced chapter 11 cases with this Court. On February 13, 2002, the Court confirmed RMC's chapter 11 plan, pursuant to which substantially all RMC's assets, business, and operations were transferred to Rotech.

Thereafter, and to satisfy RMC's obligations pursuant to its chapter 11 plan, Rotech became principally obligated for approximately \$575 million in secured debt obligations. Rotech did not realize any of the proceeds of this

⁵ The Debtors' monthly operating reports are also available at [].

initial debt issuance, which was exclusively utilized to satisfy the obligations of Rotech's predecessor, RMC in connection with its chapter 11 plan.

To address its financial obligations, in addition to instituting internal cost-cutting measures, Rotech refinanced its original indebtedness on several occasions. As of the Commencement Date, Rotech has three primary forms of commercial indebtedness:⁶

- **The Term Loan Facility.** A \$25 million term loan facility (the "Term Loan Facility"), governed by a credit agreement (the "Term Loan Credit Agreement") with Silver Point Finance, LLC ("Silver Point"), as administrative agent and SPCP Group, LLC (an affiliate of Silver Point), as initial lender. Amounts under the Term Loan Facility bear interest at (i) the LIBOR Rate (as defined in the Term Loan Credit Agreement) plus 10.0% per annum or, at Rotech's option, (ii) a fluctuating rate plus 9.0% per annum. Interest is payable monthly. The Term Loan Facility matures on April 30, 2015 and is (i) secured by a first priority security interest in substantially all of the Company's assets and (ii) unconditionally guaranteed by all of Rotech's subsidiaries.
- **The First Lien Notes.** \$230.0 million in aggregate principal amount of 10.75% Senior Secured Notes due 2015 (the "First Lien Notes"), governed by an indenture among Rotech, its subsidiaries, and The Bank of New York Mellon Trust Company, N.A. ("BONY"), as trustee. The First Lien Notes mature on October 15, 2015 and are (i) secured by a first priority security interest in substantially all of the Company's assets and (ii) unconditionally guaranteed by all of Rotech's subsidiaries. Interest on the First Lien Notes is due bi-annually in the approximate amount of \$24 million per annum.
- **The Second Lien Notes.** \$290 million in aggregate principal amount of Senior Second Lien Notes (the "Second Lien Notes"), governed by an indenture among Rotech, its subsidiaries, and BONY, as trustee. The Second Lien Notes mature on March 15, 2018 and are (i) secured by a second lien on substantially all the Company's assets and (ii) unconditionally guaranteed by all of Rotech's subsidiaries. Interest on the Second Lien Notes is due bi-annually in the approximate amount of \$30 million per annum.

Pursuant to an intercreditor agreement, the liens granted to the lender under the Term Loan Facility (the "Term Loan Lender") and the holders of First Lien Notes are *pari passu* with one another. A junior lien intercreditor agreement provides that the liens granted to the holders of Second Lien Notes are expressly junior in priority, operation, and effect to the liens granted to the Term Loan Lender and the holders of First Lien Notes.

B. GOVERNMENTAL REDUCTIONS IN RATES OF REIMBURSEMENT

Like many healthcare sector participants, Rotech has experienced declining revenues resulting from government imposed permanent reductions in rates of reimbursement. Three different pieces of legislation have had a dramatic negative impact on Rotech's revenues: (i) The Medicare Prescription Drug, Improvement, and Modernization Act of 2003; (ii) The Deficit Reduction Act of 2005; and (iii) The Medicare Improvement for Patients and Providers Act of 2008. Since 2005, these laws have resulted in permanent reductions in reimbursement rates and a corresponding impact on the Company's revenue resulting in over \$1.2 billion in aggregate losses.

C. ROUND 2 COMPETITIVE BIDDING RESULTS

On January 30, 2013, the Centers for Medicare & Medicaid Services ("CMS"), the agency responsible for administering the Medicare program, issued the results for "Round 2" of its competitive bidding process to supply beneficiaries with oxygen, CPAP devices, DME, prosthetics, orthotics, and supplies – a process intended to result in a

⁶ The summary set forth below provides a broad overview of the Debtors' commercial indebtedness and is qualified in its entirety by reference to the underlying agreements.

financial savings to both the Medicare Part B Trust Fund and its beneficiaries. The average reduction in rates as a result of the CMS Round 2 of competitive bidding is 45%. The results of Round 2 competitive bidding, which will go into effect on July 1, 2013, are projected to have a significant negative impact on Rotech's revenue.

D. THE DEBTORS' FINANCIAL POSITION

In the face of the severe financial and operational challenges described above and in combination with its existing annual debt service obligations of approximately \$50 million under the First Lien Notes and Second Lien Notes, the Debtors made a concerted effort to consider all of their strategic alternatives. In the fourth quarter of 2012, the Debtors retained Barclays Capital, Inc. ("Barclays") to analyze and determine whether an out-of-court restructuring of the Debtors' balance sheet would be feasible. At that time, Barclays considered various options to improve the Debtors' liquidity and debt positions, including refinancing and/or equitizing certain debt obligations. Barclays' efforts revealed a general market unwillingness to provide the Debtors with additional financing or to increase the Debtors' borrowing base. The lack of market interest in an out-of-court restructuring, coupled with the pressure on the Debtors to service their long-term debt obligations in the face of declining revenue and operational challenges, convinced the Debtors that an out-of-court restructuring was becoming increasingly unlikely.

Accordingly, after considering all available options, the Debtors determined that commencement of cases under chapter 11 would be in their best interests, as well as those of their creditors and other parties in interest. Thereafter, the Debtors entered into discussions with various stakeholders to effectuate a meaningful restructuring under bankruptcy court supervision if an out-of-court solution would not be attainable.

On March 15, 2013, Rotech announced that certain parties holding, in the aggregate, a majority in outstanding principal amount of both Rotech's First and Second Lien Notes (collectively, the "Supporting Noteholders") reached an agreement (the "Plan Support Agreement") with the Company to restructure and recapitalize the Company to eliminate the substantial secured legacy debt. One of the Supporting Noteholders is also the lender under the Term Loan Facility. Pursuant to the Plan Support Agreement, an executory contract the Debtors can assume or reject pursuant to Bankruptcy Code section 365 in these chapter 11 cases, the Company agreed to reorganize its capital structure through a pre-arranged chapter 11 plan. Subject to the terms and conditions of the Plan, the Company anticipates that (i) holders of the Term Loan Facility and the First Lien Notes will receive their pro rata share of an amended and restated term loan to be secured by a first priority security interest in substantially all of the reorganized Company's assets; (ii) the Second Lien Notes will be converted into 100% of the common equity of the reorganized Company, subject to dilution by the equity interests issued under the Management Equity Incentive Program (thereby eliminating in excess of \$300 million of secured debt); (iii) all the Company's outstanding shares will receive a distribution of 10 cents per share (provided that the total amount paid on account of such interests does not exceed \$2.62 million); provided, however, that if a senior class rejects the plan, the shareholders may receive less or nothing at all; and (iv) trade creditors and vendors who agree to maintain or reinstate payment terms as existing prior to the Commencement Date will be paid in full upon the effective date of the Plan. Other unsecured claims will be paid in full if the aggregate amount of unsecured claims does not exceed \$2,500,000 and except as otherwise set forth in the Plan.

On the Commencement Date, the Debtors commenced these chapter 11 cases to reorganize successfully their businesses and to save 4,000 jobs, and contemporaneously filed the proposed chapter 11 plan contemplated by the Plan Support Agreement.

E. PENDING INVESTIGATION

On March 12, 2013, a federal court in Orlando, Florida issued warrants authorizing the collection of various categories of billing records from the Company. The warrants were executed on March 13, 2013, at the Company's corporate headquarters in Orlando and the Winter Park, Florida location of Rotech Systems Group. In addition, subpoenas for particular, allegedly relevant records were served on certain Company locations. While the Company cannot be certain of the focus of the investigation, it appears to be focused on the same subject matter as the

inaccurate reimbursement for the provision of oxygen contents that the Company identified, reported and repaid to CMS in 2012, although there can be no assurance that the investigation does not focus on additional matters. The Company intends to cooperate fully with the government.

The national law firm of Foley & Lardner LLP (“Foley”) conducted an extensive review of this matter at the Company’s request last year. As previously disclosed in the Company’s public filings, during the first quarter of 2012, the Company identified an error made in certain programming logic within its billing system. As a result of this error, the Company determined that it had been overpaid on certain specific Medicare claim types since January 1, 2009, with the amount of such overpayment being approximately \$6.2 million in the aggregate. The programming logic that caused this error has been corrected in its billing system, and the Company is not aware of any other Medicare overpayment issues as a result of this or any other programming error and believes that it has already refunded the appropriate amount for this error. This review resulted in the Company voluntarily reporting its error and voluntarily repaying \$6.2 million in May 2012 to CMS. As a result of the government’s execution of search warrants on March 13, 2013, which was previously reported by the Company, the Company’s board of directors requested Foley to direct and supervise additional internal procedure review. Further, the Company has retained KPMG LLP (“KPMG”) (which previously served as its Independent Review Organization) to perform various audits, testing and validation of billings and claims processing systems and processes. The Company is in the process of reviewing its billing practices across all payor categories.

IV. ANTICIPATED EVENTS DURING THE DEBTORS’ CHAPTER 11 CASES

A. TIMETABLE FOR THE CHAPTER 11 CASES

The Debtors expect the chapter 11 cases to proceed quickly. **No assurances can be made, however, that the Bankruptcy Court will enter various orders on the timetable anticipated by the Debtors.**

B. FIRST DAY RELIEF

On April 7, 2013, the Debtors are filing several motions (the “First Day Motions”) designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors’ operations. The First Day Motions include, but are not limited to, requests for orders permitting the Debtors to pay certain employee obligations, pay insurance obligations, continue certain customer programs, pay certain trade vendor obligations, and to maintain their cash management system. For more information on the First Day Motions, see the *Declaration of Steven P. Alsene in Support of Debtors’ First Day Motions and Applications* [Docket No. []], filed on the Commencement Date.

C. DEBTOR IN POSSESSION FINANCING

On the Commencement Date, the Debtors plan to seek the Bankruptcy Court’s approval to obtain superpriority priming debtor in possession financing from the DIP Lenders (the “DIP Facility”). Pursuant to the DIP Credit Agreement, the DIP Lenders will commit to provide the DIP Facility in an aggregate principal amount of up to \$30 million, subject to approval by the Bankruptcy Court, conditions, and certain limitations and a budget approved by the Backstop DIP Lenders (defined below). The DIP Facility will be available to the Debtors to enable the continued operation of the Debtors’ businesses, avoid short-term liquidity concerns, and preserve the going-concern value of the Debtors’ estates.

Subject to the terms and conditions in the DIP Documents, certain affiliates of Silver Point acting individually or through one or more of its affiliates or funds will severally commit to fund 77.8% of the DIP Facility and Capital Research Management Company (acting individually or through one or more of its affiliates or funds) will severally commit to fund 22.2% of the DIP Facility (in their capacities as backstop lenders, the “Backstop DIP Lenders”).

All loans and reimbursement obligations under the DIP Facility (and all guaranties of the foregoing by the subsidiary guarantors) will be (i) entitled to joint and several superpriority claim status, (ii) secured by a perfected first priority lien on all of the Debtors' unencumbered assets, and (iii) secured by a perfected first priority, senior priming lien on, and security interest in all of the Debtors' assets, subject in each case to (a) the Carve-Out, (b) Restricted Cash, (c) any Senior Permitted Liens, and (d) the Avoidance Actions (all as defined in the DIP Order).

The DIP Facility will mature and must be repaid in full on the date that is the earliest of (a) the date that is seven (7) months after the Commencement Date, (b) the acceleration of the DIP Facility pursuant to the terms of the DIP Documents and the DIP Order and (c) the effective date of the Plan.

D. THE 2013 CORPORATE INCENTIVE PERFORMANCE PLAN

In March 2013, the Rotech Board of Directors adopted the 2013 Corporate Incentive Performance Plan (the "CIPP"), pursuant to which participants selected by the Board of Directors' Compensation Committee received 50% of such participant's annual target bonus in a lump sum (the "Initial CIPP Payment"), without regard to the achievement of any performance targets, upon signing a participation agreement. The participation agreement provided for the Initial CIPP Payment in exchange for the participant's: (i) release of claims against the Company and certain other related parties; and (ii) consent to restrictive covenants regarding confidential information, non-competition, and non-solicitation. The remaining 50% of the participants' annual target bonus will be earned and paid quarterly, subject to the achieved level of quarterly EBITDA performance targets. If an eligible participant opted not to sign a participation agreement, then 100% of such participant's annual target bonus will be earned and paid quarterly, subject to the achieved level of quarterly EBITDA performance targets. The CIPP requires repayment to the Company of the Initial CIPP Payment if a participant is terminated for cause on or prior to December 31, 2013, and contains a sliding scale of repayment to the Company based on the dates of any voluntary termination up until December 31, 2013.

Of the Debtors' approximately 4,000 employees, 34 people were eligible to participate in the CIPP and 32 executed a participation agreement.⁷ By March 22, 2013, the Debtors distributed approximately \$996,900 in Initial CIPP Payments.⁸ Should any of the quarterly targets be achieved, the Debtors reserve the right to seek the Court's authorization to make timely payments under the CIPP.

V. THE CHAPTER 11 PLAN

A. TREATMENT OF UNCLASSIFIED CLAIMS (ADMINISTRATIVE EXPENSE CLAIMS, PROFESSIONAL COMPENSATION AND REIMBURSEMENT CLAIMS, AND PRIORITY TAX CLAIMS)

1. Administrative Expense Claims. Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a less favorable treatment with the applicable Debtor against whose estate such Claim is Allowed, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on, or as soon thereafter as is reasonably practicable, the later (a) of the Effective Date and (b) the date on which such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the applicable Debtor shall be paid in full and performed by the applicable Reorganized Debtor in the ordinary course of business in accordance with the Debtor's customary and historical satisfaction of the terms and conditions of any agreements governing, instruments evidencing, or other documents relating to such liabilities;

⁷ Steven P. Alsene, the Company's President and Chief Executive Officer, and David Meador, the Company's Chief Financial Officer, declined to receive the Initial CIPP Payment component of the CIPP and neither signed a participation agreement. Each remains eligible to receive quarterly payments dependent upon meeting EBITDA targets.

⁸ This amount includes one Initial CIPP Payment that was not distributed until March 29, 2013, on account of the payroll schedule.

and provided further, however, that notwithstanding section 2.2 of the Plan, the Trustee Claims shall be paid solely pursuant to section 13.7 of the Plan.

Any and all requests for payment or proofs of Administrative Expense Claims must, no later than the applicable Administrative Bar Date, be filed and served on the Debtors or Reorganized Debtors, as applicable. Objections to any Administrative Expense Claim must be filed and served on the claimant no later than sixty (60) days after the applicable Administrative Bar Date, which date for filing and serving an objection may be extended by application to the Bankruptcy Court. Holders of Administrative Expense Claims that are required to file a request for payment or proof of such Claims and that do not file such requests or proofs of claim on or before the applicable Administrative Bar Date shall be forever barred from asserting such Claims against the any of the Debtors, their Estates, or the Reorganized Debtors. For the avoidance of doubt, any Claim for adequate protection payments set forth in the Bankruptcy Court order authorizing the Debtors' entry into the DIP Credit Agreement shall be exempt from the Administrative Bar Date without the filing of any request for payment or proof of Administrative Expense Claim.

2. Professional Compensation and Reimbursement Claims. Notwithstanding section 2.1 of the Plan, all holders of a Claim for an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date pursuant to sections 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by a date no later than the date that is forty-five (45) days after the Effective Date or by such other date as may be fixed by the Bankruptcy Court, and if granted such an award by the Bankruptcy Court, such holders shall be paid in full in such amounts as are Allowed by the Bankruptcy Court to the extent not previously paid by prior order of the Bankruptcy Court (A) on the date on which such Claim becomes an Allowed Claim, or (B) upon such other terms as may be mutually agreed upon between such holder of an Allowed Claim and the Reorganized Debtors. The Reorganized Debtors are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date in the ordinary course and without the need for Bankruptcy Court approval.

3. Priority Tax Claims. Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the applicable Debtor's estate liable for such Claim prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the applicable Debtor and in full and complete satisfaction of any and all liability attributable to such Priority Tax Claim on the latest of (i) the Effective Date, (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law, or as soon thereafter as is reasonably practicable, Cash in an amount equal to such Allowed Priority Tax Claim; provided, further, that no holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any pre-Effective Date interest accrued on or penalty arising after the Commencement Date with respect to or in connection with such Allowed Priority Tax Claim.

4. DIP Lender Claims. Except to the extent the DIP Lenders agree to less favorable treatment, on the Effective Date, the DIP Lenders shall be paid in full, in cash, in accordance with the DIP Documents and upon payment in full, in cash, of the DIP Lender Claims, shall release any and all liens against and security interests in the Debtors' (and the Estates') property held by the DIP Lenders. Notwithstanding anything herein to the contrary, upon satisfaction in full, in cash, of the DIP Lender Claims as provided for and in accordance with the DIP Documents, any and all liens against and security interests in the Debtors' (and the Estates') property held by the DIP Lenders 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 Entity, and the Debtors' (and the Reorganized Debtors') obligations under the DIP Documents shall be cancelled.

B. CLASSIFICATION OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

1. General Notes on Classification and Treatment of Classified Claims and Equity Interests. Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims and Equity Interests (other than Claims arising under

sections 507(a)(2), or 507(a)(8) of the Bankruptcy Code, which Claims do not require classification pursuant to section 1123(a) of the Bankruptcy Code and are receiving the treatment set forth in Article III of the Plan) are classified for all purposes, including, without limitation, voting, confirmation, and distribution pursuant to the Plan, as set forth herein. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class, and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is Allowed in that Class if it has not been paid or otherwise settled prior to the Effective Date, and satisfies the definition of a Claim or Equity Interest that is Allowed or is otherwise Allowed pursuant to the terms of the Plan.

2. Summary of Classification and Treatment of Classified Claims and Equity Interests.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.

CLASS	TREATMENT	ENTITLED TO VOTE	PROJECTED RECOVERY UNDER THE PLAN
ROTECH PLAN			
Rotech Class 1 – Non-Tax Priority Claims	Unimpaired <i>See Section V.C.1(a)(ii)</i>	No (presumed to accept)	100%
Rotech Class 2 – First Lien Claims	Impaired <i>See Section V.C.1(b)(ii)</i>	Yes	100%
Rotech Class 3 – Second Lien Notes Claims	Impaired <i>See Section V.C.1(c)(ii)</i>	Yes	[TBD]
Rotech Class 4 – Other Secured Claims	Impaired <i>See Section V.C.1(d)(ii)</i>	Yes	[TBD]
Rotech Class 5 – Qualified Claims	Unimpaired <i>See Section V.C.1(e)(ii)</i>	No (presumed to accept)	100%
Rotech Class 5.1 – General Unsecured Claims <i>See Section V.C.1(f)(ii)</i>		Yes	Vote to Accept: 0%-100%
			Vote to Reject: 0%
Rotech Class 6 – Debtor Intercompany Claims	Unimpaired/Impaired <i>See Section V.C.1(g)(ii)</i>	No (deemed to accept/reject)	N/A

CLASS	TREATMENT	ENTITLED TO VOTE	PROJECTED RECOVERY UNDER THE PLAN
Rotech Class 7 – Equity Interests	Impaired <i>See Section V.C.1(h)(ii)</i>	Yes	Cash Equal to Ten (10) Cents per Share (provided the total amount paid on account of such Allowed Equity Interests in Rotech does not exceed \$2,620,000)
GUARANTOR DEBTOR PLANS			
GD Class 1 – Non-Tax Priority Claims	Unimpaired <i>See Section V.C.2(a)(ii)</i>	No (presumed to accept)	100%
GD Class 2 – First Lien Guaranty Claims	Impaired <i>See Section V.C.2(b)(ii)</i>	Yes	100%
GD Class 3 – Second Lien Notes Guaranty Claims	Impaired <i>See Section V.C.2(c)(ii)</i>	Yes	[TBD]
GD Class 4 – Other Secured Claims	Impaired <i>See Section V.C.2(d)(ii)</i>	Yes	[TBD]
GD Class 5 – Qualified Claims	Unimpaired <i>See Section V.C.2(e)(ii)</i>	No (presumed to accept)	100%
GD Class 5.1 – General Unsecured Claims	Impaired <i>See Section V.C.2(f)(ii)</i>	Yes	Vote to Accept: 0%-100%
			Vote to Reject: 0%
GD Class 6 – Debtor Intercompany Claims	Unimpaired/Impaired <i>See Section V.C.2(g)(ii)</i>	No (deemed to accept/reject)	N/A
GD Class 7 – Equity Interests	Unimpaired <i>See Section V.C.2(h)(ii)</i>	No (presumed to accept)	100%

C. TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

1. Rotech Plan

a. Rotech Class 1 – Non-Tax Priority Claims

- (i) Classification: Rotech Class 1 consists of all Non-Tax Priority Claims against Rotech.

- (ii) Treatment: On the Effective Date, each holder of an Allowed Non-Tax Priority Claim against Rotech shall receive Cash in an amount equal to the Allowed amount of its Claim.
- (iii) Voting: Rotech Class 1 is Unimpaired by the Rotech Plan. Rotech Class 1 and each holder of an Allowed Non-Tax Priority Claim against Rotech are conclusively presumed to have accepted the Rotech Plan. Holders of Allowed Non-Tax Priority Claims are not entitled to vote to accept or reject the Rotech Plan.

b. Rotech Class 2 – First Lien Claims

- (i) Classification: Rotech Class 2 consists of all First Lien Claims against Rotech.
- (ii) Treatment: The First Lien Claims shall be Allowed Secured Claims. On the Effective Date, each holder of an Allowed First Lien Claim against Rotech shall receive its Pro Rata Share of the Amended First Lien Term Loan.
- (iii) Voting: Rotech Class 2 is Impaired by the Rotech Plan. Rotech Class 2 and each holder of an Allowed First Lien Claim against Rotech are entitled to vote to accept or reject the Rotech Plan.

c. Rotech Class 3 – Second Lien Notes Claims

- (i) Classification: Rotech Class 3 consists of all Second Lien Notes Claims against Rotech.
- (ii) Treatment: The Second Lien Notes Claims shall be Allowed Secured Claims hereunder in the aggregate principal amount of \$[x]. On the Effective Date, each holder of an Allowed Second Lien Notes Claim against Rotech shall receive its Pro Rata Share of 100% of the Reorganized Rotech Common Stock, subject to dilution by the equity interests issued under the Management Equity Incentive Program; provided, however, if Rotech Class 5.1 votes to reject the Plan, in addition to the treatment described above in section 3.3.3(b) of the Plan, each holder of Allowed Second Lien Note Claims shall receive its Pro Rata Share of \$2,620,000, (the “Additional Consideration”), and shall distribute such funds as follows: (i) the holders of Allowed Second Lien Notes Claims that vote to accept the Plan shall transfer their Pro Rata Shares of the Additional Consideration to the holders of Allowed Equity Interests in Rotech (the “Accepting Second Lien Noteholders Share”); and (ii) the holders of Allowed Second Lien Notes Claims that do not vote to accept the Plan shall retain their Pro Rata Shares of the Additional Consideration.
- (iii) Voting: Rotech Class 3 is Impaired by the Rotech Plan. Rotech Class 3 and each holder of an Allowed Second Lien Notes Claim against Rotech are entitled to vote to accept or reject the Rotech Plan.

d. Rotech Class 4 – Other Secured Claims

- (i) Classification: Rotech Class 5 consists of all Other Secured Claims against Rotech.
- (ii) Treatment: At the Debtors’ election, to be filed with the Bankruptcy Court no later than fourteen (14) Business Days before the Confirmation Hearing, each holder of an Allowed Other Secured Claim against Rotech shall either (x) be reinstated in accordance with Bankruptcy Code section 1124 on the Effective Date, (y) be treated in accordance with

Bankruptcy Code section 1129(b)(2)(A)(i), (ii), or (iii) on the Effective Date, or (z) with the prior written consent of the Consenting Noteholders, be paid in full in Cash, including the payment of any interest required to be paid under Bankruptcy Code section 506(b), on the Effective Date or as soon thereafter as reasonably practicable or, if payment is not then due, in accordance with the payment terms of any applicable agreement..

