

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE**

In re:)	
)	Chapter 11
)	
SRHS Bankruptcy, Inc. (f/k/a Sumner)	Case No. 3:10-bk-04766
Regional Health Systems, Inc.), <i>et al.</i> , ¹)	
)	Jointly Administered
Debtors.)	
)	

**DISCLOSURE STATEMENT, PURSUANT TO SECTION 1125 OF THE
BANKRUPTCY CODE, FOR PLAN OF LIQUIDATION OF SRHS BANKRUPTCY,
INC. (F/K/A SUMNER REGIONAL HEALTH SYSTEMS, INC.) AND ITS AFFILIATED
DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.

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Dated: March 1, 2011

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: SRHS Bankruptcy, Inc. (f/k/a Sumner Regional Health Systems, Inc.) (3738), TMC Bankruptcy, Inc. (f/k/a Trousdale Medical Center, Inc.) (5666), FTRMH Bankruptcy, Inc. (f/k/a Frank T. Rutherford Memorial Hospital, Inc.) (8987), Holdings Bankruptcy, Inc. (f/k/a SRHS Holdings, LLC) (2680), SHH Bankruptcy, LLC (f/k/a Sumner Homecare and Hospice, LLC) (4324), FWGMT Bankruptcy, LLC (f/k/a Family Wellness Group of Middle Tennessee, LLC) (1860) and CC Bankruptcy, LLC (f/k/a ClinicCare, LLC) (6783).

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I. INTRODUCTION AND SUMMARY

A. Overview

SRHS Bankruptcy, Inc. (f/k/a Sumner Regional Health Systems, Inc.), together with its affiliates TMC Bankruptcy, Inc. (f/k/a Trousdale Medical Center, Inc.), FTRMH Bankruptcy, Inc. (f/k/a Frank T. Rutherford Memorial Hospital, Inc.), Holdings Bankruptcy, Inc. (f/k/a SRHS Holdings, LLC), SHH Bankruptcy, LLC (f/k/a Sumner Homecare and Hospice, LLC), FWGMT Bankruptcy, LLC (f/k/a Family Wellness Group of Middle Tennessee, LLC) and CC Bankruptcy, LLC (f/k/a ClinicCare, LLC), as debtors and debtors in possession, (collectively, the “Debtors”), transmit this Disclosure Statement (as may be further amended, the “Disclosure Statement”) pursuant to Section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), in connection with the *Plan of Liquidation of SRHS Bankruptcy, Inc. (f/k/a Sumner Regional Health Systems, Inc.) and its Affiliated Debtors Under Chapter 11 of the Bankruptcy Code*, dated March 1, 2011 (as may be further amended, the “Plan”), in order to provide adequate information to enable holders of Claims that are impaired under (and entitled to vote on) the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan. A copy of the Plan is annexed hereto as Exhibit A. All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to them in the Plan, unless otherwise noted.

The Plan provides a means by which the proceeds of the liquidation of the Debtors’ assets will be distributed to creditors under Chapter 11 of the Bankruptcy Code, and sets forth the treatment of all Claims against the Debtors. As described in more detail below, the Debtors have consummated the Court-approved sale of substantially all of their assets (the “Sale Assets”) to LifePoint Acquisition Corp. (the “Purchaser”). The Plan provides for the distribution to creditors of cash generated from the sale of the Sale Assets, collections of accounts receivable, and the sale, liquidation or other disposition of the Debtors’ remaining assets (the “Remaining Assets”).

THE DEBTORS STRONGLY URGE ACCEPTANCE OF THE PLAN, AND URGE ALL CREDITORS ENTITLED TO VOTE THEREON TO VOTE TO ACCEPT THE PLAN.

Attached as Exhibits to this Disclosure Statement are copies of (i) the Plan (Exhibit A) and (ii) an Order of the Court dated _____, 2011 (the “Disclosure Statement Approval Order”) which, among other things, approves the Disclosure Statement and establishes certain procedures with respect to the solicitation of votes to accept or reject the Plan (Exhibit B).