- (iii) Voting: Rotech Class 4 is Impaired by the Rotech Plan. Rotech Class 4 and each holder of an Allowed Other Secured Claim against Rotech are entitled to vote to accept or reject the Rotech Plan.

e. Rotech Class 5 – Qualified Claims

- (i) Classification: Rotech Class 5 consists of all Qualified Claims against Rotech.
- (ii) Treatment: On the Effective Date, except to the extent that a holder of an Allowed Qualified Claims against Rotech agrees to less favorable treatment of such Allowed Qualified Claims, each holder of an Allowed Qualified Claims against Rotech shall receive Cash in an amount equal to the Allowed amount of its Claim.
- (iii) Voting: Rotech Class 5 is Unimpaired by the Rotech Plan. Rotech Class 5 and each holder of an Allowed Qualified Claim against Rotech are conclusively presumed to have accepted the Rotech Plan. Holders of Allowed Qualified Claims against Rotech are not entitled to vote to accept or reject the Rotech Plan.

f. Rotech Class 5.1 – General Unsecured Claims

- (i) Classification: Rotech Class 5.1 consists of all General Unsecured Claims against Rotech.
- (ii) Treatment: The Second Lien Notes Deficiency Claims shall be Allowed Secured Claims hereunder in the aggregate principal amount of \$[x]. On the Effective Date, each holder of an Allowed General Unsecured Claim against Rotech (other than holders of a Second Lien Notes Deficiency Claims) shall receive Cash in an amount equal to (i) if the aggregate amount of Allowed General Unsecured Claims (other than Second Lien Notes Deficiency Claims) in Rotech Class 5.1 and each GD Class 5.1 does not exceed \$2,500,000, 100% of the Allowed amount of its Claim and (ii) if the aggregate amount of Allowed General Unsecured Claims (other than Second Lien Notes Deficiency Claims) in Rotech Class 5.1 and each GD Class 5.1 exceeds \$2,500,000, its Pro Rata Share of \$2,500,000 (it being understood that for purposes of this clause (ii) the denominator of the fraction calculated pursuant to the definition “Pro Rata Share” shall exclude the Second Lien Notes Deficiency Claims); provided, however, (x) if Rotech Class 5.1 or any GD Class 5.1 rejects the applicable Plan, there shall be no Distribution to Rotech Class 5.1 and holders of Allowed General Unsecured Claims against Rotech; and (y) if Rotech Class 5.1 and each GD Class 5.1 vote to accept the applicable Plan and the fees and expenses for any professionals retained pursuant to a Bankruptcy Court order to represent a statutory committee exceeds \$300,000 and such professionals seek reimbursement for such fees and expenses from any of the Debtors’ estates, the holders of Second Lien Notes Deficiency Claims shall receive Distributions under this Rotech Class 5.1 and each applicable GD Class 5.1 on account of such Claims (it being understood that for purposes of this clause (y) the denominator of the fraction calculated

pursuant to the definition “Pro Rata Share” shall include the Second Lien Notes Deficiency Claims).

- (iii) Voting: Rotech Class 5.1 is Impaired by the Rotech Plan. Rotech Class 5.1 and each holder of an Allowed General Unsecured Claim (including, for the avoidance of doubt, each holder of Second Lien Notes Deficiency Claim) against Rotech are entitled to vote to accept or reject the Rotech Plan.

g. Rotech Class 6 – Debtor Intercompany Claims

- (i) Classification: Rotech Class 6 consists of all Debtor Intercompany Claims against Rotech.
- (ii) Treatment: On and as of the Effective Date, Allowed Debtor Intercompany Claims against Rotech shall, at the Reorganized Rotech’s option, be reinstated in accordance with Bankruptcy Code section 1124 or cancelled, and, in each case, no Distribution shall be made on account of such Debtor Intercompany Claims.
- (iii) Voting: Each Debtor Intercompany Claim in Rotech Class 6 is either Unimpaired or Impaired by the Rotech Plan. Each holder of an Allowed Debtor Intercompany Claim against Rotech is conclusively presumed to have either accepted or rejected the Rotech Plan. Holders of Allowed Debtor Intercompany Claims against Rotech are not entitled to vote to accept or reject the Rotech Plan.

h. Rotech Class 7 – Equity Interests

- (i) Classification: Rotech Class 7 consists of all Equity Interests in Rotech.
- (ii) Treatment: On the Effective Date, all Equity Interests in Rotech will be canceled and extinguished, and each holder of an Allowed Equity Interest in Rotech shall receive Cash equal to ten (10) cents per share (provided the total amount paid on account of such Allowed Equity Interests in Rotech does not exceed \$2,620,000). To the extent the total amount of shares representing all Equity Interests in Rotech exceeds 26.2 million common equity shares outstanding, each holder of an Allowed Equity Interest in Rotech shall receive its Pro Rata Share of \$2,620,000; provided, however, that if a Class senior to Rotech Class 7 rejects the Rotech Plan, each holders of an Allowed Equity Interest in Rotech shall receive its Pro Rata Share of the Accepting Second Lien Noteholders Share; provided, further, that if the Bankruptcy Court does not allow payment of the Accepting Second Lien Noteholder Share in accordance with section 3.3.8 of the Plan by gift or otherwise, the Distribution to Rotech Class 7 and holders of Allowed Equity Interests in Rotech shall be zero.
- (iii) Voting: Rotech Class 7 is Impaired by the Rotech Plan. Rotech Class 7 and each holder of an Allowed Equity Interest in Rotech are entitled to vote to accept or reject the Rotech Plan

2. GD PLANS

a. GD Class 1 – Non-Tax Priority Claims

- (i) Classification: GD Class 1 consists of all Non-Tax Priority Claims against the applicable Guarantor Debtor.
- (ii) Treatment: On the Effective Date, each holder of an Allowed Non-Tax Priority Claim against the applicable Guarantor Debtor shall receive Cash in an amount equal to the Allowed amount of such Claim.
- (iii) Voting: GD Class 1 is Unimpaired by the applicable GD Plan. GD Class 1 and each holder of an Allowed Non-Tax Priority Claim against the applicable Guarantor Debtor are conclusively presumed to have accepted the applicable GD Plan. Holders of Non-Tax Priority Claims against the applicable Guarantor Debtor are not entitled to vote to accept or reject the applicable GD Plan.

b. GD Class 2 – First Lien Guaranty Claims

- (i) Classification: GD Class 2 consists of all First Lien Guaranty Claims against the applicable Guarantor Debtor.
- (ii) Treatment: The First Lien Guaranty Claims shall be Allowed Claims. On the Effective Date, each holder of an Allowed First Lien Guaranty Claim against the applicable Guarantor Debtor shall receive an Amended First Lien Term Loan Guaranty.
- (iii) Voting: GD Class 2 is Impaired by the applicable GD Plan. GD Class 2 and each holder of an Allowed First Lien Guaranty Claim against the applicable Guarantor Debtor are entitled to vote to accept or reject the applicable GD Plan.

c. GD Class 3 – Second Lien Notes Guaranty Claims

- (i) Classification: GD Class 3 consists of all Second Lien Notes Guaranty Claims against the applicable Guarantor Debtor.
- (ii) Treatment: The Second Lien Notes Guaranty Claims shall be Allowed Claims. On the Effective Date, each holder of a Second Lien Notes Guaranty Claim against the applicable Guarantor Debtor shall receive the Distribution and treatment set forth in section 3.3.3 of the Plan to the extent such Claim is a Secured Claim and the Distribution and treatment set forth in section 3.3.6 to the extent such Claim is a General Unsecured Claim.
- (iii) Voting: GD Class 3 is Impaired by the applicable GD Plan. GD Class 3 and each holder of an Allowed Second Lien Notes Guaranty Claim against the applicable Guarantor Debtor are entitled to vote to accept or reject the applicable GD Plan.

d. GD Class 4 – Other Secured Claims

- (i) Classification: GD Class 4 consists of all Other Secured Claims against the applicable Guarantor Debtor.

- (ii) Treatment: On the Effective Date, each holder of an Allowed Other Secured Claim against the applicable Guarantor Debtor shall receive the Distribution and treatment set forth in section 3.3.4 of the Plan.
- (iii) Voting: GD Class 4 is Impaired by the applicable GD Plan. Holders of Allowed Other Secured Claims against the applicable Guarantor Debtor are entitled to vote to accept or reject the applicable GD Plan.

e. GD Class 5 – Qualified Claims

- (i) Classification: GD Class 5 consists of all Qualified Claims against the applicable Guarantor Debtor.
- (ii) Treatment: On the Effective Date, except to the extent that a holder of an Allowed Qualified Claim against the applicable Guarantor Debtor agrees to less favorable treatment of such Allowed Qualified Claim, each holder of an Allowed Qualified Claim against the applicable Guarantor Debtor shall receive (without duplication) Cash in an amount equal to the Allowed amount of its Claim.
- (iii) Voting: GD Class 5 is Unimpaired by the applicable GD Plan. GD Class 5 and each holder of Allowed Qualified Claims are conclusively presumed to have accepted the applicable GD Plan. Holders of Allowed Qualified Claims against the applicable Guarantor Debtor are not entitled to vote to accept or reject the applicable GD Plan.

f. GD Class 5.1 – General Unsecured Claims

- (i) Classification: GD Class 5.1 consists of all General Unsecured Claims against the applicable Guarantor Debtor.
- (ii) Treatment: On the Effective Date, each holder of an Allowed General Unsecured Claim against the applicable Guarantor Debtor (other than holders of a Second Lien Notes Deficiency Claims) shall receive Cash in an amount equal to (i) if the aggregate amount of Allowed General Unsecured Claims (other than Second Lien Notes Deficiency Claims) in Rotech Class 5.1 and each GD Class 5.1 does not exceed \$2,500,000, 100% of the Allowed amount of its Claim and (ii) if the aggregate amount of Allowed General Unsecured Claims (other than Second Lien Notes Deficiency Claims) in Rotech Class 5.1 and each GD Class 5.1 exceeds \$2,500,000, its Pro Rata Share of \$2,500,000 (it being understood that for purposes of this clause (ii) the denominator of the fraction calculated pursuant to the definition “Pro Rata Share” shall exclude the Second Lien Notes Deficiency Claims); provided, however, (x) if Rotech Class 5.1 or any GD Class 5.1 rejects the applicable Plan, there shall be no Distribution to any GD Class 5.1 and holders of Allowed General Unsecured Claims against the applicable Guarantor Debtor; and (y) if Rotech Class 5.1 and each GD Class 5.1 vote to accept the applicable Plan and if the fees and expenses for any professionals retained pursuant to a Bankruptcy Court order to represent a statutory committee exceeds \$300,000 and such professionals seek reimbursement for such fees and expenses from any of the Debtors, the Debtors’ estates or the Reorganized Debtors, the holders of Second Lien Notes Deficiency Claims shall receive Distributions under each applicable GD Class 5.1 and Rotech Class 5.1 on account of such Claims (it being understood that for purposes of this clause (y) the denominator of the fraction calculated pursuant to the definition “Pro Rata Share” shall include the Second Lien Notes Deficiency Claims).

- (iii) Voting: Each GD Class 5.1 is Impaired by the applicable GD Plan. Each GD Class 5.1 and each holder of an Allowed General Unsecured Claim (including, for the avoidance of doubt, each holder of Second Lien Notes Deficiency Claim) against the applicable Guarantor Debtor are entitled to vote to accept or reject the applicable GD Plan.

g. GD Class 6 – Debtor Intercompany Claims

- (i) Classification: GD Class 6 consists of all Debtor Intercompany Claims against the applicable Guarantor Debtor.
- (ii) Treatment: On and as of the Effective Date, Allowed Debtor Intercompany Claims against each applicable GD shall, at the applicable Reorganized Guarantor Debtor's option, be reinstated in accordance with Bankruptcy Code section 1124 or cancelled, and, in each case, no Distribution shall be made on account of such Debtor Intercompany Claims.
- (iii) Voting: Each Debtor Intercompany Claim in GD Class 6 is either Unimpaired or Impaired by the applicable GD Plan. Each holder of Allowed Debtor Intercompany Claims against the applicable Guarantor Debtor is either deemed to have accepted or rejected the applicable GD Plan. Holders of Allowed Debtor Intercompany Claims against any applicable Reorganized Guarantor Debtor are not entitled to vote to accept or reject the Rotech Plan.

h. GD Class 7 – Equity Interests

- (i) Classification: GD Class 7 consists of all Equity Interests in the applicable Guarantor Debtor.
- (ii) Treatment: On the Effective Date, all Equity Interests in the applicable Guarantor Debtor will be reinstated.
- (iii) Voting: GD Class 7 is Unimpaired by the applicable GD Plan. GD Class 7 and each holder of an Allowed Equity Interest in the applicable Guarantor Debtor are conclusively presumed to have accepted the applicable GD Plan. Holders of Allowed Equity Interests in the applicable Guarantor Debtor are not entitled to vote.

D. MEANS OF EXECUTION OF PLAN

1. Separate Plans. For purposes of voting on the Plan and receiving Distributions under the Plan, votes will be tabulated separately for each Debtor's Plan and Distributions will be made to each separate Class as provided in such Debtor's Plan, as set forth in Article III of the Plan. A Claim against multiple Debtors, to the extent Allowed against each respective Debtor, shall be treated as a separate Claim against each such Debtor for all purposes (including, but not limited to, voting and Distributions).

2. No Double Payment of Claims. To the extent that a Claim is Allowed against more than one Debtor's estate, the holder of an Allowed Claim against more than one Debtor may recover Distributions from all such co-obligor Debtors' estates until such holder has received payment in full on such Allowed Claim. No holder of an Allowed Claim shall be entitled to receive more than payment in full, without postpetition interest, of its Allowed Claim and such Claim shall be administered and treated in the manner provided by the Plan only until payment in full on such Allowed Claim.

3. **Severability of Plans.** A failure to confirm any one or more of the Debtor's Plans shall not affect other Plans confirmed by the Bankruptcy Court; provided, however, that the Debtors reserve the right to withdraw any and all Plans prior to rulings on their respective confirmations.

4. **Continued Corporate Existence.** Subject to the restructuring transactions contemplated by the Plan, each of the Debtors will continue to exist after the Effective Date as a separate entity, with all powers of a corporation, limited liability company, or partnership, as the case may be, under applicable law in the jurisdiction in which each applicable Debtor is incorporated or otherwise formed and pursuant to its certificate of incorporation and bylaws or other Governance Documents in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws or other Governance Documents are amended and restated or otherwise revised pursuant to section 4.4 and section 8.4 of the Plan, to comply with Bankruptcy Code section 1123(a)(6), or otherwise, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date.

5. **Formation and Corporate Structure.**

a. **Corporate Structure.** On the Effective Date, Reorganized Rotech will continue to exist as the parent holding company of the Reorganized Guarantor Debtors and shall own 100% of each of the Reorganized Guarantor Debtors directly or indirectly. The shares owned by Reorganized Rotech in each of the Reorganized Guarantor Debtors shall be used to re-create the same organizational structure that existed on the Commencement Date, or as otherwise directed by the Consenting Noteholders. Indeed, the reinstatement of GD Class 7 achieves the same result as if the equity interests in the Guarantor Debtors were cancelled and re-issued to Reorganized Rotech. While the same result could be achieved by having the equity interests in the Guarantor Debtors transferred to Rotech Class 3 and the GD Class 7 equity interests canceled and extinguished, the reinstatement of GD Class 7 presents optimal tax efficiency.

b. **Issuance and Distribution of Reorganized Rotech Common Stock.** On the Effective Date, the existing common stock of Rotech will be canceled and extinguished, and Reorganized Rotech will issue the Reorganized Rotech Common Stock to holders of the Second Lien Notes Claims.

6. **Form of Securities to be Issued; Exemption from Registration.** Unless otherwise agreed to by the Reorganized Debtors, all shares of Reorganized Rotech will be non-certificated. In reliance upon Bankruptcy Code section 1145(a), at the time of issuance, none of the securities issued in connection with the Plan will be registered under section 5 of the Securities Act of 1933, as amended, or any state or local law requiring registration for the offer or sale of securities. In addition, except as provided in the Stockholders Agreement, none of the securities issued in connection with the Plan will be listed on a securities exchange. Rotech will not participate in making a market (or facilitate making a market) in any such securities. The Stockholders Agreement shall be deemed effective and binding upon each person or entity that is or becomes a holder of shares of Reorganized Rotech Common Stock, and each such person or entity shall, upon its receipt of such shares, be deemed to be a party to the Stockholders Agreement as a Stockholder (as defined in the Stockholders Agreement) or an Employee Stockholder (as defined in the Stockholders Agreement), as applicable, for all purposes thereunder, irrespective of whether such person or entity is or becomes a signatory thereto.

7. **Certain Tax Treatment. Net Operating Loss Treatment:** To the extent section 382(l)(5) of the Tax Code provides an exception to the general rule of section 382(a) of the Tax Code and such exception is available, Rotech will, in consultation with the Consenting Noteholders, determine on or before the date that such election must be made whether it intends to utilize the exception in section 382(l)(5) of the Tax Code or it intends to elect out of the exception.

8. **Cancellation of Existing Securities and Agreements.** On the Effective Date, except as otherwise specifically provided for in the Plan, the obligations of the Debtors under the Term Loan Agreement, the Second Lien Indenture, and any other Certificate, Equity Security, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or

ownership interest in the Debtors giving rise to any Claim or Equity Interest (other than any Claim or Equity Interest that is reinstated by the Plan pursuant to section 1124 of the Bankruptcy Code or created by the Plan) shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order, or rule, and the obligations of that Debtor under those documents, agreements, or instruments, and any liens or Claims for diminution granted to the Term Lenders, Term Agent, the First Lien Noteholders, the Second Lien Noteholders, and the Trustees pursuant to the DIP Order, shall be discharged; provided, however, notwithstanding the foregoing, any indenture or other agreement that governs the rights of the holder of a Claim or Equity Interest shall continue in effect solely for purposes of allowing that holder to receive Distributions under the Plan.

9. Qualified Claims. Each holder of an Allowed Claim in an amount less than or equal to \$5,000 shall not be required to execute and deliver a New Rotech Supplier Credit Agreement to the Reorganized Debtors to receive the treatment provided under section 3.3.5 or section 3.4.5 of the Plan, as applicable; provided, that each such holder indicates on its Ballot that in consideration for its Allowed Claim receiving the treatment provided under section 3.3.5 or section 3.4.5 of the Plan, as applicable, such holder elects to be bound to a New Rotech Supplier Credit Agreement in form to be filed by the Debtors with the Plan Supplement (which form shall be satisfactory to the Consenting Noteholders in all respects).

10. Sources of Consideration for Plan Distributions. Except as otherwise provided in the Plan or the Confirmation Order, all consideration necessary for the Reorganized Debtors to make payments pursuant to the Plan shall be obtained from the existing Cash balances of the Debtors, the proceeds of the Exit Financing, and the operations of the Debtors or the Reorganized Debtors. The Reorganized Debtors may also make such payments using Cash received from their subsidiaries through the Reorganized Debtors' consolidated cash management systems.

11. Preservation of Rights of Action; Settlement. Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Claims, Disputed Claims, rights, Causes of Action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their estates may hold against any Person, without the approval of the Bankruptcy Court, subject to the terms of section 6.2 and 9.6 of the Plan, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Debtors or their successor(s) may pursue such retained Claims, rights, Causes of Action, suits or proceedings, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights.

12. Exit Financing. Subject to, and upon the occurrence of, the Effective Date, and without further notice to or order or other approval of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any person or entity (including the Boards of Directors of the Debtors or Reorganized Debtors), except for the Confirmation Order and as otherwise required by the Exit Financing Documents, the Reorganized Debtors shall, and are authorized to, enter into and perform and receive the proceeds of the Exit Financing, and to execute and deliver the Exit Financing Documents, in each case consistent with the terms of the Plan and to the extent different from the Plan, then on terms and conditions acceptable to the Exit Financing Arrangers, the Consenting Noteholders and the Reorganized Debtors; provided, however, that the provision(s) of the Confirmation Order and the Plan Documents, including but not limited to the Plan, Plan Supplement and any amendment, modification or supplement thereto, [shall be subject to the approval of the Exit Financing Arrangers only to the extent such provisions materially adversely affect any of the rights and interests of any or all of Entities in the Exit Financing Group in their capacities as such (as determined in good faith by the Exit Financing Arrangers)]. Confirmation of the Plan shall be deemed (i) approval of the Exit Financing, the Exit Financing Documents, and all transactions in connection with the Exit Financing, and all actions to be taken, undertaking to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein, and (ii) authorization of the Reorganized Debtors to enter into and execute the Exit Financing Documents and such other documents as the Exit Financing Arrangers may require to effectuate the Exit Financing, subject to such modifications as

the Reorganized Debtors and the Exit Financing Arrangers may mutually agree are necessary or appropriate to effectuate the Exit Financing. The Exit Financing Documents shall constitute legal, valid, binding and authorized obligations of the Reorganized Debtors, enforceable in accordance with their terms. The financial accommodations to be extended pursuant to the Exit Financing Documents are being extended, and shall be deemed to have been extended in good faith, for legitimate business purposes, are reasonable, shall not be subject to recharacterization for any purposes whatsoever, and shall not constitute preferential transfers or fraudulent conveyances under the Bankruptcy Code or any other applicable non-bankruptcy law. On the Effective Date, all of the Liens and security interests to be granted in accordance with the Exit Financing Documents (i) shall be deemed to be approved, (ii) shall be legal, binding and enforceable Liens on, and security interests in, the collateral granted thereunder in accordance with the terms of the Exit Financing Documents, (iii) shall be deemed perfected on the Effective Date, subject only to such Liens and security interests as may be permitted under the Exit Financing Documents, and (iv) shall not be subject to recharacterization or equitable subordination for any purposes whatsoever and shall not constitute preferential transfers or fraudulent conveyances under the Bankruptcy Code or any applicable non-bankruptcy law. The Reorganized Debtors and the persons and entities granting such Liens and security interests are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary to establish and perfect such Liens and security interests under the provisions of the applicable state, provincial, federal, or other law (whether domestic or foreign) that would be applicable in the absence of the Plan and the Confirmation Order (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order and any such filings, recordings, approvals and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be reasonably necessary under applicable law to give notice of such Liens and security interests to third parties. To the extent that the DIP Agent, the Term Agent, the First Lien Notes Trustee, the Second Lien Notes Trustee, or the holders of any Secured Claim (including, without limitation, the DIP Lenders, the holders of the Term Loan, the holders of First Lien Notes and the holders of Second Lien Notes) or any agent for any such holders, has filed or recorded publicly any Liens and/or security interests to secure any Secured Claim, then as soon as practicable on or after the Effective Date, the DIP Agents, the Term Agent, the First Lien Notes Trustee, the Second Lien Notes Trustee or the holder of any Secured Claim (or the agent for such holder), as the case may be, shall take any and all steps reasonably requested by any or all of the Debtors, the Reorganized Debtors, the Exit Financing Arrangers and the administrative agents under the Exit Financing that are necessary to cancel, extinguish or modify as applicable, such publicly-filed Liens and/or security interests, it being understood that, in each case, all costs and expenses in connection therewith shall be paid by the Debtors or Reorganized Debtors. Notwithstanding anything to the contrary in the Confirmation Order or the Plan, the Bankruptcy Court's retention of jurisdiction shall not be exclusive in respect of any disputes or claims arising or asserted under, or any enforcement action or rights or remedies taken or exercised in connection with, the Exit Financing Documents after the Effective Date.

E. VOTING AND DISTRIBUTIONS UNDER THE PLAN

1. **Impaired Classes to Vote.** Except to the extent a Class of Claims or Equity Interests is deemed to have accepted or rejected the Plan, each holder of a Claim or Equity Interest in an Impaired Class as of the Voting Record Date shall be entitled to vote to accept or reject the Plan as provided in such order as is entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

2. **Acceptance by Class of Claims.** An Impaired Class of Claims shall have accepted a Plan if the Plan is accepted by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have voted to accept or reject the Plan. Unimpaired Classes are conclusively presumed to have accepted the Plan.

3. **Elimination of Vacant Classes.** Any Class of Claims or Equity Interests that does not have a Claim or Equity Interest as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for all purposes.

4. **Nonconsensual Confirmation.** With respect to each Impaired Class of Claims that is deemed to reject the Plan or rejects the Plan, the Debtors will request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code.

5. **Distributions Under the Plan.** Whenever any Distribution to be made pursuant to the Plan shall be due on a day other than a Business Day, the Distribution shall instead be made, without interest, on the immediately succeeding Business Day, but shall be deemed to have been made on the date due. The Distributions shall be made to the holders of Allowed Claims or Allowed Equity Interests as of the Distribution Record Date.

6. **Distribution Record Date.** As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Equity Interests as maintained by the Debtors or their respective agents, shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Equity Interests. The Debtors or the Reorganized Debtors shall have no obligation to recognize any transfer of the Claims or Equity Interests occurring on or after the Distribution Record Date.

7. **Distribution Deadlines.** Any Distribution to be made by the Disbursing Agent pursuant to a Plan shall be deemed to have been timely made in accordance with the Distributions specified in Article III of the Plan. No interest shall accrue or be paid with respect to any Distribution as a consequence of the Distribution not having been made on the Distribution Date.

8. **Minimum Distribution Limitation.** If the aggregate value of the Distribution to be made on the Distribution Date is less than \$[x], such Distribution may, at the discretion of Reorganized Debtor, be withheld for Distribution until the next Distribution Date; provided, however, that if such Distribution (i) is to be made to the holder of a Claim Allowed after the immediately preceding Distribution Date, as a result of resolving a dispute over such Claim or (ii) is the final Distribution to be made under the Plan, such minimum Distribution limitation shall not apply, and the Disbursing Agent shall make the Distribution notwithstanding that the aggregate value of the Distribution may be less than the minimum distribution limitation.

9. **Delivery of Distributions.** Subject to Bankruptcy Rule 9010, all Distributions to any holder of an Allowed Claim and Allowed Equity Interest shall be made to the Disbursing Agent, who shall transmit such Distribution to the applicable holders of Allowed Claims and Allowed Equity Interests. If any Distribution to any holder is returned as undeliverable, the Disbursing Agent shall use reasonable efforts to determine the current address of such holder, but no further Distributions shall be made to such holder unless and until such Disbursing Agent is notified in writing of such holder's then-current address, at which time all currently-due, missed Distributions shall be made to such holder as soon as reasonably practicable thereafter without interest; provided, however, that such Distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one (1) year from the Effective Date, and after such date, all unclaimed property or interest in property shall revert to the Reorganized Debtors, and the Claim or Equity Interest of any other holder to such property or interest in property shall be discharged and forever barred notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary.

10. **Distributions to Holders of Allowed Term Lender Claims.** Distributions under the Plan to holders of Allowed Term Lender Claims shall be made by the Reorganized Debtors to the Term Agent, which, in turn, shall make the Distributions to the Term Lender. Upon delivery by the Reorganized Debtors of the Distributions in conformity with Article III of the Plan to the Term Agent, the Reorganized Debtors shall be released of all liability with respect to the delivery of such Distributions.

11. **Distributions of Reorganized Rotech Common Stock.** The Reorganized Rotech Common Stock shall be issued in book-entry form only and held through participants (including securities brokers and dealers, banks, trust companies, clearing corporations, and other financial organizations) of DTC, as depositary. Except as noted below, the Reorganized Rotech Common Stock shall not be certificated or issued in registered form. Except as noted

below, to receive Reorganized Rotech Common Stock, each holder of an Allowed Second Lien Notes Claim, respectively, shall be required to designate a direct participant in DTC with whom the holder has an account. The holder's Pro Rata Share of the Reorganized Rotech Common Stock may be credited into that account or accounts, and in the case of the Second Lien Notes already held through DTC the deliveries will automatically be made through DTC at the direction of the Second Lien Notes Trustee. For as long as DTC serves as depositary for the Reorganized Rotech Common Stock, the Second Lien Notes Trustee shall be fully protected and incur no liability to any holder of the Reorganized Rotech Common Stock, any transferee (or purported transferee) thereof, or any other Entity. If DTC is unwilling or unable to continue as depositary for the Reorganized Rotech Common Stock, and the Reorganized Debtors have not appointed a successor depositary within ninety (90) days of becoming aware that DTC is unwilling or unable to continue as depositary for the Reorganized Rotech Common Stock, the Reorganized Debtors shall exchange the book-entry Reorganized Rotech Common Stock held through participants of DTC for certificated Reorganized Rotech Common Stock. If any Distribution of Reorganized Rotech Common Stock to a holder of an Allowed Second Lien Notes Claim is undeliverable, then at the expiration of one (1) year from the Effective Date the undeliverable Distributions shall be deemed unclaimed property and shall be treated in accordance with section 5.16 of the Plan.

12. Distributions to Holders of Allowed Equity Interests. Cash Distributions to holders of Allowed Equity Interests in Rotech shall be issued through participants (including securities brokers and dealers, banks, trust companies, clearing corporations and other financial organizations) of DTC, as depositary.

13. Manner of Payment Under the Plan. Unless the Entity receiving a payment agrees otherwise, any payment in Cash to be made by the Disbursing Agent shall be made by check drawn on a domestic bank or by automated clearing house transfer.

14. Disbursing Agent. All Distributions hereunder shall be made by the Disbursing Agent (or such other entity designated by the Disbursing Agent), on or after the Effective Date, or as otherwise provided herein. No Disbursing Agent hereunder shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

15. Powers of Disbursing Agent. A Disbursing Agent shall be empowered to (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties hereunder, (b) make all Distributions contemplated hereby and (c) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or are reasonably required to implement the provisions hereof.

16. Expenses of the Disbursing Agent. Except as otherwise ordered by the Bankruptcy Court, any reasonable fees and expenses incurred by the Disbursing Agent acting in such capacity (including taxes and reasonable attorneys' fees and expenses) on or after the Effective Date shall be paid in Cash by the Reorganized Debtors in the ordinary course of business.

17. Time Bar to Cash Payments. Checks issued by the Disbursing Agent in respect of any Distribution of Cash made on account of Allowed Claims shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for re-issuance of any check shall be made directly to the Disbursing Agent by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of a voided check shall be made on or before the later of (a) the first anniversary of the Effective Date, or (b) 90 days after the date of issuance if the check represents a final Distribution. After that date, all remaining Claims in respect of voided checks shall be discharged and forever barred and the applicable Reorganized Debtor shall retain all related monies as unclaimed property under section 5.16 of the Plan.

18. No Payment of Postpetition Interest on Allowed General Unsecured Claims, Allowed Qualified Claims and Cure Amounts. Unless otherwise specifically provided by the Plan, the Confirmation Order or any order of the Bankruptcy Court, no postpetition interest shall be paid on Allowed General Unsecured Claims, Allowed Qualified Claims and Cure Amounts; provided, however, if an executory contract or unexpired lease provides for an

applicable contract interest rate, which the holder of such contract or lease timely asserts in objecting to the Debtors' notice pursuant to section 7.2 of the Plan, then interest shall be calculated at the contract interest rate, subject to the Debtors' right to object to any such asserted interest rate. For the avoidance of doubt, DIP Lender Claims, Term Lender Claims and First Lien Notes Claims will, in each case, accrue and be paid postpetition interest in accordance with the terms set forth in the agreements governing DIP Lender Claims, the Term Lender Claims and the First Lien Notes Claims, respectively.

19. Fractional Units. No Fractional shares of Reorganized Rotech Common Stock shall be issued or distributed under the Plan and no Cash shall be distributed in lieu of such fractional shares. When any Distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of Reorganized Rotech Common Stock that is not a whole number, the actual distribution of shares of Reorganized Rotech Common Stock shall be rounded as follows: (a) fractions of one-half ($\frac{1}{2}$) or greater shall be rounded to the next higher whole number and (b) fractions of less than one-half ($\frac{1}{2}$) shall be rounded to the next lower whole number with no further payment therefor. The total number of authorized shares of Reorganized Rotech Common Stock to be distributed to holders of Allowed Claims shall be adjusted as necessary to account for the foregoing rounding.

20. Setoffs. The Debtors and the Reorganized Debtors may, but shall not be required to, set off against any Claim (for purposes of determining the Allowed amount of such Claim on which Distribution shall be made), any claims of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the holder of such Claim; provided, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claim the Debtors or the Reorganized Debtors may have against the holder of such Claim.

21. Unclaimed Property. All Distributions under the Plan unclaimed for a period of three hundred and sixty-five (365) days after the applicable Distribution Date shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall vest in the applicable Reorganized Debtor, and any entitlement of any holder of any Claim to those Distributions shall be extinguished and forever barred.

22. Distributions After Effective Date. Distributions made after the Effective Date pursuant to section 6.8 of the Plan to holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date for distribution purposes.

23. Allocation of Distributions Between Principal and Interest. Except as otherwise provided in the Plan, to the extent that any Allowed Claim entitled to a Distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall be allocated to the accrued but unpaid interest first and then to the principal amount (as determined for federal income tax purposes) of the Claim.

24. Minimum Distributions. Except with respect to Distributions on account of Allowed Equity Interests, no payment of Cash in less than \$100 shall be made to any holder of an Allowed Claim unless a request is made in writing to the Disbursing Agent.

F. PROCEDURES FOR DISPUTED CLAIMS

1. Cure Amounts and Claim Determinations. (a) All Claims against the Debtors that result from the Debtors' rejection of an executory contract or unexpired lease, (b) disputes regarding the amount of any Cure Amount pursuant to section 365 of the Bankruptcy Code and (c) Claims that the Debtors seek to have determined by the Bankruptcy Court, shall in all cases be determined by the Bankruptcy Court.

2. Objections to Claims; Prosecution of Disputed Claims.

a. Except insofar as a Claim is Allowed under the Plan, only the Debtors and the Reorganized Debtors shall be entitled to object to Claims. Unless resolved by settlement between the applicable Debtor and the holder of a Claim, all objections filed and prosecuted by the Debtors or Reorganized Debtors shall be litigated to Final Order by the Debtors or Reorganized Debtors, as applicable.

b. Unless otherwise provided in the Plan or ordered by the Bankruptcy Court, all objections to Claims shall be served and filed on or before one hundred and eighty (180) days after the Effective Date, as may be extended before or after the running of the one hundred and eighty (180) days by order of the Bankruptcy Court after notice and a hearing.

3. Reserve Account for Disputed Claims. On and after the Effective Date, the Disputed Claims Reserve shall hold Cash in an aggregate amount sufficient to pay all holders of Disputed Claims the Distributions in Cash they would have been entitled to receive under the Plan if all their Claims had been Allowed Claims on the Effective Date, net of any taxes imposed on the Disputed Claims Reserve or otherwise payable by the Disputed Claims Reserve. The Cash to be held in the Disputed Claims Reserve shall be held and deposited by the Disbursing Agent in a segregated interest-bearing reserve account. Distributions reserved on account of any Disputed Claim shall be distributed to the extent it becomes an Allowed Claim so the holder thereof receives the Distributions it would have received had it been Allowed on the Effective Date, net of any taxes imposed on or otherwise payable by the Disputed Claims Reserve. Distributions on account of a Claim that becomes an Allowed Claim after the Effective Date shall be made on the next Distribution Date following (i) the entry of an order or judgment of the Bankruptcy Court or other applicable court of competent jurisdiction (including any appeal) allowing any Disputed Claim that has become a Final Order, (ii) the withdrawal of any objection to the Disputed Claim, or (iii) a settlement, compromise, or other resolution of the Disputed Claim.

4. No Recourse. Notwithstanding that the Allowed amount of any particular Disputed Claim is reconsidered under the applicable provisions of the Bankruptcy Code and the Bankruptcy Rules or is Allowed in an amount for which after application of the payment priorities established by the Plan there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the applicable Class, no holder of such Claim shall have recourse against the Disbursing Agent, the Debtors, the Reorganized Debtors, or any of their respective professionals, consultants, attorneys, advisors, officers, directors, or members or their successors or assigns, or any of their respective property. However, nothing in the Plan shall modify any right of a holder of a Claim under section 502(j) of the Bankruptcy Code.

5. Treatment of Disputed Claims Reserve for Federal Income Tax Purposes. Absent definitive guidance from the IRS or a contrary determination by a court of competent jurisdiction, the Disbursing Agent shall (i) treat the Disputed Claims Reserve as a disputed ownership fund for United States federal income tax purposes within the meaning of Treasury Regulations section 1.468B-9(b)(1) and (ii) to the extent permitted by applicable law, report consistently with the foregoing characterization for state and local income tax purposes. All holders of Disputed Claims shall report, for income tax purposes, consistently with the foregoing.

6. No Distributions Pending Allowance. If an objection to a Claim is filed as set forth in section 6.2 of the Plan, no Distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

7. Distributions after Allowance. To the extent that a Disputed Claim ultimately becomes an Allowed Claim, Distributions (if any) shall be made to the holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the holder of such Claim the

Distribution (if any) to which such holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim unless required under applicable bankruptcy law.

8. Distributions to Holders of Allowed Claims Following Disallowance of Disputed Claims.

Subject to the minimum Distribution limitation set forth in section 5.5.3 of the Plan, on each Distribution Date following the Effective Date, Distributions held in the Disputed Claims Reserve on account of Disputed General Unsecured Claims and Disputed Qualified Claims that are (a) Disallowed, shall be distributed, net of any taxes imposed on the Disputed Claims Reserve or otherwise payable by the Disputed Claims Reserve, to the applicable Reorganized Debtor and (b) Allowed, shall be distributed, net of any taxes imposed on the Disputed Claims Reserve or otherwise payable by the Disputed Claims Reserve, to each holder of such Allowed Claim in accordance with the Plan. Any Distributions made on a Distribution Date following the Effective Date shall be made in the same manner as provided in section 5.5 of the Plan in respect of Effective Date Distributions.

9. Estimation of Claims.

The Reorganized Debtors may at any time request that the Bankruptcy Court estimate any Claim, including, but not limited to, contingent or unliquidated claims pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtor previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

10. Preservation of Claims and Rights to Settle Claims.

Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Claims, Disputed Claims, rights, Causes of Action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their estates may hold against any Person, without the approval of the Bankruptcy Court, subject to the terms of sections 6.2 and 9.6 of the Plan, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Debtors or their successor(s) may pursue such retained Claims, rights, Causes of Action, suits or proceedings, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights.

G. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

1. General Treatment.

Effective as of the Effective Date, all executory contracts and unexpired leases to which any of the Debtors are parties are hereby rejected, except for an executory contract or unexpired lease that (a) has previously been assumed or rejected pursuant to Final Order of the Bankruptcy Court, (b) is specifically designated as a contract or lease to be assumed on a schedule of contracts and leases filed and served prior to commencement of the Confirmation Hearing (which shall be in all respects in form and substance satisfactory to the Consenting Noteholders), (c) is the subject of a separate (i) assumption motion filed by the Debtors or (ii) rejection motion filed by the Debtors under section 365 of the Bankruptcy Code before the date of the Confirmation Hearing, or (d) is the subject of a pending objection regarding assumption, proposed Cure Amount, "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) or other issues related to assumption of the contract or lease (a "Cure Dispute").

2. Determination of Cure Disputes and Deemed Consent.

Following the Commencement Date, the Debtors shall have served a notice on parties to executory contracts or unexpired leases to be assumed or rejected

reflecting the Debtors' intention to assume or reject such contracts or leases in connection with the Plan and, where applicable, setting forth the proposed Cure Amount (if any). The proposed Cure Amount for any executory contract or unexpired lease not listed on such notice shall be \$0.

To the extent that an objection to assumption, proposed Cure Amount, "adequate assurance of future performance," or other issues related to assumption of the contract or lease shall have been filed within fifteen (15) days of service of notice of intent to assume or reject, and properly served on the Debtors with respect to the assumption of any contract or lease, then any Cure Dispute that was not scheduled for a hearing by the Bankruptcy Court on or before the date of the Confirmation Hearing shall be scheduled for a later date as may be determined by the Bankruptcy Court. Following resolution of a Cure Dispute by Final Order of the Bankruptcy Court, the contract or lease shall be deemed assumed effective as of the Effective Date, provided, however, that the Debtors reserve the right to reject any such contract or lease following entry of a Final Order of the Bankruptcy Court resolving any such Cure Dispute, by filing a notice indicating such rejection within five (5) Business Days of the entry of such Final Order.

3. Payment of Cure Amount and Effect of Assumption of Contracts and Leases.

Subject to resolution of any Cure Dispute, any monetary amounts by which any executory contract and unexpired lease to be assumed hereunder is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by the Debtors upon assumption thereof.

To the extent that an objection was not timely filed and properly served on the Debtors with respect to the assumption of an executory contract or unexpired lease, then the counterparty to such contract or lease shall be deemed to have consented to (i) the Cure Amount (*plus* postpetition interest calculated at the Federal Judgment Rate if the agreement provides for interest) proposed by the Debtors and (ii) the assumption of the applicable executory contract or unexpired lease, notwithstanding any provision of such contract that (a) prohibits, restricts or conditions the transfer or assignment of such contract or (b) terminates or permits the termination of a contract as a result of any direct or indirect transfer or assignment of the rights of the Debtor under such contract or a change in the ownership or control of any Debtor or Reorganized Debtor contemplated by the Plan, and shall forever be barred and enjoined from asserting such objection against the Debtors or Reorganized Debtors or terminating or modifying such contract on account of transactions contemplated by the Plan.

Assumption of any executory contract or unexpired lease pursuant to the Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, subject to satisfaction of the Cure Amount, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed executory contract or unexpired lease at any time before the effective date of assumption. Any [proofs of claim] filed with respect to an executory contract or unexpired lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order or approval of the Bankruptcy Court or any other entity.

4. Rejection Claims. If the rejection of an executory contract or unexpired lease by any of the Debtors pursuant to the Plan results in damages to the other party or parties to such contract or lease, a Claim for such damages, if not heretofore evidenced by a timely filed proof of claim, shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, or their respective properties or interests in property as agents, successors or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtors and the Reorganized Debtors no later than thirty (30) days after (i) the date of entry of an order by the Bankruptcy Court approving such rejection, or (ii) the date of the filing of a notice by the Debtors after the Effective Date indicating such rejection in accordance with section 7.2 of the Plan. The Confirmation Order shall constitute the Bankruptcy Court's approval of the rejection of all the leases and contracts not identified for assumption in the notice to be delivered pursuant to section 7.2 of the Plan.

5. Survival of the Debtors' Indemnification Obligations. Any obligations of the Debtors pursuant to their corporate charters, bylaws, or other organizational documents to indemnify current and former officers, directors, agents and/or employees with respect to all present and future actions or omissions, suits and proceedings against the Debtors or such directors, officers, agents and/or employees, based upon any act or omission occurring at or prior to the Effective Date for or on behalf of the Debtors shall not be discharged or impaired by confirmation of the Plan provided that the Reorganized Debtors shall not indemnify officers, directors, agents and/or employees of the Debtors for any Claims or Causes of Action arising out of or relating to any act or omission that is a criminal act or constitutes intentional fraud. All such obligations shall be deemed and treated as executory contracts assumed by the Debtors under the Plan and shall continue as obligations of the Reorganized Debtors. Any claim based on the Debtors' obligations herein shall not be a Disputed Claim or subject to any objection in either case by reason of section 502(e)(1)(B) of the Bankruptcy Code.

After the Effective Date, the Reorganized Debtors shall not terminate or otherwise reduce the coverage under any directors' and officers' insurance policies (including any "tail policy") in effect as of Commencement Date, and all directors and officers of the Debtors who served in such capacity at any time before the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such directors and/or officers remain in such positions after the Effective Date.

6. Survival of Other Employment Arrangements. Except to the extent previously assumed or rejected by an order of the Bankruptcy Court entered on or before the Effective Date, all employee compensation and benefit plans entered into before or after the Commencement Date and not since terminated shall be deemed to be, and shall be treated as if they were, executory contracts assumed pursuant to the Plan. The Debtors' obligations under such plans and programs shall survive confirmation of the Plan, except for (a) executory contracts or employee benefit plans specifically rejected pursuant to the Plan (to the extent such rejection does not violate sections 1114 and 1129(a)(13) of the Bankruptcy Code) and (b) such executory contracts or employee benefit plans as have previously been rejected, are the subject of a motion to reject as of the Effective Date, or have been specifically waived by the beneficiaries of any employee benefit plan or contract. Notwithstanding anything in section 7.6 of the Plan to the contrary, any equity incentive plans of any of the Debtors, and any stock option, restricted stock or other equity agreements and any stock appreciation rights or similar equity incentives or equity based incentives or other obligations or liabilities the value of which depend on the price of, or distributions paid with respect to, equity securities, shall be cancelled as of the Effective Date and shall not give rise to any Allowed Claims and the Reorganized Debtors shall have no liability or responsibility in respect of such equity interests.

7. Insurance Policies. All insurance policies pursuant to which the Debtors have any obligations in effect as of the date of the Confirmation Order shall be deemed and treated as executory contracts pursuant to the Plan and shall be assumed by the respective Debtors and Reorganized Debtors and shall continue in full force and effect. All the Debtors' insurance policies shall revest in the Reorganized Debtors.

8. Workers' Compensation Programs. Except as otherwise expressly provided in the Plan, as of the Effective Date, the Debtors and the Reorganized Debtors shall continue to honor their obligations under (i) all applicable workers' compensation laws in states in which the Reorganized Debtors operate and (ii) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds and any other policies, programs and plans regarding or relating to workers' compensation and workers' compensation insurance. All such contracts and agreements are treated as executory contracts under the Plan and on the Effective Date will be assumed pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, with a Cure Amount of \$0.

9. Reservation of Rights. Neither the exclusion nor inclusion of any contract or lease by the Debtors on any exhibit, schedule or other annex to the Plan or in the Plan Supplement, nor anything contained in the Plan, will constitute an admission by the Debtors that any such contract or lease is or is not in fact an Executory Contract or that the Debtors or the Reorganized Debtors or their respective affiliates has any liability thereunder. Nothing in the Plan shall waive, excuse, limit, diminish or otherwise alter any of the defenses, Claims, Causes of Action or other rights of the

Debtors and the Reorganized Debtors under any executory or non executory contract or any unexpired or expired lease. Nothing in the Plan will increase, augment, or add to any of the duties, obligations, responsibilities or liabilities of the Debtors or the Reorganized Debtors under any executory or non executory contract or any unexpired or expired lease.

H. CORPORATE GOVERNANCE AND MANAGEMENT OF REORGANIZED DEBTORS

1. Board of Directors and Management.

a. Board of Directors. Upon and following the Effective Date, the New Board and the boards of directors for each of the Reorganized Debtors shall be comprised of [five (5)] directors as determined by the Consenting Second Lien Noteholders. Such directors shall serve in accordance with applicable non-bankruptcy law. The members of the New Board and the new boards of each of the Reorganized Guarantor Debtors will be identified no later than the Confirmation Hearing in accordance with section 1129(a)(5) of the Bankruptcy Code. On the Effective Date, the terms of the current members of each of the boards of directors of the Debtors shall expire or sever.

b. Directors and Officers of the Reorganized Debtors. Except as otherwise provided in the Plan Supplement or as determined by the Consenting Second Lien Noteholders prior to the hearing on the Disclosure Statement, the officers of the respective Reorganized Debtors immediately before the Effective Date shall serve as the initial officers of each of the respective Reorganized Debtors on or after the Effective Date and in accordance with any employment agreement with the Reorganized Debtors and applicable non-bankruptcy law. After the Effective Date, the selection of officers of the Reorganized Debtors shall be as provided by their respective organizational documents. Prior to any hearing to approve the adequacy of any Disclosure Statement, the terms on which holders of Employment-Related Claims shall be employed by the Reorganized Debtors shall be disclosed.

2. Management Equity Incentive Plan. Subject only to the occurrence of the Effective Date, the Management Equity Incentive Plan shall be effective without any further action by the Reorganized Debtors. For the avoidance of doubt, the Management Equity Incentive Plan is an entirely post-Effective Date compensation plan and awards thereunder, to the extent earned, shall be made by the Reorganized Debtors after the Effective Date.

3. Merger/Dissolution/Consolidation. On the Effective Date or as soon as practicable thereafter and without need for any further action, the Reorganized Debtors may (i) cause any or all of the Debtors to be merged into one or more of the Reorganized Debtors, dissolved or otherwise consolidated, (ii) cause the transfer of assets between or among the Reorganized Debtors, or (iii) engage in any other transaction in furtherance of the Plan.