The Disclosure Statement Approval Order sets forth the deadlines for voting to accept or reject the Plan and for filing objections to confirmation of the Plan. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Approval Order and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain, among other things, important information concerning the classification of

Claims for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to Section 1125 of the Bankruptcy Code.

B. Summary of Classification and Treatment Under the Plan

In general, and as more fully described herein, the Plan (i) divides Claims into 4 unclassified categories and 5 classes and (ii) sets forth the treatment afforded to each category and class. The following table sets forth a summary of the treatment of each class of Claims under the Plan (a more detailed description of the Plan is set forth in Section IV of this Disclosure Statement entitled “Overview of The Plan”).²

<i>Class</i>	<i>Type of Claim</i>	<i>Treatment of Allowed Claims</i>
—	<i>Administrative Claims</i>	<i>Each holder of an Allowed Administrative Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive Cash in an amount equal to such Allowed Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed or is payable, unless such holder agrees to a different treatment of such Claim. After the Effective Date, the Plan Administrator may, in the ordinary course of business, satisfy any liabilities, expenses and other Claims incurred by the Plan Administrator in the ordinary course of business and without further order of the Court.</i>
—	<i>Priority Tax Claims</i>	<i>Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive on account of such Allowed Claim, at the option of the Debtors, either payment in full in Cash as soon as reasonably practicable after the Effective Date, or in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, regular installment payments in Cash: (i) of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (ii) which total value shall include simple interest to accrue on any outstanding balance of such Allowed Priority Tax Claim starting on the Effective Date at the rate of interest determined under applicable nonbankruptcy law pursuant to section 511 of the Bankruptcy Code; (iii) over a period ending not later than five (5) years after the Petition Date; and (iv) in a manner not less favorable than the most favored nonpriority Unsecured Claim provided for by the Plan. Any Claim or demand for penalty relating to any Priority Tax Claim (other than a penalty of the type specified in Section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and the holder of an Allowed Priority Tax Claim shall not</i>

² This summary contains only a brief and simplified description of the classification and treatment of Claims under the Plan. It does not describe every provision of the Plan. Accordingly, reference should be made to the entire Disclosure Statement (including exhibits) and the Plan for a complete description of the classification and treatment of Claims.

<i>Class</i>	<i>Type of Claim</i>	<i>Treatment of Allowed Claims</i>
		<i>assess or attempt to collect such penalty from the Estates or any of their respective Assets or properties.</i>
—	<i>Professional Fee Claims</i>	<i>Each holder of an Allowed Professional Fee Claim shall be paid in Cash in an amount equal to such Allowed Claim on or as soon as reasonably practicable after the first Business Day following the date upon which such Claim becomes Allowed by a Final Order, unless such holder agrees to a different treatment of such Allowed Claim.</i>
—	<i>U.S. Trustee Fees</i>	<i>U.S. Trustee Fees incurred by the Estates prior to the Effective Date shall be paid in Cash on the Effective Date in accordance with the applicable schedule for payment of such fees. Until the Cases are closed by entry of a final decree of the Court, the Plan Administrator shall pay all additional U.S. Trustee Fees incurred in accordance with the applicable schedule for the payment of such fees.</i>
1	<i>Bond Trustee Secured Claim</i>	<i>Pursuant to the Settlement Agreement and the Settlement Order, the Bond Trustee received \$120,963,615.63 at the Closing in partial satisfaction of the Bond Trustee Secured Claim, and also has been deemed to have applied the Indenture Held Funds to further reduce the Bond Trustee Secured Claim. On or as soon as reasonably practicable after the Effective Date, the Bond Trustee shall additionally receive, in full and final satisfaction, release and settlement of the Bond Trustee Secured Claim, (i) distributions of (w) the Bond Holdback Distribution, (x) the Downstream LAC Proceeds, (y) the proceeds of any sale, liquidation or other disposition of the Remaining Assets subject to the Bond Trustee Liens and (z) the proceeds of any Avoidance Actions, which distributions shall reduce the Participating Remaining Bond Claim on a dollar for dollar basis, (ii) Pro Rata distributions of Available Cash, which distributions shall be made as if the Participating Remaining Bond Claim was an Unsecured Claim, which distributions shall reduce the Participating Remaining Bond Claim on a dollar for dollar basis, and (iii) after and only in the event all Allowed Claims in Classes 2, 3 and 4 of the Plan have been satisfied or reserved for in full in accordance with the provisions of the Plan, distributions of Available Cash; <u>provided, however</u>, that in no event shall the Bond Trustee receive more than the amount of the Bond Trustee Secured Claim without interest.</i>
2	<i>Other Secured Claims</i>	<i>Each holder of an Allowed Other Secured Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive one of the following alternative treatments, at the option of the Debtors: (a) payment in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes due and payable by its terms; (b) the return of the collateral securing such Claim; (c) the treatment described in Section 1124(2) of the Bankruptcy Code; or (d) such other recovery necessary to satisfy Section 1129 of the</i>