4. Amendment of Governance Documents. The respective Governance Documents of the Debtors shall be amended as of the Effective Date to be substantially in the form of the Reorganized Debtors' Certificate of Incorporation, the Reorganized Debtors' Bylaws and the Reorganized Debtors' LLC Agreement, as applicable. The Governance Documents are attached as Schedules [____] of the Plan Supplement and contain provisions (i) prohibiting the issuance of non-voting equity securities, as required by section 1123(a)(6) of the Bankruptcy Code (subject to further amendment of such certificates or articles of incorporation and bylaws, or other Governance Documents, as permitted by applicable law), and (ii) effectuating the provisions of the Plan.

5. Corporate Action. On the Effective Date, the adoption of the Reorganized Debtors' respective amended Governance Documents shall be authorized and approved in all respects, in each case without further action under applicable law, regulation, order, or rule, including, without limitation, any action by the stockholders or directors of the Debtors or the Reorganized Debtors. All other matters provided under the Plan involving the corporate structure of the Reorganized Debtors or corporate action by the Reorganized Debtors shall be deemed to have occurred, be authorized, and shall be in effect without requiring further action under applicable law, regulation, order, or rule, including, without limitation, any action by the stockholders or directors of the Debtors or the Reorganized Debtors. Without limiting the foregoing, from and after the Confirmation Date, the Debtors or the Reorganized Debtors may take any and all actions deemed appropriate to consummate the transactions contemplated herein.

6. **Corporate Authority of the Reorganized Debtors.** On the Effective Date, or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary or appropriate to effectuate the Plan, including without limitation: (1) causing the Disbursing Agent to make Distributions under the Plan, (2) the execution and delivery of appropriate agreements or other documents of merger, consolidation, conversion, or reorganization containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law; (3) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any property, right, liability, duty, or obligation on terms consistent with the terms of the Plan; (4) the execution and delivery of the Exit Financing Documents and the Amended First Lien Term Loan and any documents, agreements or instruments related thereto; and (5) the execution and filing of Governance Documents with the appropriate governmental authorities pursuant to applicable law.

I. EFFECT OF CONFIRMATION

1. **Revesting of Assets.** Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the estates of the Debtors shall vest in the Reorganized Debtors free and clear of all Claims, Liens, Encumbrances, charges, and other interests created prior to the Effective Date, except as provided in the Plan and the Plan Documents. Except as otherwise provided in the Plan, each of the Debtors, as Reorganized Debtors, shall continue to exist on and after the Effective Date as a separate legal entity with all of the powers available to such legal entity under applicable law, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. From and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules in all respects as if there were no pending cases under the Bankruptcy Code, except as provided herein.

2. **Binding Effect.** Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Interest in, the Debtors, and such holder's respective successors and assigns, whether or not the Claim or Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

3. **Discharge of Claims and Termination of Interests.** Except as otherwise provided in the Plan, effective as of the Effective Date: (a) all Claims and Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Commencement Date, against the Debtors or any of their assets, property or estates shall be discharged without further notice or order; (b) the Plan shall bind all holders of Claims and Interests, notwithstanding whether any such holders failed to vote to accept or reject the Plan or voted to reject the Plan; (c) except as otherwise provided herein, all Claims and Interests shall be discharged and released in full, and the Debtors' liability with respect thereto shall be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (d) all entities shall be enjoined from asserting against the Debtors, the Debtors' estates, the Reorganized Debtors, their successors and assigns and their assets and properties any other Claims or Interests based upon any documents, instruments or any act or omission, transaction or other activity of any kind or nature that occurred before the Effective Date. The definition of "Claims" in the Plan includes the Bankruptcy Code's definition, and also expands the definition to include all equitable rights, regardless of whether they give rise to rights to payment for breach of performance. Without limitation, rights of setoff and recoupment are discharged.

4. **Term of Injunctions or Stays.** Unless otherwise provided by court order, all injunctions or stays arising under or entered during the chapter 11 cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

5. **Injunction Against Interference with Plan.** From and after the Effective Date, all Entities are permanently enjoined from commencing or continuing in any manner, any suit, action or other proceeding, on account of

or respecting any Claim, demand, liability, obligation, debt, right, cause of action, interest or remedy released or to be released pursuant to the Plan or the Confirmation Order.

6. **Releases by the Debtors.** As of the Effective Date, and in consideration for good and valuable consideration, including the obligations of the Debtors under the Plan and the contributions of the Released Parties to facilitate and implement the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors, the Reorganized Debtors and the Estates from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtors, the Estates or their affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the chapter 11 cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the chapter 11 cases, the negotiation, formulation or preparation of the Plan, the Plan Support Agreement, the Exit Financing Documents, the DIP Documents, the solicitation of votes with respect to the Plan, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date; except that nothing in this section shall be construed to release any party or entity from intentional fraud or criminal conduct as determined by Final Order.

7. **Releases By Holders of Claims and Interests.** As of the Effective Date, and in consideration for good and valuable consideration, including the obligations of the Debtors under the Plan and the contributions of the Released Parties to facilitate and implement the Plan, each holder of a Claim against any of the Debtors and each holder of Equity Interests, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtors, the Reorganized Debtors and the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the chapter 11 cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the chapter 11 cases, the negotiation, formulation or preparation of the Plan, the Plan Support Agreement, the Exit Financing Documents, the DIP Documents, the solicitation of votes with respect to the Plan, or any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date; except that nothing in this section shall be construed to release any party or entity from intentional fraud or criminal conduct as determined by Final Order.

8. **Exculpation.** No Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from any claim, obligation, cause of action or liability for any claim in connection with or arising out of, the administration of the chapter 11 cases, the entry into the Plan Support Agreement, the Exit Financing Documents, the DIP Documents, and the consummation of the transactions contemplated therein, the negotiation and pursuit of the Plan, or the solicitation of votes for, or confirmation of, the Plan, the funding of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, and the issuance of securities under or in connection with the Plan or the transactions contemplated by the foregoing, except for willful misconduct or gross negligence, intentional fraud or criminal conduct, but in all respects such entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties (and each of their respective affiliates, agents, directors, officers, employees, advisors and attorneys) have participated in

compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the securities pursuant to the Plan, and are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan, including the issuance of securities thereunder.

9. Solicitation of Acceptances of the Plan. The Debtors (a) shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including without limitation, sections 1125(a) and (e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation and (b) and each of their respective directors, officers, employees, affiliates, agents, financial advisors, investment bankers, professionals, accountants and attorneys shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore are not, and on account of such offer, issuance and solicitation will not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

J. CONDITIONS PRECEDENT TO EFFECTIVE DATE OF THE PLAN; IMPLEMENTATION PROVISIONS

1. Conditions Precedent to the Effective Date. The occurrence of the Effective Date of the Plan is subject to the following conditions precedent:

(i) the Bankruptcy Court shall have entered the Confirmation Order acceptable to the Debtors and the Consenting Noteholders and such Confirmation Order shall not be subject to a stay on the day the Effective Date occurs;

(ii) the Plan Support Agreement shall not have been terminated (other than any termination by the Debtors) in accordance with the terms thereof, and such Plan Support Agreement shall be in full force and effect;

(iii) the Employment-Related Claims shall have been resolved in a manner acceptable to the Consenting Noteholders and the Debtors;

(iv) the aggregate amount of Administrative Expense Claims (other than trade vendor claims for goods and services sold to the Debtors in the ordinary course of business and Professional Claims) shall not exceed an amount acceptable to the Consenting Noteholders;

(v) all documentation related to the Plan (including the Exit Facility Documents), shall be in form and substance acceptable to the Debtors and the Consenting Noteholders and shall have been executed by all parties thereto and shall be in full force and effect;

(vi) the Debtors shall have received all authorizations, consents, regulatory approvals, rulings, no-action letters, opinions or documents necessary to implement the Plan and that are required by law, regulation, or order; and

(vii) the amended and restated certificate of incorporation for Reorganized Rotech shall have been filed with the Secretary of State of the State of Delaware.

2. Waiver of Conditions Precedent. Each of the conditions precedent in section 10.1 may be waived in writing by the Consenting Noteholders or the Debtors (with the prior consent of the Consenting Noteholders), as applicable.

3. **Notice of Confirmation of the Plan.** Notice of entry of the Confirmation Order shall be provided by the Debtors as required by Bankruptcy Rule 3020(c)(2) and any applicable local rules of the Bankruptcy Court.

4. **Notice of Effective Date of the Plan.** Notice of the Effective Date shall be provided by the Debtors in the same manner provided with respect to notice of entry of the Confirmation Order, and any applicable local rules of the Bankruptcy Court.

5. **Termination of Plan for Failure to Become Effective.** If the Effective Date shall not have occurred on or prior to the date that is 30 days after the date of the Confirmation Hearing, then the Plan shall terminate and be of no further force or effect unless the provisions of section 10.5 of the Plan are waived in writing by the Consenting Noteholders.

K. RETENTION OF SUBJECT MATTER JURISDICTION

1. **Retention of Jurisdiction.** The Bankruptcy Court and the District Court of which it is a unit shall retain subject matter jurisdiction and, to the fullest extent allowed by law, retain all exclusive jurisdiction it has over any matter arising under the Bankruptcy Code, arising in or related to the chapter 11 cases or the Plan, including without limitation all matters:

- a. to interpret, enforce, and administer the terms of the Plan, the Plan Documents (including all annexes and exhibits thereto), and the Confirmation Order;
- b. to resolve any matters related to the assumption, assignment, or rejection of any Executory Contract and to hear, determine and, if necessary, liquidate, any related Claims, including with respect to any Cure Amount;
- c. to enter such orders as may be necessary or appropriate to implement or consummate the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan;
- d. to determine any and all motions, adversary proceedings, applications, and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Reorganized Debtors after the Effective Date including, without limitation, any claims to recover assets for the benefit of the Reorganized Debtors estate, except for matters waived or released under the Plan;
- e. to enforce all Distributions required by the Plan;
- f. to hear and determine any timely objections to Administrative Expense Claims or to [proofs of Claim], both before and after the Effective Date, including any objections to the classification of any Claim, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured status of any Claim in whole or in part;
- g. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason modified;
- h. to issue such orders in aid of execution of the Plan, to the extent authorized by the Bankruptcy Code;

- i. to consider any modifications of the Plan to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;
- j. to hear and determine applications for allowances of compensation and reimbursement of expenses of professionals under sections 330 and 331 of the Bankruptcy Code and any other fees and expenses authorized to be paid or reimbursed under the Plan;
- k. to hear and determine disputes arising in connection with or relating to the Plan or the interpretation, implementation, or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released under the Plan;
- l. to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;
- m. to recover all assets of the Debtors and property of the Debtors' estates, wherever located;
- n. to resolve any Disputed Claims;
- o. to determine the scope of any discharge of any Debtor under the Plan or the Bankruptcy Code;
- p. to determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Disclosure Statement, including any of the Plan Documents;
- q. to the extent that Bankruptcy Court approval is required, to consider and act on the compromise and settlement of any Claim or cause of action by or against the Debtors' estates;
- r. to hear and determine any other matters that may be set forth in the Plan, the Confirmation Order, or that may arise in connection with the Plan or the Confirmation Order;
- s. to hear and determine any proceeding that involves the validity, application, construction, or enforceability of, or that may arise in connection with, the Plan or the Confirmation Order or any other Order entered by the Bankruptcy Court during the chapter 11 cases;
- t. to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of tax under section 505(b) of the Bankruptcy Code);
- u. to hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code; and
- v. to enter a final decree closing the chapter 11 cases.

2. Abstention and Other Courts. If the Bankruptcy Court or District Court abstains from exercising subject matter jurisdiction or is otherwise without jurisdiction over any matter arising out of or relating to the

chapter 11 cases, this section of the Plan shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

L. MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN

1. **Plan Modifications.** Except as otherwise specifically provided in the Plan, and subject to the Plan Support Agreement, the DIP Documents, and conditions to the Effective Date, the Debtors reserve the right to modify the Plan and seek confirmation consistent with the Bankruptcy Code. Subject to section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and the restrictions on modifications set forth in the Plan, each of the Debtors expressly reserves its respective rights to revoke or withdraw or to alter, amend or modify materially the Plan with respect to such Debtor, one or more times, after the Confirmation Date, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan, subject to the terms of the Plan Support Agreement, the DIP Documents, and conditions to the Effective Date.

2. **Effect of Confirmation on Modifications.** Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

3. **Revocation or Withdrawal of Plan.** Subject to the Plan Support Agreement and conditions to the Effective Date, the Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date and to file subsequent chapter 11 plans. If the Debtors revoke or withdraw the Plan, or if the Confirmation Date or the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of executory contracts effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by such Debtor or any other Entity.

M. MISCELLANEOUS PROVISIONS

1. **Effectuating Documents and Further Transactions.** Each of the officers of the Reorganized Debtors is authorized, to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such action as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

2. **Withholding and Reporting Requirements.** In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the Debtors, Reorganized Debtors or any other paying agent, as applicable, shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all Distributions under the Plan shall be subject to any such withholding or reporting requirements. Notwithstanding the above, each holder of an Allowed Claim or Allowed Equity Interest that is to receive a Distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution. Any party issuing any instrument or making any Distribution under the Plan has the right, but not the obligation, to refrain from making a Distribution, until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

3. **Exemption from Transfer Taxes.** Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of notes, equity interests or other plan securities pursuant to the Plan or any documents thereunder, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or

sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan or any documents thereunder, shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax or government assessment. The appropriate state or local government official or agent shall be directed by the Bankruptcy Court to forego the collection of any such tax or government assessment and to accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or government assessment.

4. Expedited Tax Determination. The Reorganized Debtors are entitled to an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Debtors for any and all taxable periods ending after the Commencement Date through, and including, the Effective Date.

5. Payment of Statutory Fees. All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid by the Debtors on or before the Effective Date, and Debtors shall continue to remit payments in accordance with such statute following the Effective Date to the extent required.

6. Post-Confirmation Date Professional Fees and Expenses. The Reorganized Debtors shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and out-of-pocket expenses of professional persons incurred from and after the Effective Date by the Reorganized Debtors.

7. Trustee Claims. The Reorganized Debtors shall pay the Trustee Claims (a) on the Effective Date in respect of outstanding invoices submitted on or prior to the tenth business day immediately preceding the Effective Date, and (b) within ten (10) business days following receipt by the Reorganized Debtors of the applicable invoice, in respect of invoices submitted after the tenth Business Day immediately preceding the Effective Date; provided, however, that to receive payment pursuant to section 13.7 of the Plan, each Trustee shall provide reasonable and customary detail along with or as part of all invoices submitted in support of its respective Trustee Claims to the attorneys for the Reorganized Debtors, and the United States Trustee. The Reorganized Debtors and the United States Trustee shall have the right to file objections to such Claims based on a “reasonableness” standard within ten (10) days after receipt of such invoices, including supporting documentation. Any disputed amount of such Claims shall be subject to the jurisdiction of, and resolution by, the Bankruptcy Court. If an objection is timely filed to a Trustee Claim, the Bankruptcy Court shall hold a hearing on notice to determine the reasonableness of such Claim. Upon payment of such Trustee Claims in full or by resolution of the Bankruptcy Court, each such Trustee will be deemed to have released its lien and priority rights for its fees and expenses under the respective indenture or loan agreement solely to the extent of such Claims.

8. Plan Supplement. A substantially final form of the documents to be included in the Plan Supplement shall be filed with the clerk of the Bankruptcy Court and posted to the website of Epiq Bankruptcy Solutions, LLC, <http://www.epiq11.com/Rotech>, as they become available, but no later than ten (10) days prior to the last date by which holders of Impaired Claims and holders of Equity Interests entitled to vote on the Plan may vote to accept or reject the Plan. Upon its filing with the clerk of the Bankruptcy Court, the Plan Supplement may be inspected in the office of the clerk of the Bankruptcy Court during normal court hours.

9. Substantial Consummation. On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code once the Reorganized Rotech Common Stock has been delivered to the holders of the Second Lien Notes Claims.

10. Severability. If, prior to the Confirmation Date, any term or provision of the Plan or any of the Plan Documents shall be held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, with the written consent of the Debtors and the Consenting Noteholders, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the

term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan or the Plan Documents as the case may be, shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan and the Plan Documents, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

11. Governing Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent that an exhibit hereto or document contained in the Plan Supplement provides otherwise, the rights, duties and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the Bankruptcy Code and, to the extent not inconsistent therewith, the laws of the State of New York, without giving effect to principles of conflicts of laws.

12. Deemed Acts. Whenever an act or event is expressed under the Plan to have been deemed done or to have occurred, it shall be deemed to have been done or to have occurred without any further act by any party, by virtue of the Plan and the Confirmation Order.

13. Exhibits/Schedules. All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are part of the Plan as if set forth in full herein.

14. Notices. All notices, requests, and demands to or upon the Debtors or the Reorganized Debtors to be effective shall be in writing, including by facsimile transmission, and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Rotech Healthcare Inc.
2600 Technology Drive, Suite 300
Orlando, FL 32804
Attention: Rebecca L. Myers
Fax: 407.521.9814

With a copy to:

Proskauer Rose LLP
Eleven Times Square
New York, New York 10028
Attention: Martin J. Bienenstock, Esq.
Geoffrey T. Raicht, Esq.
Vincent Indelicato, Esq.
Fax: 212.969.2900

-and-

Young Conaway Stargatt & Taylor, LLP
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Attention: James L. Patton, Jr., Esq.
Robert S. Brady, Esq.
Joseph M. Barry, Esq.
Fax: 302.571.1253

15. **No Admissions.** Notwithstanding anything herein to the contrary, nothing in the Plan shall be deemed as an admission by the Debtors with respect to any matter set forth herein, including, but not limited to, any liability on any Claim.

16. **Time.** In computing any period of time prescribed or allowed by the Plan, unless otherwise set forth herein or determined by the Bankruptcy Court, Bankruptcy Rule 9006 shall apply.

17. **Section Headings.** The section headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan.

18. **Inconsistencies.** To the extent of any inconsistencies between the information contained in the Disclosure Statement and the Plan, the terms and provisions contained in the Plan shall govern.

VI. RISK FACTORS AND OTHER FACTORS TO BE CONSIDERED

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, HOLDERS OF IMPAIRED CLAIMS OR EQUITY INTERESTS ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CAREFULLY CONSIDER EACH OF THE FACTORS SET FORTH BELOW, AS WELL AS OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE DOCUMENTS DELIVERED WITH AND/OR INCORPORATED BY REFERENCE IN THIS DISCLOSURE STATEMENT.

THE RISKS AND UNCERTAINTIES DESCRIBED BELOW SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. BANKRUPTCY RISKS

1. Risk of Non-Confirmation of the Plan

The Debtors cannot ensure they will receive the requisite Plan acceptances to confirm the Plan. Even if the Debtors receive the requisite Plan acceptances, the Debtors cannot ensure the Bankruptcy Court will confirm the Plan. The adequacy of this Disclosure Statement or the balloting procedures and results may be challenged as not being in compliance with the Bankruptcy Code, and even if the Bankruptcy Court determines the Disclosure Statement and the balloting procedures and results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for confirmation have not been met. Bankruptcy Code section 1129 sets forth the requirements for confirmation, including, among other things: (i) a finding by a bankruptcy court that a plan “does not discriminate unfairly” and is “fair and equitable” with respect to any non-accepting classes; (ii) confirmation is not likely to be followed by a liquidation or a need for further reorganization; and (iii) the value of the distributions to non-accepting

holders of claims and interests within a particular class under the plan will not be less than the value of distributions those holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors believe the Plan satisfies all of these requirements, there can be no assurance the Bankruptcy Court will reach the same conclusion. In particular, the Plan embodies various settlements and compromises and there can be no assurance the Bankruptcy Court will approve those settlements and compromises as part of the confirmation of the Plan. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that the modifications will not necessitate the re-solicitation of votes.

2. Parties in Interest May Object to the Debtors' Classification of Claims

Bankruptcy Code section 1122 provides that a chapter 11 plan may place a claim or an interest in a particular class only if the claim or interest is substantially similar to the other claims or interests in the class. The Debtors believe the classification of Claims and Equity Interests under the Plan complies with the Bankruptcy Code requirements. There is no assurance, however, that the Bankruptcy Court will reach the same conclusion, which could delay or prevent confirmation of the Plan.

3. Non-Consensual Confirmation

If an Impaired Class of Claims does not accept the Plan, the Bankruptcy Court may nonetheless confirm the Plan at the Debtors' request if at least one Impaired Class has accepted the Plan (the acceptance being determined without including the vote of any "insider" in that Impaired Class), and as to each Impaired Class that has not accepted the Plan, if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the rejecting Impaired Classes. The Debtors believe the Plan satisfies these requirements.

4. Risk of Non-Occurrence or Delayed Occurrence of the Effective Date

Although the Debtors believe the Effective Date will occur soon after the Confirmation Date and following satisfaction of any applicable conditions precedent, there can be no assurance as to the timing of the Effective Date.

5. Certain Tax Consequences of the Plan are Complex and Subject to Substantial Uncertainties

Some of the material consequences of the Plan regarding United States federal income taxes are described in Section IX. The U.S. federal income tax consequences of the Plan are complex and are subject to substantial uncertainties, including by reason of dependence on certain factual determinations. The Debtors have not requested, and do not expect to request, a ruling from the IRS with respect to any of the tax aspects of the Plan, and the discussion of certain U.S. federal income tax consequences of the Plan in Section IX is not binding upon the IRS. Thus, no assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any discussed in this Disclosure Statement, resulting in U.S. federal income tax consequences substantially different from those discussed in this Disclosure Statement. In addition, the Debtors have not requested, and do not expect to request, an opinion of counsel with respect to any of the tax aspects of the Plan.

For a more detailed discussion of certain U.S. federal income tax consequences and risks related to the Plan, including positions the Debtors intend to take with respect to certain tax issues, please see Section IX of the Plan.

6. Undue Delay in the Confirmation of the Plan May Significantly Disrupt Operations of the Debtors

The impact of a continuation of the chapter 11 cases on the Debtors' operations and business cannot be accurately predicted or quantified. Continuation of the chapter 11 cases over a protracted period could adversely affect

the Debtors' operations and relationships with their vendors, customers, regulators, and employees. Also, transactions outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit the Company's ability to respond timely to certain events or take advantage of certain opportunities. If confirmation of the Plan is substantially delayed, the result would include, among other things, increases in costs, professional fees, and similar expenses. In addition, prolonged chapter 11 cases may make it more difficult to retain management and other key personnel.

7. The Chapter 11 Cases may adversely affect the Company's operations going forward

The fact that the Company has been subject to the chapter 11 cases may adversely affect the Company's operations going forward, including its ability to negotiate favorable terms from suppliers and hedging counterparties and to attract and retain customers. The failure to obtain favorable terms and retain customers could adversely affect the Company's profitability and financial condition and performance.

8. Certain liabilities will not be fully extinguished as a result of the Confirmation of the Plan by the Bankruptcy Court

While most of the Debtors' current liabilities will be discharged upon emergence from the chapter 11 cases, a number of obligations may remain in effect following the Effective Date. Various agreements and liabilities will remain in place, such as certain employee benefit obligations, and other contracts that, even if modified during the chapter 11 cases, will still subject the Debtors to substantial obligations and liabilities.

9. Plan Releases May Not be Approved

There is no assurance the Plan releases, as provided in Article IX of the Plan and as described in this Disclosure Statement, will be granted. Failure of the Bankruptcy Court to grant this relief may result in a chapter 11 plan that differs from the Plan.

10. Distribution to Shareholders May Not be Approved if any Class of Claims Rejects the Plan

If an Impaired Class of Claims rejects the Plan, the Plan can only be confirmed if it satisfies the conditions provided in Bankruptcy Code section 1129(b) (commonly referred to as a "Cramdown Plan"). Under section 1129(b), a Cramdown Plan is confirmable so long as it "does not discriminate unfairly" and is "fair and equitable" with respect to the rejecting Impaired Classes. The condition that the Plan be "fair and equitable" with respect to a Class of unsecured Claims means that either (i) the Plan provides that the unsecured claimholders within the rejecting Class receive a distribution of equal value to the allowed amount of their Claim or (ii) no holder of a Claim or Equity Interest junior to the rejecting Class receives any distribution under the Plan on account of such junior Claim or Equity Interest. Thus, if a Class of unsecured Claims rejects the Plan and the claimholders in such Class do not receive a distribution of equal value to the allowed amount of their Claim, the Plan can only be confirmed if shareholders do not receive any distribution under the Plan. There are certain exceptions to these rules, but there can be no assurance the Plan will satisfy any of the exceptions.

B. RISKS RELATED TO THE CAPITALIZATION OF THE REORGANIZED DEBTORS

1. The Company Will Require Significant Financing to Emerge from the Chapter 11 Cases

On the Effective Date, after giving effect to the transactions contemplated by the Plan, the Reorganized Debtors will have incurred approximately \$[] million of term debt and will have access to a \$[] million revolving credit facility, both of which will be secured indebtedness as part of the exit financing. Significant amounts of cash flow will be dedicated to making payments of interest on this indebtedness. The Debtors expect the Reorganized Debtors will be able to satisfy their obligations as they become due in the ordinary course of business.

The Reorganized Debtors' ability to make payments on their obligations is dependent upon their ability to generate cash in the future. There can be no assurance the Reorganized Debtors will be able to generate sufficient cash flow from operations or that future borrowings, if needed, will be available to enable the Reorganized Debtors to pay their obligations or to fund their other liquidity needs.

2. The Plan Exchanges certain Claims and Equity Interests for Equity

If the Plan is confirmed, holders of certain Claims and Equity Interests will receive Reorganized Rotech Common Stock. Thus, in agreeing to the Plan, holders of these Claims will be consenting to the exchange of their interests in senior debt, which has, among other things, a stated interest rate, a maturity date, and a liquidation preference over equity securities, for Reorganized Rotech Common Stock, which will be subordinated to all future non-equity based Claims.

3. Absence of Trading Market for Reorganized Rotech Common Stock

The Reorganized Rotech Common Stock will not be listed on any national securities exchange and, as a result, no level of liquidity in the market can be ensured. Accordingly, no assurance can be given that a holder of those securities will be able to sell them in the future or as to the price at which any sale might occur. If a holder of the securities is able to sell them in the future, the sale would have to qualify for an available exemption from registration under the Securities Act and under equivalent state securities or "blue sky" laws. Additionally, if a holder of the securities is able to sell them in the future, the price of the securities could be higher or lower than the value ascribed to them in this Disclosure Statement, depending upon many factors, including whether a market exists for these securities, industry conditions, and the performance of and investor expectations for, the Reorganized Debtors.

For a more detailed discussion of securities law matters, please see Section X of the Plan.

4. Holders' Ability to Sell Reorganized Rotech Common Stock

The valuation analysis used to determine the value of Reorganized Rotech Common Stock was based upon the estimated value of the Reorganized Debtors' operations on a going concern basis plus the estimated cash balance at the assumed Effective Date of []. The valuation analysis was not intended to represent the trading value of the Reorganized Rotech Common Stock in public or private markets.

Factors that may cause fluctuations in the price of Reorganized Rotech Common Stock include:

- i. *changes in the Reorganized Debtors' operating performance;*
- ii. *prevailing interest rates;*
- iii. *conditions in the financial markets;*
- iv. *anticipated holding period of securities received by prepetition creditors;*
- v. *developments in the Reorganized Debtors' industry and economic conditions generally;*
- vi. *changes in the prospects or financial performance of companies engaged in similar businesses;*
- vii. *changes in, or new interpretations or applications of, laws and regulations applicable to the Reorganized Debtors' business;*
- viii. *significant sales of Reorganized Rotech Common Stock;*

- ix. *the availability of an active trading market for the Reorganized Rotech Common Stock;*
- x. *speculation in the press or investment community regarding the Reorganized Debtors' business, officers, employees, or facts or events that may directly or indirectly affect their business;*
- xi. *Reorganized Debtors' capital structure, including amount of indebtedness;*
- xii. *Reorganized Debtors' dividend policy;*
- xiii. *investor perception of Reorganized Debtors';*
- xiv. *lack of ability to market Reorganized Rotech Common Stock; and*
- xv. *other factors which generally influence the price of securities.*

5. Upon Consummation of the Plan, There May Be Significant Holders of the Reorganized Rotech Common Stock

Upon consummation of the Plan, certain holders of Claims may hold shares of Reorganized Rotech Common Stock representing a substantial percentage of the outstanding shares of the Reorganized Rotech Common Stock. If individual holders of Claims obtain a sufficiently sizeable position of Reorganized Rotech Common Stock, those holders could be in a position to influence the outcome of actions requiring shareholder approval, including, among other things, the election of board members. This concentration of ownership could also facilitate or hinder a negotiated change of control of Rotech and, consequently, impact the value of the Reorganized Rotech Common Stock. Furthermore, the possibility that one or more holders of a significant number of shares of the Reorganized Rotech Common Stock may sell all or a large portion of its shares of the Reorganized Rotech Common Stock in a short period of time may adversely affect the trading prices of the Reorganized Rotech Common Stock.

6. [The Reorganized Rotech Common Stock May Be Issued in Odd Lots

Holders of certain Allowed Claims may receive odd lot distributions (i.e., less than 100 shares or units) of Reorganized Rotech Common Stock under the Plan. Holders may find it more difficult to dispose of odd lots in the marketplace and may face increased brokerage charges in connection with a disposition.]

7. [Upon Consummation of the Plan, There May Be Restrictions on the Transfer of Reorganized Rotech Common Stock by Certain Holders

Holders of Reorganized Rotech Common Stock issued pursuant to the Plan who are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code, and those holders who are deemed to be "affiliates" or "control persons" within the meaning of the Securities Act and the rules promulgated thereunder, will be unable to freely transfer or to sell their Reorganized Rotech Common Stock except pursuant to (a) "ordinary trading transactions" by a holder that is not an "issuer" within the meaning of section 1145(b), (b) an effective registration of the securities under the Securities Act and under equivalent state securities or "blue sky" laws, or (c) pursuant to the provisions of Rule 144 or Regulation S under the Securities Act or another available exemption from the registration requirements of the Securities Act.]

C. VARIANCE FROM ESTIMATES AND PROJECTIONS

The estimated recoveries and projections set forth in this Disclosure Statement are highly speculative and based on information available at the time each analysis was prepared. **ACTUAL RESULTS WILL VARY AND MAY VARY MATERIALLY FROM THOSE REFLECTED IN THIS DISCLOSURE STATEMENT.** Refer to the entirety of this Section VI for a discussion of potential risks and variances.

1. Financial Projections

The Debtors have prepared the projections set forth in Exhibit F (and incorporated into the estimated creditor recoveries included in this Disclosure Statement) based on certain assumptions they believe are reasonable under the circumstances. An overview of the assumptions underlying the financial projections is described in Section VIII of this Disclosure Statement and a more detailed description of the assumptions is set forth in Exhibit F. The projections have not been compiled or examined by independent accountants. The Debtors make no representations regarding the accuracy of the projections for the Reorganized Debtors or the ability of the Reorganized Debtors to achieve forecasted results. Many of the assumptions underlying the projections are subject to significant uncertainties.

The Reorganized Debtors' performance over the long term is inherently uncertain, especially in today's economic climate and rapidly-changing technology. Preparing financial projections that predict results for more than a year into the future requires the application of many subjective assumptions that are subject to variation and fluctuation, in many cases for reasons beyond the control of the preparer. It is difficult to estimate how the current economic climate will affect the demand for the Company's products and the costs of the raw materials and chemicals needed for production. Based on their analysis of the home medical equipment industry, the Debtors believe their performance will be sufficient to fulfill their obligations under the Plan.

Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the Reorganized Debtors' ultimate financial results. Therefore, the actual results achieved will vary from the forecasts, and the variations may be material. In evaluating the Plan, holders of Claims are urged to examine carefully all of the assumptions underlying the financial projections.

2. Estimated Recoveries

The recovery estimates set forth in this Disclosure Statement are based on various estimates and assumptions set forth in the table in Section V. For example, if the estimated amount of Allowed Claims relied upon to calculate the estimated recoveries ultimately varies significantly from the actual amount of Allowed Claims, actual recoveries on Claims will vary significantly as well. Similarly, as the estimated amount of Allowed Claims is based upon information available to the Debtors as of [], the actual results may vary significantly as Claims are Allowed, Disallowed, or otherwise resolved over time.

In deciding whether to vote to accept or reject the Plan, holders of Claims must make their own determination as to the reasonableness of the assumptions and the reliability of the projected recoveries and should consult with their own advisors.

The Recovery Analysis should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement, including in the Sections titled "Description and History of the Company's Businesses," "The Chapter 11 Plan," "Risk Factors and Other Factors to be Considered," and "Certain United States Federal Income Tax Consequences of the Plan." See Sections II, V, VI, and IX.

3. Liquidation Analysis

The Debtors have prepared the Liquidation Analysis attached as Exhibit G based on certain assumptions that they believe are reasonable under the circumstances. Those assumptions the Debtors consider significant are described in the Liquidation Analysis. The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. No independent appraisals were conducted in preparing the Liquidation Analysis. Accordingly, while deemed reasonable based on the facts currently available, neither the Debtors nor their advisors make any representations or warranties that the actual results would or would not approximate the estimates and assumptions represented in the Liquidation Analysis.

The determination of the costs of, and proceeds from, the hypothetical liquidation of the Debtors' assets in a chapter 7 case is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors, their management, and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results in an actual chapter 7 liquidation.

D. RISKS ASSOCIATED WITH THE BUSINESS

1. **Rotech's failure to comply with the financial covenants contained in its Amended First Lien Term Loan would likely have a material adverse effect on its operating results and financial condition, including the possibility that the company may not be able to make payments on the Amended First Lien Term Loan**

Rotech's Amended First Lien Term Loan may contain covenants limiting its ability and the ability of its restricted subsidiaries to, among other things: sell assets; pay dividends or make other distributions or repurchase or redeem the company's stock; incur or guarantee additional indebtedness; incur certain liens; make loans and investments; enter into agreements restricting its subsidiaries' ability to pay dividends; consolidate, merge or sell all or substantially all of its assets, and enter into transactions with affiliates. Any of these restrictions could limit Rotech's ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict corporate activities.

Rotech's ability to comply with these covenants may be affected by events beyond its control, and an adverse development affecting its business could require the company to seek waivers or amendments of covenants, alternative or additional sources of financing or reductions in expenditures. Rotech cannot assure you that such waivers, amendments or alternative or additional financings could be obtained on acceptable terms or at all. Failure to comply with the covenants in Rotech's Amended First Lien Term Loan could, under certain circumstances, result in declarations that all outstanding borrowings, together with accrued interest and other fees, be immediately due and payable, lenders could elect to exercise control over the company's cash through their rights under applicable deposit account control agreements, and foreclosure proceedings could be instituted against those assets that secure the Amended First Lien Term Loan. If Rotech's debt were accelerated upon an event of default, the company's assets and cash flow would be insufficient to fully repay its outstanding borrowings.

2. **Servicing Rotech's indebtedness will require a significant amount of cash. Rotech's ability to generate sufficient cash depends on numerous factors beyond its control, and the company may be unable to generate sufficient cash flow to service its debt obligations**

Rotech's ability to make payments on or to refinance its indebtedness will depend on the company's ability to generate cash in the future. This to a certain extent, is subject to general economic, political, financial, competitive, legislative, regulatory and other factors that are beyond Rotech's control.

Rotech's current annual interest payments are approximately \$55.2 million to service its existing indebtedness. Rotech cannot assure you that its business will generate cash flow from operations in an amount sufficient to enable the company to pay its indebtedness or to fund its other liquidity needs. If Rotech's cash flows and capital resources are insufficient to allow it to make scheduled payments on its indebtedness, the company may need to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of its indebtedness on or before maturity. Rotech cannot assure you that it will be able to refinance any of its indebtedness on commercially reasonable terms, or at all, or that these measures would satisfy the company's scheduled debt service obligations. If Rotech is unable to generate sufficient cash flow or refinance its debt on favorable terms, it could have a material adverse effect on the company's financial condition, and Rotech's ability to make any required cash payments under its indebtedness, including the Amended First Lien Term Loan.

3. Failure to maintain current levels of collectability of Rotech's accounts receivable likely would have a significant negative impact on its profitability and cash flow

Rotech derives a significant majority of its revenues from reimbursement by third-party payors. Rotech accepts assignment of insurance benefits from patients and, in most instances, invoices and collects payments directly from Medicare, Medicaid and private insurance carriers, as well as from patients under co-insurance provisions. The company's financial condition and results of operations may be affected by the reimbursement process, which in the health care industry is complex and can involve lengthy delays between the time that services are rendered and the time that the reimbursement amounts are settled. Depending on the payor, Rotech may be required to obtain certain payor-specific documentation from physicians and other health care providers before submitting claims for reimbursement. Certain payors have filing deadlines after which they will not pay submitted claims. As such, there can be no assurance that Rotech will be able to maintain its current levels of collectability or that third-party payors will not experience financial difficulties. Rotech may be unable to collect its accounts receivable on a timely basis, which likely would result in a significant decline in its operating cash flows.

4. A significant number of Rotech's outstanding shares of common stock are concentrated in a small number of stockholders which, acting together, could exercise significant influence over certain aspects of the company's business

As of the Effective Date, Rotech's four largest stockholders will hold in the aggregate approximately 92% of its outstanding common stock. These stockholders, acting together, could exercise significant influence on all matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions. In addition, any of these large stockholders acting independently could work to frustrate the majority.

5. A significant percentage of Rotech's business is derived from patients with primary health coverage under Medicare Part B, and as such, any decreases in Medicare Part B reimbursement rates are likely to have a material adverse effect on the company's financial condition, revenues, profit margins, profitability, operating cash flows, and results of operations

As a home medical equipment ("HME") provider, Rotech is heavily dependent on Medicare reimbursement with approximately 36.8% of its revenue reimbursed under Medicare Part B. There are increasing pressures on Medicare to control health care costs and to reduce or limit reimbursement rates for home medical equipment and services. Medicare reimbursement is subject to statutory and regulatory changes, retroactive rate adjustments, administrative and executive orders and governmental funding restrictions, all of which could materially decrease payments to Rotech for the services and equipment it provides.

6. Health care reform, including recently enacted legislation, may have a material adverse effect on Rotech's industry and its results of operations

In March 2010, the President signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (the “PPACA”), which substantially changes the way health care is financed by both governmental and private insurers, and significantly impacts the pharmaceutical and medical device industries. There are also current proposals at the federal level to impose additional measures involving Rotech’s industry. President Obama’s budget proposal for fiscal year 2013 includes provisions that may limit Medicaid reimbursement levels for certain durable medical equipment based on Medicare’s competitive bidding payment rates.

Further, in January 2011 the U.S. Government Accountability Office released a report that found that Medicare payment rates for home oxygen generally exceeded other payors’ rates and recommended that the CMS unbundle payment for portable oxygen refills from the rental payment for stationary equipment. CMS disagreed with the recommendations on the grounds that such policy changes would not yield immediate savings to the program, but it remains uncertain whether CMS or Congress will take action to further reduce payments for home oxygen. Rotech cannot predict at this time the impact of the PPACA and/or other healthcare reform measures that may be adopted in the future on the company’s financial condition, revenues, profit margins, profitability, operating cash flows and results of operations.

7. Recent regulatory changes subject the Medicare reimbursement rates for Rotech’s equipment and services to additional reductions and to potential discretionary adjustment by CMS, which could reduce Rotech’s revenues, net income and cash flows

CMS has authority to make adjustments to reimbursement for HME. With the passage of the Balanced Budget Act of 1997 (the “BBA”), CMS may determine to increase or reduce the reimbursement for HME, including oxygen, by up to 15% each year under an inherent reasonableness procedure. The regulation implementing the inherent reasonableness authority establishes a process for adjusting payments for certain items and services covered by Medicare Part B when the existing payment amount is determined to be grossly excessive or deficient. The regulation lists factors that may be used by CMS and its Medicare contractors to determine whether an existing reimbursement rate is grossly excessive or deficient and to determine what a realistic and equitable payment amount is. Also, under the regulation, CMS and its contractors will not consider a payment amount to be grossly excessive or deficient and make an adjustment if they determine that an overall payment adjustment of less than 15% is necessary to produce a realistic and equitable payment amount. The implementation of the inherent reasonableness procedure itself does not trigger payment adjustments for any items or services and to date, no payment adjustments have occurred or been proposed under this inherent reasonableness procedure.

Though the inherent reasonableness authority has not been exercised, in past years, CMS historically has reduced the published Medicare reimbursement rates for HME to an amount based on the payment amount for the least costly alternative (“LCA”) treatment that met the Medicare beneficiary’s medical needs. LCA determinations have been applied to particular products and services by CMS contractors who establish local coverage policies for HME. With respect to its LCA policies, on October 16, 2008, a U.S. District Court in the District of Columbia held that CMS did not have authority to implement LCA determinations in setting payment amounts for an inhalation drug. This decision was upheld by the U. S. Court of Appeals and, as a result, CMS and its contractors withdrew their LCA policy for the inhalation drug. In addition, CMS instructed its contractors that they may no longer apply LCA policies to any HME. Effective February 4, 2011, all coverage policies have been revised to eliminate their LCA provisions.

8. The implementation of the competitive bidding process under Medicare and proposed payment policy changes for certain HME items could negatively affect Rotech’s business and financial condition

In 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the “MMA”) instructed CMS to establish and implement a competitive bidding program throughout the United States under which a contract award process would be used for the furnishing of competitively priced items of HME, including oxygen equipment. However, on July 15, 2008, the United States Congress, following an override of a Presidential veto, enacted the Medicare Improvements for Patients and Providers Act of 2008 (the “MIPPA”), which: (1) retroactively delayed the

implementation of competitive bidding for eighteen months; (2) terminated all existing contracts previously awarded; and (3) included a 9.5% nationwide reduction in reimbursement effective January 1, 2009 for the product categories included in competitive bidding, as a budget-neutrality offset for the eighteen month delay. MIPPA negatively impacted Rotech's revenue and net income by approximately \$17.8 million for the year ended December 31, 2009.

On January 16, 2009, CMS published an interim final rule with comment period (the "IFC") which announced the delay of Round 1 of the program from 2007 to 2009. The Round 1 competition, also known as the Round 1 rebid, occurred in the same competitive bidding areas ("CBAs") as the 2007 Round 1 bidding, excluding Puerto Rico. The product categories for 2009 were the same as those selected for the 2007 Round 1 bidding, with the exception of negative pressure wound therapy and Group 3 complex rehabilitative wheelchairs. Rotech submitted its bids for each of the respective CBAs and product categories prior to the deadline.

On July 2, 2010 CMS announced the single payment amount for each of the respective Round 1 rebid CBAs and product categories and began offering contracts to certain bidders. CMS announced the participating providers in November 2010. Rotech was awarded and has accepted 17 contracts. The contracts became effective January 1, 2011 and have a term of three years. On July 1 and September 9, 2011, Rotech completed two acquisitions in two of the Round 1 rebid CBAs. As part of these acquisitions, the company assumed 6 additional competitive bidding contracts, for a total of 23.

The average reduction from current Medicare payment rates in this round of competitive bidding across the CBAs is 32%. Suppliers that were not contracted by CMS may continue to provide certain rental and oxygen equipment for those beneficiaries that were patients at the time the program begins and will be known as "grandfathered suppliers." In CBAs and for product categories where Rotech may not be a contracted supplier, the company intends to service its Medicare patients as grandfathered suppliers under applicable guidelines. Based upon CMS released information, it appears that approximately 70% of the existing number of providers across the Round 1 rebid CBAs were not awarded competitive bidding contracts and will therefore not be able to provide competitive bidding products to new Medicare patients during the term of these contracts in the respective CBAs. Rotech has experienced volume increases in the CBAs where it was awarded contracts, which the company attributes in part to an increase in market share, during the year ended December 31, 2011 and the company believes, however, that these volume increases its market share gains in the cities where it was awarded contracts will more than offset the reductions in reimbursement rates over time. The application of the new competitive bid rates in the Round 1 rebid reduced Rotech's net revenue by approximately \$[1.3] million for the year ended December 31, 2011.

In addition, on November 2, 2010, CMS finalized certain changes impacting competitive bidding and current payment policies for certain items of durable medical equipment, prosthetics, orthotics, and supplies. CMS also solicited comments on whether to reduce the maximum number of payments a contract supplier would receive beyond the 13-month (for capped rental) and 36-month (for oxygen and oxygen equipment) caps when a beneficiary who is receiving the equipment from a non-contract supplier elects to switch to the contract supplier. To date CMS has not made any changes.

CMS is currently undertaking Round 2 of competitive bidding in 91 additional markets, with contracts expected to be effective in July 2013. Rotech's Medicare revenues from the product categories in the 91 additional markets to be included in Round 2 of competitive bidding were approximately \$54.0 million in 2011. The PPACA legislation requires CMS to expand competitive bidding further to additional geographic markets (certain markets may be excluded at the discretion of CMS) or to use competitive bid pricing information to adjust the payment amounts otherwise in effect for areas that are not competitive bidding areas by January 1, 2016.

Until such time that competitive bidding is fully implemented, Rotech will not be able to determine the program's full impact. In the event that changes are made to current policies or Rotech does not experience the anticipated increases in volume and market share in the future or Rotech is unsuccessful in subsequent rounds of

competitive bidding, the Medicare competitive bidding program could have a material adverse effect on the company's financial condition, profit margins, profitability, operating cash flows and results of operations.

9. CMS's final program safeguards for HME suppliers could have a material adverse effect on Rotech's industry and its results of operations

On August 27, 2010, CMS issued a final rule (first proposed in January 2008) that clarifies, expands and adds to the existing enrollment requirements that HME suppliers must satisfy to establish and maintain billing privileges in the Medicare program. While the rule first became effective on September 27, 2010, certain provisions are still being phased in to date and thus, Rotech cannot predict at this time the impact of the final supplier standards, which could have a material adverse effect on the company's business, financial condition and results of operations.

10. Future reductions in reimbursement rates under Medicaid could negatively affect Rotech's business and financial condition

Due to budgetary shortfalls, many states are considering, or have enacted, cuts to their Medicaid programs. These cuts have included, or may include, elimination or reduction of coverage for some or all of Rotech's equipment and services, amounts eligible for payment under co-insurance arrangements, or payment rates for covered items. Continued state budgetary pressures could lead to further reductions in funding for the reimbursement for Rotech's equipment and services which, in turn, could have a material adverse effect on the company's financial condition, revenues, profit margins, profitability, operating cash flows and results of operations. Further, President Obama's proposed budget for fiscal year 2013 includes provisions that may limit Medicaid reimbursement levels for certain durable medical equipment based on Medicare's competitive bidding payment rates. Rotech cannot predict at this time whether the President's proposal or other measures may be adopted in the future and the impact of such legislation on the company's financial condition, revenues, profit margin, profitability, operating cash flows and results of operations.

11. Future reductions in reimbursement rates from third-party payors could negatively affect Rotech's business and financial condition

Private payors continually seek to control the cost of providing health care services through direct contracts with health care providers, increased oversight and greater enrollment of patients in managed care programs and preferred provider organizations. These private payors are increasingly demanding discounted fee structures and the assumption by the health care provider of all or a portion of the financial risk. Reimbursement payments under private payor programs may not remain at current levels and may not be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs, and Rotech may suffer deterioration in pricing flexibility, changes in payor mix and growth in operating expenses in excess of increases in payments by private third-party payors. Rotech may be compelled to lower its prices due to increased pricing pressures, which could have a material adverse effect on the company's financial condition, revenues, profit margins, profitability, operating cash flows and results of operations.

12. Medicare surety bond requirements could result in significant additional cost in operating Rotech's business

Effective October 2, 2009, all HME suppliers, except those that are government operated, were required to obtain and furnish a \$50,000 surety bond to the NSC, the Medicare contractor responsible for enrollment, for each Medicare supplier number held (one per operating location). The surety bond requirement is designed to limit the Medicare program risk from fraudulent equipment suppliers and help to ensure that those suppliers who remain in the program furnish only items to Medicare beneficiaries that are considered reasonable and necessary from legitimate HME suppliers. Rotech maintains surety bonds covering all of its National Provider Identifier ("NPI") numbers at each of its operating locations. While the annual cost of obtaining these surety bonds is not currently material, there can be no assurance that future changes in the surety bond market will not result in increases to such annual cost or any potential associated collateral requirements. If Rotech is unable to maintain surety bonds for its operating locations or to the extent

that the issuing surety requires substantial additional collateral, these surety bond requirements could have a material adverse effect on the company's financial condition, revenues, profit margins, profitability, operating cash flows and results of operations.

13. Reforms to the United States healthcare system may adversely affect Rotech's business.

From time to time, Congress has proposed and passed a number of legislative initiatives, impacting HME suppliers. Currently pending are initiatives that include possible repeal of PPACA. In addition, a number of states have challenged the constitutionality of certain provisions of PPACA and many of these challenges are still pending final adjudication in several jurisdictions. At this time, it remains unclear whether there will be any changes made to PPACA, whether to certain provisions or its entirety. Rotech cannot assure you that PPACA, as currently enacted or as amended in the future, will not adversely affect its business and financial results, and the company cannot predict how future federal or state legislative or administrative changes relating to healthcare reform will affect its business.

In addition, other legislative changes have been proposed and adopted since PPACA was enacted. Most recently, on August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend proposals in spending reductions to Congress. The Joint Select Committee did not achieve a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reductions to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. The full impact on Rotech's business of PPACA and the new law is uncertain. Any reductions in Medicare or Medicaid reimbursement could materially adversely affect the company's profitability.

14. Rotech's pharmacy location and operations are subject to extensive regulation by state and federal authorities and there can be no assurance that the company is fully compliant with such regulations

Under the Federal Food Drug and Cosmetic Act, the Food and Drug Administration (the "FDA") imposes stringent regulations on the distribution, labeling, and other aspects of Rotech's medical gas and pharmacy operations. Under state law, Rotech's pharmacy locations must be licensed as in-state pharmacies to dispense pharmaceuticals in the relevant state of location. Rotech delivers pharmaceuticals from its pharmacy location in Kentucky to customers in 49 states, and, where required by state pharmacy law, the company must obtain and maintain licenses from each state to which it delivers such pharmaceuticals. Rotech is therefore subject to state boards of pharmacy laws and regulations in nearly all jurisdictions where it does business. These laws can vary significantly from state to state and, while Rotech continuously monitors state activities and changes in the law, there can be no assurance that it is fully compliant with all laws and regulations that may apply to its pharmacy operations in particular jurisdictions. Many states enforce their pharmacy laws through periodic facility inspections. State authorities may also raise inquiries or complaints regarding Rotech's pharmacy practices in connection with the renewal of its license in a particular state or for other reasons. Failure to comply with applicable FDA and other federal regulatory requirements can result in possible legal or regulatory action, such as warning letters, product seizure or recalls, suspension of operations, temporary or permanent injunctions, or possible civil or criminal penalties. Failure to comply with applicable state regulatory requirements can result in enforcement action, including fines, revocation, suspension or failure to renew Rotech's state pharmacy licenses, injunctions, seizures, and civil or criminal penalties.

15. Rotech's business, including its participation in the Medicare and Medicaid program, is subject to extensive laws and government regulations. Failure by Rotech to comply with these laws and regulations could subject it to severe sanctions and have a significant negative impact on its operations

Rotech is subject to stringent laws and regulations at both the federal and state levels. Existing United States laws governing Medicare and state health care programs such as Medicaid, as well as similar laws enacted in many

states, impose a broad variety of prohibitions on soliciting, receiving, offering or paying, directly or indirectly, any form of remuneration, payment or benefit for the referral of a patient for services or products reimbursable by Medicare or a state health care program. The federal government has published regulations that provide exceptions or “safe harbors” for business transactions that will be deemed not to violate these prohibitions. Further, the recently enacted PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal health care fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. In July 2012, CMS opened its Program Integrity Command Center which is designed to build and improve sophisticated predictive analytics that identify and combat fraud. Violation of these prohibitions may result in civil and criminal penalties and exclusion from participation in Medicare and state health care programs.

The PPACA also imposes new reporting and disclosure requirements on device and drug manufacturers for any “transfer of value” made or distributed to prescribers and other healthcare providers, effective March 30, 2013. Such information will be made publicly available in a searchable format beginning September 30, 2013. In addition, device and drug manufacturers will also be required to report and disclose any investment interest held by physicians and their immediate family members during the preceding calendar year. Failure to submit required information may result in civil monetary penalties of up to an aggregate of \$150,000 per year (and up to an aggregate \$1 million per year for “knowing failures”), for all payments, transfers of value or ownership or investment interests not reported in an annual submission. On December 14, 2011, CMS released its proposed rule implementing these provisions, providing further clarification to ambiguous or unclear statutory language and providing instructions for manufacturers to comply with such requirements. In addition, CMS estimates that approximately 1,000 device and medical supply companies will be required to comply with the disclosure requirements and that the average cost per entity will be approximately \$170,000 in the first year. CMS closed its comment period to the proposed rule on February 17, 2012.

The Stark Laws (and comparable state laws) impose a broad range of restrictions upon referring physicians (and their immediate families) and providers of certain designated health services under Medicare and state health care programs, including restrictions on financial relationships between the referring physicians and the providers of the designated health care services. Services that Rotech provides are classified as designated health services and fall within the regulatory scope of the Stark Laws. Significant criminal, civil, and administrative penalties may be imposed for violation of these laws.

Rotech is also subject to strict licensing and safety requirements by the federal government and many states. Furthermore, many state laws prohibit physicians from sharing professional fees with non-physicians and prohibit non-physician entities, such as Rotech, from practicing medicine and from employing physicians to practice medicine.

In addition, both federal and state government agencies have heightened and coordinated civil and criminal enforcement efforts as part of numerous ongoing investigations of health care companies, as well as their executives and managers. These investigations relate to a wide variety of matters, including referral and billing practices.

Further, amendments to the False Claims Act have made it easier for private parties to bring “qui tam” whistleblower lawsuits against companies. Some states have adopted similar state whistleblower and false claims provisions.

The Office of the Inspector General of the DHHS and the Department of Justice (the “DOJ”) have, from time to time, established national enforcement initiatives that focus on specific billing practices or other suspected areas of abuse. Some of Rotech’s activities could become the subject of governmental investigations or inquiries. In addition, Rotech or its executives could be included in other governmental investigations or named as defendants in private litigation, resulting in adverse publicity against the company.

If Rotech fails to comply with the laws and regulations relevant to its business, the company could be subject to civil and/or criminal penalties, demands from the government for refunds or recoupment of amounts previously paid to it by the government, facility shutdowns and possible exclusion from participation in federal health care programs such as Medicare and Medicaid, any of which could have a significant negative impact on the company's operations. Some statutory and regulatory provisions, principally in the area of billing, have not been interpreted by the courts and may be interpreted or applied in a manner that might adversely affect Rotech. Changes in health care laws or new interpretations of existing laws could have a material adverse effect on the company's financial condition, revenues, profit margins, profitability, operating cash flows and results of operations.

16. Lack of accreditation of Rotech's operating locations or failure to meet government standards for coverage and payment could result in a decline in the company's revenues

Currently, all of Rotech's operating locations are accredited by the Joint Commission (formerly referred to as the Joint Commission on the Accreditation of Healthcare Organizations). If future reviews by the Joint Commission do not result in continued accreditation of Rotech's operating locations, the company would likely experience a decline in its revenues. Further, as required by the MMA, any entity or individual that bills Medicare for home medical equipment and certain supplies and has a Medicare supplier number for submission of claims must be accredited as meeting quality standards issued by CMS as a condition of receiving payment from the Medicare program. The standards for HME suppliers consist of business-related standards, such as financial and human resources management requirements, which are applicable to all HME suppliers, and product-specific quality standards, and which focus on product specialization and service standards. The product-specific standards address several of Rotech's products, including oxygen and oxygen equipment, CPAP and power and manual wheelchairs and other mobility equipment. Rotech has revised its policies and procedures to ensure compliance in all material respects with the quality standards though there can be no assurance that it will be able to comply with the quality standards in all instances.

The MMA also authorized CMS to establish clinical conditions for payment for home medical equipment. These clinical conditions for payment could limit or reduce the number of individuals who can sell or provide Rotech's products and could restrict coverage for its products. Some clinical conditions have been implemented, such as the requirement for a face-to-face visit by treating physicians for beneficiaries seeking power mobility devices. In addition, the PPACA requires a face-to-face encounter by certain providers prior to certification for home health services or DME. Because Rotech has Medicare supplier numbers and are subject to clinical conditions for payment, the company's failure to meet such conditions could affect its ability to bill and, therefore, could have a material adverse effect on its financial condition, revenues, profit margins, profitability, operating cash flows and results of operations. At this time, Rotech cannot predict the full impact that the clinical conditions will have on its business.

17. Rotech is subject to periodic audits by governmental and private payors and as such it could be subject to fines, criminal penalties or program exclusions which could have a negative impact on revenues and operations

Rotech is subject to periodic audits by the Medicare and Medicaid programs, and the oversight agencies for these programs have authority to assert remedies against the company if they determine it has overcharged the programs or failed to comply with program requirements. These agencies could seek to require Rotech to repay any overcharges or amounts billed in violation of program requirements, or could make deductions from future amounts otherwise due to it from these programs. Further, the PPACA now requires that overpayments be reported and returned within 60 days of identification of the overpayment. Any overpayment retained after this deadline will now be considered an "obligation" for purposes of the False Claims Act and subject to fines and penalties. In February 2012, CMS proposed a rule to implement the PPACA requirement that would also create a ten-year "lookback period," for reporting and returning the "identified" overpayment. The proposed rule, if finalized, could require Rotech to expand its recordkeeping, compliance and reporting processes to comply with the rule's requirements. Rotech could also be subject to fines, criminal penalties or program exclusions. Private payors also reserve rights to conduct audits and make monetary adjustments.

18. Rotech is currently subject to a governmental investigation of an unknown focus which could have a negative impact on the company's revenues and operations

On March 12, 2013, a federal court in Orlando, Florida issued warrants authorizing the collection of various categories of our billing records. The warrants were executed on March 13, 2013 at Rotech's corporate headquarters in Orlando and the Winter Park, Florida, location for Rotech Systems Group. In addition, subpoenas for particular relevant records were served on certain of Rotech's locations. While Rotech cannot be certain of the focus of the investigation, it appears to be focused on the same subject matter as the inaccurate reimbursement for the provision of oxygen contents that the company identified, reported and repaid in 2012 to CMS, although there can be no assurance that the investigation does not focus on additional matters.

As described above, Foley conducted an extensive review of this matter at the Company's request last year. As previously disclosed in the Company's public filings, during the first quarter of 2012, the Company identified an error made in certain programming logic within its billing system. As a result of this error, the Company determined that it had been overpaid on certain specific Medicare claim types since January 1, 2009, with the amount of such overpayment being approximately \$6.2 million in the aggregate. The programming logic that caused this error has been corrected in its billing system, and the Company is not aware of any other Medicare overpayment issues as a result of this or any other programming error and believes that it has already refunded the appropriate amount for this error. This review resulted in Rotech voluntarily reporting its error and voluntarily repaying \$6.2 million in May 2012 to CMS.

As a result of the government's execution of search warrants on March 13, 2013, which was previously reported by the Company, the Company's board of directors requested Foley to direct and supervise additional internal procedure review. Further, as described above, the Company has retained KPMG (which previously served as its Independent Review Organization) to perform various audits, testing and validation of billings and claims processing systems and processes. The Company is in the process of reviewing its billing practices across all payor categories. Although Rotech believes that it is now in full compliance with all applicable regulations, neither Foley nor KPMG has completed their work and there can be no assurance that they will not find additional errors in the Company's billing system and violations of governmental regulations related thereto.

Federal regulations promulgated under the Affordable Care Act would allow CMS and Medicare contractor(s) to suspend reimbursement payments without prior notice if they determine that a credible allegation of fraud exists after consultation with the Office of Inspector General. The allegation of fraud may be from any source, including fraud hotline complaints, claims data mining and patterns identified through provider audits, and is considered to be "credible" when possessing "indicia of reliability." Furthermore, the state Medicaid agency must suspend payments without prior notice if it determines the existence of a credible allegation of fraud unless good cause exists. The State Medicaid agency must also make a written referral to its local Medicaid fraud control unit. While Rotech does not know the scope of the government's investigation, the Company cannot be certain that a suspension will not occur, nor can it predict how long any suspension would last. Any prolonged suspension would likely result in a material impact to the Company's financial condition, revenues, profit margins, profitability, operating cash flows and results of operations.

19. Compliance with regulations under the federal Health Insurance Portability and Accountability Act of 1996 and related rules (the "HIPAA") relating to the transmission and privacy of health information could impose additional significant costs on Rotech's operations

Numerous federal and state privacy and security laws and regulations, including HIPAA as amended by the Health Information Technology for Economic and Clinical Health Act (the "HITECH"), govern the use and disclosure of patients' individually-identifiable health information. HIPAA requires Rotech to comply with privacy standards concerning the use and disclosure of such health information within the company and with third parties. HIPAA also

requires the adoption of standards for common health care electronic transactions and code sets, such as the processing of claims information, plan eligibility, payment information and the use of electronic signatures. Each set of HIPAA regulations requires health care providers, including Rotech, to develop and maintain policies and procedures with respect to protected health information that is used or disclosed. Moreover, HITECH requires the company to report certain breaches of unsecured, individually identifiable health information to the extent such breaches occur. In addition, many states have enacted comparable laws addressing the privacy and security of health information, some of which are more stringent than HIPAA. In January 2013, the U.S. Department of Health and Human Services released the HIPAA regulations (the “Omnibus Rule”) implementing the statutory amendments under the HITECH Act. The effective date of the Omnibus Rule is March 26, 2013, with a compliance date of September 23, 2013 for most provisions. The Omnibus Rule lowers the standard for determining whether a security incident is reportable, extends the range of marketing activities requiring prior written authorization and clarifies the direct liability that flows to Business Associates as a result of the modifications to the HITECH Act, among other provisions.

If Rotech does not comply with existing or new laws and regulations related to patient health information, it could be subject to significant criminal or civil sanctions. New health information standards, whether implemented pursuant to HIPAA or otherwise, could have a significant effect on the manner in which the company handles health care related data and communicates with payors, and the cost of complying with these standards could be significant.

20. Inability to maintain significant vendor relationships could result in a significant disruption in Rotech’s business, materially adversely affect its results of operations and result in an inability to serve the company’s patients if it loses these relationships

Rotech currently has certain critical vendor relationships. Although Rotech has been able to maintain such relationships without material interruption in the past, there can be no assurance that such relationships will continue. Should any of these vendors elect not to provide services, equipment, inhalation drugs or supplies to the company, there would likely be a significant disruption to its business, a material adverse effect on its financial condition, revenues, profit margins, profitability, operating cash flows and results of operations and an inability to serve its patients until such time as a replacement vendor could be identified. This would likely occur if there is a deterioration or perceived deterioration in Rotech’s financial position. Moreover, there can be no assurance that the pricing structure that Rotech currently enjoys would be matched by a replacement vendor. Additionally, any future issues with liquidity, debt covenant compliance or declines in Rotech’s results of operations, could adversely impact its ability to leverage its purchasing activities with new or existing vendors.

21. Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on Rotech’s business, operating results and stock price

Effective internal control over financial reporting is necessary for Rotech to provide reliable financial reports. If Rotech cannot provide reliable financial reports, its business and operating results could be harmed. The Sarbanes-Oxley Act of 2002, as well as related rules and regulations implemented by the SEC, have required changes in the corporate governance practices and financial reporting standards for public companies. These laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002, have increased Rotech’s legal and financial compliance costs and made many activities more time-consuming and more burdensome. The costs of compliance with these laws, rules and regulations have adversely affected Rotech’s financial results. Moreover, Rotech runs the risk of non-compliance, which could have a material adverse effect on the company’s financial condition, revenues, profit margins, profitability, operating cash flows, results of operations or the trading price of its stock.

Rotech has in the past discovered, and may in the future discover, areas of its internal control over financial reporting that need improvement. Rotech has devoted significant resources to remediate any deficiencies it has discovered and improve its internal control over financial reporting. Based upon management’s assessment of the effectiveness of Rotech’s internal control over financial reporting as of December 31, 2011 and December 31, 2012,

management concluded that the company's internal control over financial reporting was not effective as of such date because of a material weakness in review and reconciliation procedures designed to ensure that certain period end balances reflected in Rotech's financial statements agreed to the underlying detailed calculations of such amounts and that associated amounts were reflected in proper accounting periods. Effective in February 2012, Rotech's management believes that it has corrected the primary issues that led to this material weakness by implementing the additional review and reconciliation procedures. In addition to the foregoing, in May 2012, Rotech returned to CMS an amount equal to \$6.2 million for Medicare overpayments that the Company received during the period from first quarter of 2009 through and including the first quarter of 2012. These Medicare overpayments resulted from a programming error in Rotech's billing system and led to a material weakness in the Company's internal control over financial reporting as of March 31, 2012. Rotech believes that the actions described above and the resulting improvements in controls address the related material weakness that the Company identified as of March 31, 2012. As part of Rotech's 2012 assessment of internal control over financial reporting, the Company's management will test and evaluate these additional controls to assess whether they are operating effectively.

Rotech cannot be certain that these measures will ensure that the Company implements and maintains adequate controls over its financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. Ineffective internal control over financial reporting could also cause investors to lose confidence in Rotech's reported financial information, which could have a negative effect on the trading price of the Company's stock.

22. If Rotech does not enhance and maintain effective and efficient information systems, then its operations may be disrupted and its anticipated operating efficiency may not be realized

Rotech's operations are dependent on the enhancement and uninterrupted performance of its information systems. Failure to enhance and maintain reliable information systems or disruptions in the company's information systems could cause disruptions in its business operations, including billing and collections, loss of existing patients and difficulty in attracting new patients, patient and payor disputes, regulatory problems, increases in administrative expenses or other adverse consequences, any or all of which could disrupt Rotech's operations and prevent it from achieving operating efficiency.

23. Increases in Rotech's costs could erode its profit margins and substantially reduce its net income and cash flows

Cost containment in the health care industry, fueled, in part, by federal and state government budgetary shortfalls, is likely to result in constant or decreasing reimbursement amounts for Rotech's equipment and services. As a result, the company must control its operating cost levels, particularly labor and related costs. Rotech competes with other health care providers to attract and retain qualified or skilled personnel. Rotech also competes with various industries for lower-wage administrative and service employees. Since reimbursement rates are established by fee schedules mandated by Medicare, Medicaid and private payors, the company is not able to offset the effects of general inflation in labor and related cost components, if any, through increases in prices for its equipment and services. Consequently, such cost increases could erode the company's profit margins and reduce its net income.

24. Rotech may write off additional intangible assets

On an ongoing basis, Rotech evaluates whether facts and circumstances indicate any impairment of value of intangible assets. If Rotech determines that a significant impairment has occurred, it would be required to write-off the impaired portion of the unamortized intangible assets, which could have a material adverse effect on the company's results of operations in the period in which the write-off occurs.

25. Rotech may be subject to claims arising from investigations and legal proceedings, which could have a significant negative impact on the company's results of operations and profitability

The nature of Rotech's business subjects it to investigations and litigation in the ordinary course of its business. In addition, Rotech is from time to time involved in other legal proceedings. While management does not believe that any lawsuit the company (or its predecessor) is a party to, if resolved adversely, would have a material adverse effect on its financial condition or results of operations, investigations and litigation could arise in the future which could have a significant negative impact on its results of operations and profitability.

26. Inadequate insurance coverage limits, continuing increases in Rotech's insurance costs, or losses due to one or more of its insurance carriers defaulting on their obligations could have a material adverse effect on the company's financial condition, revenues, profit margins, profitability, operating cash flows and results of operations

Participants in the health care industry, including Rotech, are subject to substantial claims and litigation in the ordinary course, often involving large claims and significant defense costs. As a result of the liability risks inherent in Rotech's lines of business the company maintains liability insurance intended to cover such claims. Rotech's insurance policies are subject to annual renewal. The coverage limits of its insurance policies may not be adequate, and the company may not be able to obtain liability insurance in the future on acceptable terms or at all. In addition, Rotech has been advised by its insurance broker that its insurance premiums will be subject to increases in the future, which increases may be material. Furthermore, the losses that are insured through commercial insurance are subject to the credit risk of those insurance companies. While Rotech believes its commercial insurance providers are currently credit worthy, there can be no assurance that such insurance companies will remain so in the future. Inadequate insurance coverage limits, increases in Rotech's insurance costs or losses suffered due to one or more of its insurance carriers defaulting on their obligations, could have a material adverse effect on the company's financial condition, revenues, profit margins, profitability, operating cash flows and results of operations.

27. In the event that Rotech purchases equipment from competitors exiting the HME market and are unable to successfully transition and retain the associated patients on service with Rotech, the company may not be able to achieve its growth objectives in 2013 and beyond

Since 2011, Rotech has purchased \$19.3 million of new and used rental equipment, inventory and identifiable intangible assets from competitors exiting the home medical equipment market. Some of the equipment purchased in these transactions is currently on rent and located in a patient's home. Rotech has been successful, and it expects that it will continue to be successful, in transitioning and retaining a high percentage of the associated patients onto service with the company. Rotech believes that it will be successful in identifying additional equipment and asset purchase opportunities during 2013, however the degree to which it pursues such opportunities during 2013 will depend upon a variety of factors, including consideration of markets that will be impacted by competitive bidding, availability of cash and market valuation multiples. However, in the event that Rotech is unable to successfully transition and retain the associated patients on service with it or Rotech is unable to identify or pursue additional equipment and asset purchase opportunities, the company may not be able to achieve its growth objectives in 2013 and beyond.

28. Rotech is highly dependent upon information technology systems and infrastructure

Rotech regularly backs up its data and maintains detailed disaster recovery plans. However, a major physical disaster or other calamity that causes significant damage to information systems could adversely affect the company's business. Additionally, loss of information systems for a sustained period of time could have a negative impact on Rotech's performance and ultimately on cash flow in the event it is unable to process transactions and/or provide services to its customers.

29. If Rotech loses relationships with managed care organizations or other third-party payors, then the company could lose access to patients and its revenue would likely decline

Managed care organizations and other third-party payors have continued to consolidate in order to enhance their ability to influence the delivery of health care services and to build volume that justifies discounted prices. Consequently, the health care needs of a large percentage of the United States population are now provided by a small number of managed care organizations and third-party payors. These organizations, including the VA, generally enter into service agreements with a limited number of providers for needed services. To the extent such organizations terminate or do not renew agreements with Rotech and/or engage its competitors, the company's business could be materially adversely affected. If Rotech loses relationships with managed care organizations or other third-party payors, including the VA, then it could lose access to patients and the company's revenue would likely decline.

30. If Rotech fails to cultivate new or maintain established relationships with physicians and other referral sources, then its revenues may decline

Rotech's success, in part, is dependent upon referrals and its ability to maintain good relations with physicians and other referral sources. Physicians and other medical personnel that refer patients to Rotech are not its employees, and are free to refer their patients to the company's competitors. If Rotech is unable to successfully cultivate new referral sources and maintain strong relationships with its current referral sources, then its revenues may decline.

31. Rotech experiences competition from numerous other home medical equipment providers, and this competition could result in deterioration in the company's revenues and business

The home medical equipment market is highly competitive and divided among a large number of providers, some of which are national providers but most of which are either regional or local providers. Home respiratory companies compete primarily on the basis of service rather than price since reimbursement levels are established by Medicare and Medicaid or by the individual determinations of private health plans. Rotech's ability to compete successfully and to increase its referrals of new patients is highly dependent upon its reputation within each local health care market for providing responsive, professional and high-quality service, a professional staff with clinical and technical expertise and achieving strong customer satisfaction.

Some of Rotech's competitors may now or in the future have greater financial or marketing resources than Rotech does. Rotech's largest national home medical equipment provider competitors are Apria Healthcare Group, Inc., Lincare Holdings, Inc. and American Home Patient, Inc. The rest of the market consists of several medium-size competitors, as well as hundreds of smaller companies with each having under \$5 million in estimated annual revenues. Many of the smaller, owner-operated home medical equipment providers may have a higher level of service quality that is difficult to replicate. There are relatively few barriers to entry in local home health care markets. The competitive nature of the home medical equipment environment could result in deterioration in the company's revenues and its business.

32. Rotech is highly dependent on its key personnel

Rotech's performance is substantially dependent on the performance and continued efforts of its senior management team. The loss of the services of any of its executive officers or other key employees could result in a decline in its business, results of operations and financial condition. In particular, the loss of the services of Rotech's Chief Executive Officer, Steven P. Alsene, could have a material adverse effect on the company's business and results of operations. Rotech's future success is dependent on the ability of its managers and sales personnel to manage and promote its business, operations and growth. Any inability to manage the company's operations effectively could have a material adverse effect on its financial condition, revenues, profit margins, profitability, operating cash flows and results of operations.

- 33. If Rotech is not able to hire qualified management and other personnel, or if costs of compensation or employee benefits increase substantially, then its ability to deliver equipment and services effectively could suffer and its profitability would likely decline**

The success of Rotech's business depends upon its ability to attract and retain highly motivated, well-qualified management and other personnel. Rotech's highest cost is in the payment of salaries to its approximately 3,800 full time employees. The company faces significant competition in the recruitment of qualified employees. If Rotech is unable to recruit or retain a sufficient number of qualified employees, or if the costs of compensation or employee benefits increase substantially, its ability to deliver services effectively could suffer and its profitability would likely decline. Further, in the event that Rotech's business operations or financial condition further deteriorate, it may not be able to maintain or recruit critical employees.

- 34. Rotech may be unable to recruit independent individuals to serve as members of its Board of Directors**

Rotech's board of directors is currently comprised of five members. Due to its current financial condition and the regulatory environment in which the company operates, it may be unable to recruit independent individuals to serve on its board if required.

VII. CONFIRMATION OF THE PLAN

A. CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a Plan. The Bankruptcy Court has ordered the hearing on confirmation of the Plan will begin at [] (prevailing Eastern Time) before the Honorable [], United States Bankruptcy Judge, []. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

The Plan will not constitute a valid and binding contract between the Debtors and their Creditors unless and until the Bankruptcy Court has issued a Final Order confirming the Plan. The Bankruptcy Court must hold a confirmation hearing before deciding whether to confirm the Plan.

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 in writing, must conform to the Federal Rules of Bankruptcy Procedure, must set forth the name of the objector, the nature and amount of Claims or Equity Interests held or asserted by the objector against the Debtor, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to chambers, together with proof of service thereof, and served upon and received no later than [] (prevailing Eastern Time) on [], by [] No trustee, examiner, or statutory creditors' committee has been appointed in these chapter 11 cases. Notice of this Motion will be provided by facsimile, electronic mail transmission, overnight delivery and/or hand delivery to the following parties: (i) the Office of the United States Trustee for the District of Delaware; (ii) Fried, Frank, Harris, Shriver & Jacobson, attention: Gary Kaplan, Esq. and Julia Smolyanskiy, Esq., as counsel to Silver Point Finance, LLC, (a) as administrative agent for the proposed debtor in possession financing and (b) as administrative agent for the prepetition secured term loan; (iii) The Bank of New York Mellon Trust Company, N.A., as indenture trustee for (a) the 10.75% senior secured notes due 2015 and (b) the 10.50% senior second lien notes due 2018; (iv) Willkie Farr & Gallagher, attention: Matthew Feldman, Esq. and John Longmire, Esq., counsel to each Consenting Noteholder holding First Lien Notes; (v) Wachtell, Lipton, Rosen & Katz, attention: Scott K. Charles, Esq. and Michael S. Benn, Esq., counsel to each Consenting Noteholder holding Second Lien Notes; (vi) those creditors holding the 30 largest unsecured claims against the Debtors' estates (on a consolidated basis); (vii) the United States Securities and Exchange Commission; and (viii) the Internal Revenue Service.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements for confirmation listed in section 1129 of the Bankruptcy Code. If the Bankruptcy Court determines those requirements are satisfied, it will enter an order confirming the Plan. As set forth in section 1129(a) of the Bankruptcy Code, the requirements for confirmation are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.
2. The proponent of the plan complies 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 to be made by the proponent of the plan, by the debtor, 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. The proponent of the plan has disclosed:
 - (1) 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
 - (2) the appointment to, or continuance in, the office of the individual, is consistent with the interests of creditors and equity security holders and with public policy.
 - b. The proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for the 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 the rate change is expressly conditioned on that approval.
7. With respect to each impaired class of claims or interests:
 - a. Each holder of a claim or interest of the class has
 - (1) accepted the plan; or
 - (2) will receive or retain under the plan on account of the claim or interest property of a value, as of the effective date of the plan, that is not less than the amount the holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on that date; or
 - b. If a class elects treatment under section 1111(b)(2) of the Bankruptcy Code, then notwithstanding section 506(a) of this title, such claim is a secured claim to the extent that such claim is allowed.

8. With respect to each class of claims or interests:
 - a. The class has accepted the plan; or
 - b. The 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 the 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 the claim will receive on account of the claim cash equal to the allowed amount of the 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 the class will receive:
 - (1) if the 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 the claim; or
 - (2) if the class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of the 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 the claim regular installment payments in cash of a total value, as of the effective date of the plan, equal to the allowed amount of the claim, over a period ending not later than 5 years after the date of the order for relief in the case, and in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan.
 - d. With respect to a secured claim that 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 prescribed above in the preceding subparagraph.
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 acceptances of the plan by any insider holding a claim in the 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 a 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 payment of those 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 the benefits.

14. All transfers of property under the plan shall be made in accordance with any applicable provisions of nonbankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

The Debtors believe the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, the Debtors have complied or will have complied with all of the requirements of chapter 11, and the Plan is proposed in good faith.

C. FEASIBILITY

The Bankruptcy Code requires that a debtor demonstrate confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization not proposed in the plan. The Debtors believe the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code, as evidenced by the financial projections of future performance of the Company, as set forth in Exhibit F to this Disclosure Statement, "Projected Financial Information." At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan is feasible.

D. BEST INTEREST TESTS

As described above, the Bankruptcy Code requires that each holder of an Impaired Claim or Equity Interest either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date, not less than the value the holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on that date.

The first step in determining whether this test has been satisfied is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The gross amount of Cash that would be available for satisfaction of Claims would be the sum of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by any unencumbered Cash held by the Debtors at the time of the commencement of the liquidation case.

The next step is to reduce that gross amount by the costs and expenses of the chapter 7 liquidation itself and by such additional administrative and priority Claims that are projected to result from the liquidation of the Debtors under a hypothetical chapter 7 case. Any remaining net Cash would be allocated to creditors and stockholders in strict payment priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of those allocations (taking into account the time necessary to accomplish the liquidation) is compared to the value of the property proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that the trustee might engage. Other liquidation costs include the expenses incurred during the chapter 11 cases and allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants, and other professionals for the Debtors, as well as other compensation Claims.

The foregoing types of Claims, costs, expenses, fees, and other similar charges that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 Claims.

The Debtors' liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the Debtors. The analysis is based on a number of significant assumptions that are

described below. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

E. LIQUIDATION ANALYSIS

As noted above, the Debtors believe that under the Plan all holders of Impaired Claims will receive property with a value not less than the value the holder would receive in a liquidation of the Debtors under chapter 7 of the Bankruptcy Code. The Debtors' belief is based primarily on (i) consideration of the effects a chapter 7 liquidation would have on the ultimate proceeds available for distribution to holders of Impaired Claims, including (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a chapter 7 trustee and professional advisors to the trustee, (b) the erosion in value of assets in a chapter 7 case in the context of the rapid liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail, (c) the adverse effects on the Debtors' businesses as a result of the departure of key employees and the loss of customers, (d) the substantial increases in Claims, such as estimated contingent Claims, which would be satisfied on a priority basis or on parity with the holders of Impaired Claims of the chapter 11 cases, (e) the reduction of value associated with a chapter 7 trustee's limited operation of the Debtors' businesses, and (f) the substantial delay in distributions to the holders of Impaired Claims and Equity Interests that would likely ensue in a chapter 7 liquidation, and (ii) the liquidation analysis prepared by the Debtors' management, which is attached as Exhibit G (the "Liquidation Analysis"). Note that items (e) and (f) in clause (i) of the previous sentence assume a chapter 7 trustee would obtain approval to maintain and wind down the Debtors' businesses and the transition period for a chapter 7 trustee to take over administration of the chapter 11 cases would delay distributions to holders of Claims.

In preparing the Liquidation Analysis, the Debtors' management analyzed the ability of the Debtors to meet their obligations assuming a conversion to a chapter 7 proceeding, and subsequent liquidation of the Debtors' and Affiliates' assets, and estimated the potential recoveries to the holders of Claims against each Debtor in this scenario.

The Debtors believe any liquidation analysis is speculative, as such an analysis necessarily is premised on assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of the Debtors. Thus, there can be no assurance as to values that would be realized in a chapter 7 liquidation, nor can there be any assurance the Bankruptcy Court will accept the Debtors' conclusions or concur with their assumptions in making its determinations under section 1129(a)(7) of the Bankruptcy Code.

For example, the Liquidation Analysis necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. This estimate is based solely upon the Debtors' review of their books and records as of September 2012 and the Debtors' estimates as to additional Claims that may be filed in the chapter 11 cases or that would arise in the event of a conversion of the case from chapter 11 to chapter 7. No order or finding has been issued by the Bankruptcy Court or any other court estimating or otherwise fixing the amount of Claims at the projected-amounts of Allowed Claims set forth in the Liquidation Analysis. The estimate of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including any determination of the value of any distribution to be made on account of those Claims under the Plan.

To the extent confirmation of the Plan requires the establishment of amounts for the chapter 7 liquidation value of the Debtors, funds available to pay Claims, and the reorganization value of the Debtors, the Bankruptcy Court will determine those amounts at the Confirmation Hearing. Accordingly, the annexed Liquidation Analysis is provided solely to disclose to holders the effects of a hypothetical chapter 7 liquidation of the Debtors, subject to the assumptions set forth in the Liquidation Analysis.

F. BANKRUPTCY CODE SECTION 1129(B)

The Bankruptcy Court may confirm a plan over the rejection or deemed rejection of the plan by a class of claims or equity interests if the plan "does not discriminate unfairly" and is "fair and equitable" with respect to that class.

1. No Unfair Discrimination

This test applies to Classes of Claims or Equity Interests that are of equal priority (*i.e.*, a horizontal test) and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, only that the treatment not be “unfair.” The Debtors believe the Plan satisfies the “no unfair discrimination” test.

2. Fair and Equitable Test

This test applies to Classes of different priority and status (*i.e.*, a vertical test) and includes the general requirement that no Class of Claims receives more than 100% of the Allowed amount of the Claims in that Class. As to the treatment that must be afforded to each rejecting Class, the test sets different standards, depending on the type of Claims or Equity Interests in that Class:

- *Secured Claims.* Each holder of an Impaired Secured Claim must either (i) retain its Liens on the property, to the extent of the Allowed amount of its Secured Claim, and receive deferred Cash payments having a value, as of the effective date, of at least the Allowed amount of the Claim, or (ii) have the right to credit bid the amount of its Claim if its collateral security is sold and retain its Liens against the net proceeds of the sale, or (iii) receive the “indubitable equivalent” of its Allowed Secured Claim.
- *Unsecured Claims.* Either (i) each holder of an Impaired General Unsecured Claim must receive or retain under the Plan property of a value equal to the amount of its Allowed Claim, or (ii) the holders of Claims and Equity Interests that are junior to the Claims of the dissenting Class must not receive any property under the Plan.
- *Equity Interests.* Either (i) each Equity Interest holder must receive or retain under the Plan property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of the stock and (b) the value of the stock, or (ii) the holders of interests that are junior to the Equity Interests of the dissenting Class must not receive or retain any property under the Plan.

The Debtors reserve the right to seek confirmation of the Plan, notwithstanding the rejection of the Plan by any Class entitled to vote. If one or more Classes votes to reject the Plan, the Debtors may request the Bankruptcy Court to rule the Plan meets the requirements specified in section 1129(b) of the Bankruptcy Code with respect to the rejecting Class or Classes. The Debtors will also seek such a ruling with respect to each Class that is deemed to reject the Plan.

VIII. PROJECTIONS

A. INTRODUCTION

This section discusses projections for the Reorganized Debtors (as successors to the Debtors) based on information available at the time of the preparation of this Disclosure Statement.

The projections assume an Effective Date of [], with Allowed Claims treated in accordance with the provisions set forth in the Plan. It is not expected that a minor delay in the Effective Date (one to two months) would have a material impact on the projections. Expenses incurred as a result of the chapter 11 cases are assumed to be paid on the Effective Date.

It is important to note the projections described below may differ from actual performance and are highly dependent on significant assumptions concerning the future operations of the Reorganized Debtors. These assumptions include the performance of certain lines of business, the value of assets, and market conditions. Please refer to Section VII for a discussion of many of the factors that could have a material effect on the information provided in this section.

B. PROJECTIONS

In connection with their development of the Plan and to determine feasibility of the Plan, the Debtors' management analyzed the ability of the Reorganized Debtors to meet its post-bankruptcy obligations with sufficient liquidity and capital resources to conduct its businesses. Management also developed a business plan for the Debtors post-bankruptcy and prepared certain projections of the Reorganized Debtors' operating profit, cash flow and certain other items based on its detailed operating forecast for [], which includes actual results through [], as well as a longer-term forecast for the period from [] to []. These projections, summarized below, are based upon assumptions to reflect the terms of the Plan, and certain subsequent events and additional assumptions, including those set forth below (as adjusted, the "Financial Projections").

The Financial Projections included in Exhibit F assume the successful implementation of the Plan and consist of the following unaudited projected financial information: (i) projected balance sheet for [] (which was developed based on the Debtors' [] balance sheet as adjusted for the Plan and management's projected results of operations and cash flows over the projection period), and each successive year end between [], and []; (ii) projected statements of income for each successive twelve-month period between [], and []; and (iii) a projected consolidated cash flow for each successive twelve-month period between [], and []. The Financial Projections should be reviewed in conjunction with the assumptions, notes, and qualifications included in Exhibit F.

Rotech does not, as a matter of course, publish its business plans, strategies, projections, anticipated financial positions, or projected results of operations. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation, to (i) furnish updated business plans or projections, including financial projections, to holders of Claims or Equity Interests after the confirmation date, except as required by the Plan, or (ii) otherwise make that information public. Financial Projections that Rotech may prepare in the future in connection with other purposes may differ materially from those contained in this Disclosure Statement.

The Debtors' management prepared the Financial Projections with the assistance of their professionals. The projections are presented solely for the purpose of providing "adequate information" under section 1125 of the Bankruptcy Code to enable the holders of Claims entitled to vote under the Plan to make an informed judgment about the Plan and should not be used or relied upon for any other purpose. Holders of Claims should not rely on the Financial Projections as a representation or guarantee of future performance. Although every effort was made to be accurate and the Debtors consider them reasonable when taken as a whole, the Financial Projections are only an estimate, and the assumptions and estimates underlying the Financial Projections are subject to significant business, economic and competitive uncertainties beyond the Debtors' control. The actual financial results of the Reorganized Debtors may differ materially from the Financial Projections. In addition, the uncertainties which are inherent in the Financial Projections increase for later years in the projection period, due to increased difficulty associated with forecasting levels of economic activity and expected performance at more distant points in the future. Consequently, the projected information included in this Disclosure Statement should not be regarded as a representation by the Debtors or their advisors, or any other person, that the projected results will actually be achieved. The Debtors caution that no representations can be made or are made as to the accuracy or completeness of the Financial Projections or to the Reorganized Debtors' ability to achieve the projected results. Some assumptions inevitably will prove incorrect. Moreover, events and circumstances occurring subsequent to the date on which the Debtors prepared these projections may be different from those assumed or, alternatively, may have been unanticipated, and thus the occurrence of these events may affect financial results in either a material adverse or material beneficial manner.

The Debtors' independent accountants have neither examined nor compiled the accompanying financial information and, accordingly, do not express an opinion or provide any form of assurance with respect thereto. Further, the Financial Projections were not prepared to comply with the guidelines for prospective financial statements published by the American Institute of Certified Public Accountants or the Financial Accounting Standards Board and do not purport to represent the application of or compliance with generally accepted accounting principles.

In deciding whether to vote to accept or reject the Plan, holders of Claims must make their own determinations as to the reasonableness of the assumptions and the reliability of the projections and should consult with their own advisors.

The Financial Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement, including in the Sections titled "Description and History of the Company's Businesses," "The Chapter 11 Plan," "Risk Factors and Other Factors to be Considered," and "Certain United States Federal Income Tax Consequences of the Plan." See Sections III, VI, VII, and X. The Financial Projections should also be read in conjunction with the assumptions, qualifications, and explanations set forth in Exhibit F.

IX. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. SCOPE AND LIMITATION

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to certain Debtors and holders of Claims or Equity Interests. It does not, however, summarize the U.S. federal income tax consequences to such holders of the ownership and disposition of the Reorganized Rotech Common Stock. Holders of Claims should consult their own independent tax advisors regarding the consequences of the ownership and disposition of Reorganized Rotech Common Stock or debt of Reorganized Rotech.

This discussion is based on the Tax Code, Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), each as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the discussion set forth below with respect to the U.S. federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences described herein.

This discussion does not address the U.S. federal income tax consequences to holders of Claims who (a) are unimpaired or (b) are otherwise not entitled to vote under the Plan. The discussion also does not address the U.S. federal income tax consequences related to the Claim or Equity Interest of a holder that is itself a Debtor, or non-debtor Affiliate. Moreover, the discussion assumes that each holder of a Claim or Equity Interest holds such Claims or Equity Interest only as "capital assets" within the meaning of section 1221 of the Tax Code (generally, property held for investment), and the various debt and other arrangements to which the Debtors and Reorganized Debtors are or will be parties will be respected for U.S. federal income tax purposes in accordance with their form.

The U.S. federal income tax consequences of the Plan are complex and are subject to substantial uncertainties. The Debtors have not requested, and do not expect to request, a ruling from the IRS with respect to any of the tax aspects of the Plan, and the discussion set forth below of certain U.S. federal income tax consequences of the Plan is not binding upon the IRS. Thus, no assurance can be given that the IRS would not assert, or that a court would not sustain, a position different from any discussed herein, resulting in U.S. federal income tax consequences to the Debtors, holders of Claims, holders of Equity Interests, or all of them that are substantially different from those discussed herein. The Debtors have not requested, and do not expect to request, an opinion of counsel with respect to any of the tax aspects of the Plan, and no opinion is given by this Disclosure Statement.

This discussion does not apply to a holder of a Claim or Equity Interest that is not a “United States person,” as such term is defined in the Tax Code. Moreover, this discussion does not address U.S. federal taxes other than income taxes, nor does it address any state, local, or non-U.S. tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to United States persons in light of their individual circumstances or to United States persons that may be subject to special tax rules, such as persons who are related to the Debtors within the meaning of the Tax Code, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, employees, persons whose Claims or Equity Interests relate to the provision of services or who otherwise received their Claims or Equity Interests as compensation, persons who hold Claims, or Equity Interests or who will hold Reorganized Rotech Common Stock as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark to market method of accounting, and holders of Claims or Equity Interests who are themselves in bankruptcy.

If a partnership or other pass-through entity is a holder of a Claim or Equity Interest, the tax treatment of any partner or other owner of such entity generally will depend upon the status of the partner (or other owner) and the activities of the entity. Partners (or other owners) of pass-through entities that are holders should consult their own independent tax advisors regarding the tax consequences of the Plan.

THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS 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 EQUITY INTEREST. ALL HOLDERS OF CLAIMS AND ALL HOLDERS OF EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN INDEPENDENT TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, NON-U.S. INCOME, ESTATE, GIFT, AND OTHER TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, EACH HOLDER IS HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS, FOR PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH HOLDERS UNDER THE TAX CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OF THE PLAN; AND (C) EACH HOLDER OF A CLAIM OR EQUITY INTEREST SHOULD SEEK ADVICE BASED ON SUCH HOLDER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS

For U.S. federal income tax purposes, Rotech is the common parent of an affiliated group of corporations that files a single consolidated U.S. federal income tax return (the “Rotech Consolidated Group”). The Debtors are members of the Rotech Consolidated Group.

As discussed below, it is anticipated that a substantial portion of the losses and other tax attributes of the Rotech Consolidated Group could be utilized or eliminated in connection with the implementation of the Plan. The use of remaining losses by the Rotech Consolidated Group to offset future taxable income could be subject to significant limitation. In addition, the tax basis of the assets held by certain members of the Rotech Consolidated Group may be reduced in connection with implementation of the Plan.

1. Cancellation of Indebtedness Income

Generally, a corporation will recognize cancellation of indebtedness income (“COD Income”) upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. A corporation will not, however, be required to include any amount of COD Income in gross income if the corporation is a

debtor under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding (the “108(a) Bankruptcy Exception”). Instead, as a consequence of such exclusion, the debtor must reduce its tax attributes, including NOLs, by the amount of COD Income excluded from gross income.

If a debtor with excluded COD Income is a member of a consolidated group, Treasury Regulations address the application of the rules for the reduction of tax attributes (the “Consolidated Attribute Reduction Rules”). The Consolidated Attribute Reduction Rules are applied separately to each member of a consolidated group that realizes COD Income that is excluded from income. The Consolidated Attribute Reduction Rules generally provide that the tax attributes attributable to the member with excluded COD Income are reduced first, including the member’s tax basis in its assets (which include the stock of subsidiaries). If the member reduces its basis in the stock of a subsidiary that is a member of the consolidated group, corresponding reductions must be made to the subsidiary’s tax attributes, including the subsidiary’s basis in its assets, thus the tax attributes of one member may be required to be reduced in respect of the excluded COD Income of another member. If there is any remaining excluded COD Income following the reduction of the tax attributes of a member with excluded COD Income, the excess excluded COD Income of such member reduces the remaining consolidated tax attributes of the group.

Reorganized Rotech expects to incur COD Income as a result of the Plan. Pursuant to the 108(a) Bankruptcy Exception, Reorganized Rotech will not include COD Income in gross income. Instead, Reorganized Rotech will be required to reduce its tax attributes in accordance with the Consolidated Attribute Reduction Rules after determining the taxable income (or loss) of the Rotech Consolidated Group for the taxable year of discharge.

The amount of COD Income—and therefore, the extent, if any, to which NOLs and other tax attributes remain following the application of the Consolidated Attribute Reduction Rules—will depend on, among other things, the fair market value of the Reorganized Rotech Common Stock and the “issue price” of the Amended First Lien Term Loan (as such term is defined under applicable Treasury regulations), which may not be determined until after the Effective Date of the Plan.

2. Annual Section 382 Limitation on Use of NOLs and “Built-In” Losses and Deductions

a. Limitation on NOLs and Other Tax Attributes

Under section 382 of the Tax Code, if a “loss corporation” (generally, a corporation with NOLs and/or built-in losses) undergoes an “ownership change,” the amount of its pre-ownership change NOLs (the “Pre-Change Losses”) that may be utilized to offset future taxable income generally is subject to an annual limitation (the “Annual Section 382 Limitation”). Similar rules apply to the corporation’s capital loss carryforwards and tax credits.

Reorganized Rotech’s issuance of its stock pursuant to the Plan is expected to result in an ownership change of the Rotech Consolidated Group for purposes of section 382 of the Tax Code. Accordingly, the Rotech Consolidated Group’s Pre-Change Losses should be subject to the Annual Section 382 Limitation (unless certain exceptions, as discussed below, apply). This limitation applies in addition to, and not in lieu of, any other limitation that may already or in the future be in effect and the attribute reduction that may result from COD Income.

b. General Section 382 Limitation

In general, the amount of the Annual Section 382 Limitation is equal to the product of (1) the fair market value of the stock of the loss corporation (or, in the case of a consolidated group, generally the stock of the common parent) immediately before the ownership change (with certain adjustments) and (2) the “long-term tax-exempt rate” (as defined for purposes of section 382 of the Tax Code) in effect for the month in which the ownership change occurs (for example, [2.70]% for an ownership change that occurs during [April 2013]). For a corporation (or consolidated group) in bankruptcy that undergoes an ownership change pursuant to a confirmed bankruptcy plan of reorganization, there may not be any Annual Section 382 Limitation if certain conditions are met (see Section IX.B.2.d, below). If the corporation (or

consolidated group) elects out of such treatment, or if the conditions described below are not met, then the stock value for purposes of the limitation is generally determined immediately after (rather than before) the ownership change.

Any unused portion of the Annual Section 382 Limitation generally may be carried forward, thereby increasing the Annual Section 382 Limitation in the subsequent taxable year. However, if the corporation (or consolidated group) does not continue its historic business or use a significant portion of its assets in a business for two years after the ownership change, the Annual Section 382 Limitation is reduced to zero. In addition, if a redemption or other corporate contraction occurs in connection with the ownership change of the loss corporation (or consolidated group), or if the loss corporation (or consolidated group) has substantial nonbusiness assets, the Annual Section 382 Limitation is reduced to take the redemption, other corporate contraction, or nonbusiness assets into account.

Furthermore, if the corporation (or consolidated group) undergoes a second ownership change, the second ownership change may result in a lesser (but never a greater) Annual Section 382 Limitation with respect to any losses that existed at the time of the first ownership change.

c. *Built-in Gains and Losses*

If a loss corporation (or consolidated group) has a “net unrealized built-in loss” at the time of the ownership change, then any built-in losses or deductions recognized during the following five years (up to the amount of the original net unrealized built-in loss) generally will be treated as a Pre-Change Loss subject to the Annual Section 382 Limitation. Conversely, if the loss corporation (or consolidated group) has a “net unrealized built-in gain” at the time of the ownership change, then any built-in gains recognized during the following five years (up to the amount of the original net unrealized built-in gain) will increase the Annual Section 382 Limitation in the year recognized.

d. *Special Bankruptcy Exceptions*

Section 382(l)(5) of the Tax Code provides an exception to the application of the Annual Section 382 Limitation when a corporation is under the jurisdiction of a bankruptcy court in a title 11 case (the “382(l)(5) Bankruptcy Exception”). This exception generally applies where (1) shareholders of a debtor immediately before an ownership change and (2) qualified creditors (generally, historic and ordinary course creditors) of the debtor, in respect of their interests and claims, receive stock with at least 50 percent of the voting power and value of all the stock of the reorganized debtor. Under the 382(l)(5) Bankruptcy Exception, a debtor’s Pre-Change Losses are not limited on an annual basis but, instead, are required to be reduced by the amount of any interest deductions claimed during the three taxable years preceding the year of the effective date of the reorganization, and during the part of the taxable year before and including the reorganization, in respect of all debt converted into stock in the reorganization (the “Interest Reduction Rule”). Moreover, if the 382(l)(5) Bankruptcy Exception applies, a second ownership change of the debtor within a two-year period after the bankruptcy plan of reorganization generally will cause the debtor to lose the ability to utilize any unused NOLs that were incurred before the second ownership change. If applicable, the 382(l)(5) Bankruptcy Exception applies to a debtor unless the debtor affirmatively elects out of its application.

If a debtor in bankruptcy is not eligible for the 382(l)(5) Bankruptcy Exception or elects out of the exception, a special rule under section 382(l)(6) of the Tax Code will apply for purposes of determining the Annual Section 382 Limitation. Under this special rule, the Annual Section 382 Limitation will be calculated by reference to the lesser of (1) the value of the debtor’s stock (with certain adjustments) immediately after the ownership change (as opposed to immediately before the ownership change, as described above) or (2) the value of the debtor’s assets (determined without regard to liabilities) immediately before the ownership change.

e. *Application of Section 382 to Rotech*

The Debtors have not yet determined whether or not the 382(l)(5) Bankruptcy Exception is applicable. Should the 382(l)(5) Bankruptcy Exception be applicable, the Debtors have not yet determined whether or not to seek to

have the 382(l)(5) Bankruptcy Exception apply to the ownership change arising from the consummation of the Plan or to elect out of it.

If the 382(l)(5) Bankruptcy Exception does not apply, or the Debtors elect out of it, the Rotech Consolidated Group expects that the use of NOLs after the Effective Date of the Plan will be subject to limitation based on the rules discussed above (other than the 382(l)(5) Bankruptcy Exception), but taking into account the special rule under section 382(l)(6) of the Tax Code.

Whether the 382(l)(5) Bankruptcy Exception applies or not, the Rotech Consolidated Group may be required to pay U.S. federal income taxes, despite the fact that taxable income may not exceed its otherwise available NOLs, due to the application of the Annual Section 382 Limitation, the application of the alternative minimum tax rules of the Tax Code, or both.

Certain aspects of the law pertaining to the Annual Section 382 Limitation rules discussed above are unclear and depend on, among other things, factual determinations that may not be able to be made as of the Effective Date. As a result, there is substantial uncertainty with respect to the Annual Section 382 Limitation of the Rotech Consolidated Group, and there can be no assurance that the limitation will not be significantly lower than anticipated.

In addition, if there were an ownership change prior to the Effective Date, the Annual Section 382 Limitation resulting from the implementation of the Plan might result in a lesser (but not a greater) limitation with respect to losses that existed at the time of the first ownership change.

3. Potential Alternative Taxable Structure

On or before the Confirmation Date, the Debtors may elect to effectuate the distributions under the Plan in accordance with an alternative structure. The alternative structure may involve the creation of at least one new entity which would receive all of the assets of Reorganized Rotech ("Newco"). The transfer of assets to Newco may be intended to be treated as a taxable transaction for U.S. federal income tax purposes (a "Taxable Transfer"), with the result that Newco would obtain a new cost basis in all of the assets deemed transferred, including the stock of any U.S. corporate subsidiaries. In that event, Newco would not succeed to any tax attributes of Rotech, although any U.S. corporate subsidiaries that remain in existence and the stock of which are transferred to Newco could retain their tax attributes, depending on whether certain tax elections are made by the Debtors, and subject to application of the provisions discussed in the preceding sections (including any required reductions on account of COD and any resulting Annual Section 382 Limitation).

Assuming a Taxable Transfer, Rotech generally would recognize gain or loss upon the transfer of its assets to Newco in an amount equal to the difference between the fair market value of the assets deemed transferred and its tax basis in such assets. Rotech would be entitled to use its NOLs to reduce the amount of taxable income recognized on the Taxable Transfer.

Although the alternative structure would be intended to be a Taxable Transfer, there is no assurance that the transaction would be so treated by the IRS. For example, if the transfer of assets to Newco was deemed to constitute a tax-free reorganization under Section 368(a)(1)(G) of the Tax Code (a "G Reorganization"), Newco would effectively step into the shoes of Rotech, which would have the effect from a U.S. federal income tax perspective of putting Reorganized Rotech in substantially the same position as it would have been in had the alternative structure not been implemented. The IRS might also assert that certain provisions of the Tax Code apply to disallow tax benefits to Newco attributable to the Taxable Transfer.

C. U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR CERTAIN HOLDERS OF CLAIMS AND EQUITY INTERESTS

The following discussion describes certain U.S. federal income tax consequences of the transactions contemplated by the Plan to certain holders of Claims or Equity Interests. The discussion below assumes that an alternative structure intended to be a Taxable Transfer is not adopted, and the tax treatment to holders could vary if such a structure, as discussed in Section IX.B.3, above, is adopted. Holders of Claims or Equity Interests should consult their own independent tax advisors for information that may be relevant to their particular situation and circumstances and the particular tax consequences of the transactions contemplated by the Plan.

The U.S. federal income tax consequences to a holder (including the character, timing and amount of income, gain or loss recognized) will depend on, among other factors: (a) the manner in which the holder acquired the Claim or Equity Interest; (b) the length of time the holder has held the Claim or Equity Interest; (c) whether the holder acquired the Claim at a discount; (d) whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in current or prior years; (e) whether the holder has previously included in taxable income accrued but unpaid interest with respect to the Claim; and (g) the holder's method of accounting.

Pursuant to the Plan, each holder of a Claim or an Equity Interest against or in the Debtors (a "Rotech Holder") may receive distributions of one or more of the following: Cash, debt of Reorganized Rotech or Reorganized Rotech Common Stock. For U.S. federal income tax purposes, a Rotech Holder should realize gain or loss (if any) equal to the difference between the holder's amount realized with respect to the exchange of its Claim or Equity Interest and the holder's adjusted tax basis in its Claim or Equity Interests. A Rotech Holder's amount realized should generally include (a) the fair market value of the Reorganized Rotech Common Stock, (b) the issue price of the Reorganized Rotech debt and (c) any cash distribution received.

The recognition of gain (but not loss) realized by a Rotech Holder may be affected by the installment method of reporting gain. This discussion assumes that such method either is not available with respect to the holder's exchange of its Claim or Equity Interest or, if available, the holder elects out of such method. Rotech Holders should consult their tax advisors regarding the availability and application of (and, if available, the election out of) the installment method of reporting gain that may be recognized with respect to their Claims or Equity Interests.

The recognition of gain or loss realized by a Rotech Holder also may be affected by whether a holder's Claim, and whether any debt received for such Claim, constitutes a "security" for U.S. federal income tax purposes.

1. Securities for Tax Purposes

Whether a debt instrument constitutes a "security" for U.S. federal income tax purposes is determined based on all of the facts and circumstances. Certain authorities have held that one factor to be considered is the length of the initial term of the debt instrument. These authorities have held that an initial term of less than five years is evidence that the instrument is not a security; whereas, an initial term of ten years or more is evidence that it is a security. Numerous factors other than the term of an instrument could be taken into account in determining whether a debt instrument is a security, including whether repayment is secured, the degree of subordination of the instrument, the creditworthiness of the obligor, whether the holders have the right to vote or otherwise participate in the management of the obligor, whether the instrument is convertible into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or are accrued.

Each Rotech Holder should consult its own independent tax advisor to determine whether any debt underlying its Claim constitutes a security for U.S. federal income tax purposes.

If Rotech determines that a recapitalization has occurred as a result of the Plan (for example, if Claims which constitute securities for U.S. federal income tax purposes are exchanged for Reorganized Rotech Common Stock),

then Rotech will report the occurrence of such recapitalization to the IRS on its tax return for the taxable year of the exchange.

2. Holders Receiving Cash

If an Equity Interest or a Claim is exchanged solely for cash, such exchange should be treated as a taxable exchange for U.S. federal income tax purposes. A Rotech Holder generally should recognize the gain or loss realized on the exchange.

3. Holders Receiving Shares of the Amended First Lien Term Loan or Whose Claims are Reinstated

A Rotech Holder whose Claims are reinstated generally will not realize income, gain or loss on such exchange unless either (i) such Rotech Holder is treated as having received interest, damages or other income in connection with the exchange or (ii) such exchange is considered a “significant modification” of the Claim. A Rotech Holder that receives a share of the Amended First Lien Term Loan in exchange for its Claims generally will realize income, gain or loss on such exchange, although the extent to which any gain or loss can be recognized depends on whether the debt underlying such Rotech Holder’s Claim, and any debt received in exchange for such Claim, is a security, and whether the exchange of the Claim for the share of the Amended First Lien Term Loan is a “reorganization” under the Tax Code. Holders of Claims whose Claims are reinstated or who receive a share of the Amended First Lien Term Loan should consult their own tax advisors to determine whether or not a “significant modification” has occurred, whether the debt underlying the Claims is a “security”, whether the exchange is a “reorganization”, and the impacts to such holder of these considerations.

4. Holders Receiving Reorganized Rotech Common Stock

a. Claims Constituting Securities

If the debt underlying a holder’s Claim constitutes a security in Rotech, the exchange of the Claim may qualify as a recapitalization or other nonrecognition transaction for U.S. federal income tax purposes. In such case, a Rotech Holder that realizes a loss on the exchange would not be permitted to recognize the loss, nor would such Rotech Holder be permitted to recognize a “bad debt” or “worthless security” deduction with respect to such Claim, in whole or in part.

If a Claim is exchanged for only Reorganized Rotech Common Stock in a recapitalization, a Rotech Holder should not recognize gain on the transaction for U.S. federal income tax purposes.

However, if a Claim is exchanged for Reorganized Rotech Common Stock, plus Cash in a recapitalization, a Rotech Holder that realizes gain on the exchange generally should recognize gain, for U.S. federal income tax purposes, equal to the lesser of (1) the amount of gain realized and (2) the fair market value of the consideration received other than Reorganized Rotech Common Stock (“Boot”).

The character of such recognized gain as capital gain or as ordinary income should depend on, among other things, the application of the “market discount” rules of the Tax Code. In addition, a Rotech Holder may recognize ordinary income to the extent that a portion of the consideration received in exchange for a Claim is treated as received in satisfaction of accrued but untaxed interest on the Claim. If recognized gain is capital gain, it generally would be long-term capital gain if the holder held its Claim for more than one year at the time of the exchange.

The Rotech Holder’s tax basis in the Reorganized Rotech Common Stock that it receives in exchange for its Claim, generally should equal the sum of (1) the holder’s tax basis in the Claim and (2) the amount of gain recognized

on the exchange, reduced by (3) the fair market value of the Boot received. This basis is allocated among the shares of Reorganized Rotech Common Stock received. The Rotech Holder generally should have a holding period for the Reorganized Rotech Common Stock that includes the holding period of the Claim. These basis and holding period results may vary if the Reorganized Rotech Common Stock received in exchange for such holder's Claim is treated as received in satisfaction of accrued but untaxed interest.

b. *Claims Not Constituting Securities*

If the debt underlying a Rotech Holder's Claim does not constitute a security, the exchange of the Claim for the consideration received would likely be treated as a taxable exchange for U.S. federal income tax purposes. A Rotech Holder generally should recognize the gain or loss realized on the exchange. The character of such recognized gain or loss as capital gain or loss or as ordinary income or loss should depend, among other things, on the application of the market discount rules, and a Rotech Holder may recognize ordinary income to the extent that a portion of the consideration received in exchange for a Claim is treated as received in satisfaction of accrued but untaxed interest on the Claim. If recognized gain is capital gain, it generally would be long-term capital gain if the holder held its Claim for more than one year at the time of the exchange. In general, a Rotech Holder's basis in the property received should equal the fair market value of the property as of the Effective Date and a holder's holding period for the property received should begin on the day following the Effective Date. The utilization of capital losses is subject to limitations.

Each Rotech Holder should consult its own independent tax advisor regarding whether (and the extent to which) the exchange of a Claim qualifies as a recapitalization or other nonrecognition transaction and, whether or not it so qualifies, the tax consequences to such holder of the exchange of a Claim for the consideration received by the Rotech Holder under the Plan.

5. Tax Reporting for Assets Allocable to Disputed Claims

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Disbursing Agent of an IRS private letter ruling if the Disbursing Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent), the Disbursing Agent will (A) elect to treat any assets allocable to, or retained on account of, Disputed Claims (i.e., the Disputed Claim Reserve) as a "disputed ownership fund" governed by Treasury Regulation section 1.468B-9, and (B) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes.

Accordingly, the Disputed Claim Reserve will be subject to tax annually on a separate entity basis on any net income earned with respect to the assets in such reserve, and all distributions from such reserve (which distributions will be net of the related expenses of the reserve) will be treated as received by holders in respect of their Claims as if distributed by the Debtors. All parties (including, without limitation, the Debtors, the Disbursing Agent and holders of Disputed Claims) will be required to report for tax purposes consistently with the foregoing.

6. Surtax on Unearned Income

Certain Rotech Holders who are individuals, estates or trusts will be required to pay a 3.8% surtax on, among other things, dividends on the Reorganized Rotech Common Stock, and capital gains from the sale, exchange, redemption, retirement, redemption or other taxable disposition of the Reorganized Rotech Common Stock. Rotech Holders should consult their own independent tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Reorganized Rotech Common Stock.

7. Backup Withholding and Information Reporting

Certain payments, including certain distributions pursuant to the Plan, payments of dividends, if any, on the Reorganized Rotech Common Stock and the proceeds from the sale, exchange, redemption, retirement or other taxable

disposition of the Reorganized Rotech Common Stock may be subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding unless the taxpayer: (i) comes within certain exempt categories and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is timely supplied to the IRS.

Any “significant holder” of Claims or Equity Interests (defined as a holder of securities in Rotech with a tax basis of \$1 million or more) that believes the exchange is a recapitalization qualifying as a reorganization is required, pursuant to Treasury Regulations, to include a statement with their tax returns for the taxable year of the exchange setting forth information, as specified in the Treasury Regulations, pertaining to the reorganization.

A Rotech Holder should consult its own independent tax advisors regarding the application of information reporting and backup withholding rules in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if applicable.

D. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER’S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS SHOULD CONSULT THEIR OWN INDEPENDENT TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

X. SECURITIES LAW MATTERS

Section 1145 of the Bankruptcy Code provides certain exemptions from the securities registration requirements of federal and state securities laws with respect to the distribution of securities under a chapter 11 plan. Specifically, section 1145(a)(1) of the Bankruptcy Code generally exempts from registration under the Securities Act the offer or sale of a debtor’s securities under a chapter 11 plan if the securities are offered or sold in exchange for a claim against, or an equity interest in, such debtor, or if the securities are offered or sold principally in such exchange and partly for cash. Accordingly, in connection with the Plan, pursuant to section 1145 of the Bankruptcy Code, and except as provided in subsection (b) thereof, the issuance of the shares of Reorganized Rotech Common Stock issued pursuant to the Plan will be exempt from registration under the Securities Act, and other applicable non-bankruptcy laws or regulations.

A. ISSUANCE AND RESALE OF REORGANIZED ROTECH COMMON STOCK

The issuance of Reorganized Rotech Common Stock under the Plan is being made pursuant to the exemption available under section 1145 of the Bankruptcy Code. Subsequent transfers of the Reorganized Rotech Common Stock by holders thereof that are not “underwriters,” as defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code, will be exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code, and state securities laws.

Section 1145(a) of the Bankruptcy Code generally exempts from those registration requirements the issuance of securities if the following conditions are satisfied:

- i. *the securities are issued or sold under a chapter 11 plan by (1) a debtor, (ii) one of its affiliates participating in a joint plan with the debtor, or (iii) a successor to a debtor under the plan, and*
- ii. *the securities are issued entirely in exchange for a claim against or interest in the debtor or affiliate, or are issued principally in such exchange and partly for cash or property.*

The Debtors believe the exchange of stock of Reorganized Rotech for Claims against the Debtors, under the circumstances provided in the Plan satisfies the requirements of section 1145(a) of the Bankruptcy Code. In reliance upon these exemptions, the offer and sale of Reorganized Rotech Common Stock would not require registration under the Securities Act.

The Reorganized Rotech Common Stock to be issued pursuant to the Plan will be deemed to have been issued in a public offering under the Securities Act and, therefore, may be resold by any holder without registration under the Securities Act pursuant to the exemption provided by section 4(a)(1) of the Securities Act, unless the holder is an “underwriter” with respect to those securities, as that term is defined in section 1145(b)(1) of the Bankruptcy Code, as described below. In addition, the securities generally may be resold by holders without registration under state securities or “blue sky” laws pursuant to various exemptions provided by the respective laws of the individual states. There are certain exceptions to those exemptions, however, and holders of Reorganized Rotech Common Stock are advised to consult with their own counsel as to the availability of an exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(1) of the Bankruptcy Code defines “underwriter” for purposes of the Securities Act as one who (i) purchases a claim or interest with a view to distribution of any security to be received in exchange for the claim or interest, (ii) offers to sell securities issued under a plan for the holders of those securities, (iii) offers to buy securities issued under a plan from persons receiving those securities, if the offer to buy is made with a view to distribution of those securities and under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan, or (iv) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act.

The reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(a)(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. “Control” (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a “control person” of the debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the voting securities of the issuer. Additionally, the legislative history of section 1145 of the Bankruptcy Code provides that there is a rebuttable presumption that a creditor who receives at least 10% of the voting securities of an issuer under a plan of reorganization is a statutory underwriter within the meaning of section 1145(b)(1) of the Bankruptcy Code. Persons who believe they may be statutory underwriters as defined in section 1145(b)(1) of the Bankruptcy Code are advised to consult with their own counsel concerning the availability of the safe harbors from registration provided by Rule 144 or Regulation S.

Resales of the Reorganized Rotech Common Stock by persons deemed to be underwriters would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of Reorganized Rotech Common Stock deemed to be “underwriters” may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144 and Regulation S under the Securities Act, to the extent available, and in compliance with applicable state and foreign securities laws. Generally, Rule 144 of the Securities Act provides that persons who are affiliates of an issuer who resell securities will not be deemed to be underwriters if certain conditions are met. These conditions include the certain holding period requirements

with regard to the securities, the requirement that current public information with respect to the issuer be available, a limitation as to the amount of securities that may be sold in any three-month period, the requirement that the securities be sold in a “brokers transaction” or in a transaction directly with a “market maker” and that notice of the resale be filed with the SEC. The Debtors cannot assure, however, that adequate current public information will exist with respect to any issuer of Reorganized Rotech Common Stock and therefore, that the safe harbor provisions of Rule 144 of the Securities Act will be available.

Recipients of Reorganized Rotech Common Stock are advised to consult with their own legal advisors as to the applicability of section 1145 to Reorganized Rotech Common Stock and the availability of any exemption from registration under federal and state law if that section 1145 is not applicable to Reorganized Rotech Common Stock.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE REORGANIZED DEBTORS, THE PROPONENT DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

B. LEGENDS

The Reorganized Rotech Common Stock will be reflected in the stock register maintained on behalf of the Reorganized Debtors by its stock transfer agent. Any shares of Reorganized Rotech Common Stock that are deemed to be “restricted securities” by the Reorganized Debtors will bear a legend substantially in the form below:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED, AT THE COMPANY’S DISCRETION, BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR AND/OR CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO IT TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THESE RESTRICTIONS SHALL APPLY UNTIL THIS SECURITY MAY BE RESOLD BY THE HOLDER WITHOUT RESTRICTION PURSUANT TO RULE 144 UNDER THE SECURITIES ACT.

C. BOOK-ENTRY; DELIVERY AND FORM

The Reorganized Rotech Common Stock will be non-certificated and issued in book-entry form, and holders of shares of Reorganized Rotech Common Stock will not receive certificates representing their ownership interests in such shares. The ownership interest of each holder of shares of Reorganized Rotech Common Stock will be reflected in the stock register maintained on behalf of the Reorganized Debtors by its stock transfer agent. Transfers of shares of Reorganized Rotech Common Stock will be effected only through entries made in such stock register. The laws of some states require that certain purchasers of securities take physical delivery of those securities in definitive form. Such laws and the issuance of the shares in book-entry form may impair the ability to own, transfer or pledge beneficial interests in the New Rotech Common Stock.

D. REGISTRATION AND LISTING

Upon emergence, the Reorganized Rotech Common Stock will not be required to be registered under the Exchange Act, and will not be listed on any securities exchange. No trading market for the Reorganized Rotech Common Stock currently exists, and the Debtors do not expect one to develop.

XI. CONCLUSION

The Debtors believe the Plan is in the best interests of all creditors and urge the holders of Impaired Claims and Equity Interests entitled to vote on the Plan to vote to accept the Plan and to evidence the acceptance by timely returning their Ballots marked to accept the Plan.

Dated: April 7, 2013

[SIGNATURE PAGES IMMEDIATELY FOLLOW]

ROTECH HEALTHCARE INC.

BY: /s/ Steven P. Alsene
NAME: Steven P. Alsene
TITLE: President and Chief Executive
Officer

A-1 MEDICAL EQUIPMENT, INC.

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ABBA MEDICAL EQUIPMENT, INC.

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ACADIA HOME CARE

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ALLIED MEDICAL SUPPLY, INC.

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ALWAYS MEDICAL EQUIPMENT, INC.

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ANDY BOYD'S INHOME MEDICAL, INC.,
WEST

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ANNISTON HEALTH & SICKROOM
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CARE MEDICAL SUPPLIES, INC.

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COLLINS RENTALS, INC.

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LIST OF EXHIBITS

- Exhibit A List of Debtors
- Exhibit B Plan Support Agreement
- Exhibit C Declaration of Steven P. Alsene in Support of Debtors' First Day Motions and Applications
- Exhibit D Debtors' Joint Plan
- Exhibit E Disclosure Statement Order
- Exhibit F Projected Financial Information
- Exhibit G Liquidation Analysis
- Exhibit H Valuation Analysis
- Exhibit I Amended First Lien Term Loan Term Sheet
- Exhibit J Amended First Lien Term Loan Guaranty

Exhibit A

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