<i>Class</i>	<i>Type of Claim</i>	<i>Treatment of Allowed Claims</i>
		<i>Bankruptcy Code. To the extent that the value of the collateral securing each Allowed Other Secured Claim is less than the amount of such Allowed Other Secured Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Unsecured Claim and shall be classified as such.</i>
3	<i>Other Priority Claims</i>	<i>Each holder of an Allowed Other Priority Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall be paid in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed, unless such holder agrees to a different treatment of such Claim (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such holder).</i>
4	<i>Unsecured Claims</i>	<i>Each holder of an Allowed Unsecured Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive on or as soon as reasonably practicable after the Effective Date Pro Rata distributions of Available Cash until each holder receives 100% of its Allowed Claim without interest. Solely for purposes of determining Pro Rata distributions to holders of Unsecured Claims, the Participating Remaining Bond Claim shall be included as an Unsecured Claim.</i>
5	<i>County Residual Claim</i>	<i>After and only in the event all Allowed Administrative Claims, Priority Tax Claims, Professional Fee Claims, Claims in Classes 1 through 4 of the Plan, and all costs and expenses respecting administration of the Plan have been satisfied or reserved for in full in accordance with the provisions of the Plan, the County shall receive any remaining Available Cash.</i>

[THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE COURT AS CONTAINING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, TO ENABLE HOLDERS OF CLAIMS TO MAKE AN INFORMED JUDGMENT IN VOTING TO ACCEPT OR REJECT THE PLAN. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.]³

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. WHILE THE DEBTORS BELIEVE THAT THIS SUMMARY IS FAIR AND ACCURATE AND PROVIDES ADEQUATE INFORMATION WITH RESPECT TO THE PLAN, SUCH SUMMARY IS QUALIFIED

³ This Disclosure Statement is being submitted to the Court for approval, but has not yet been approved. Therefore, this bracketed text and other similar language herein is applicable to the court-approved version of the Disclosure Statement only.

TO THE EXTENT THAT IT DOES NOT SET FORTH THE ENTIRE TEXT OF THE PLAN. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS IN THE PLAN, THE PLAN SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF CLAIMS SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS TO THIS DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN UNLESS SO SPECIFIED. WHILE THE DEBTORS HAVE MADE EVERY EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES REASONABLY CAN BE EXPECTED TO AFFECT MATERIALLY THE VOTE ON THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT THAT CERTAIN EVENTS, SUCH AS THOSE MATTERS DISCUSSED IN SECTION VII BELOW ENTITLED "RISK FACTORS", DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER APPLICABLE NON-BANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING OR TRADING IN, OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, THE DEBTORS, SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

WITH RESPECT TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT AND THE INFORMATION CONTAINED HEREIN SHALL NOT BE CONSTRUED AS AN ADMISSION OR STIPULATION, BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS.

C. Voting and Confirmation Procedures

As set forth above, accompanying this Disclosure Statement are copies of, among other things, the following documents: (i) the Plan, which is annexed hereto as Exhibit A, and (ii) the Disclosure Statement Approval Order, which is annexed hereto as Exhibit B, approving (a) this Disclosure Statement as containing adequate information pursuant to Section 1125 of the Bankruptcy Code, (b) procedures for the solicitation and tabulation of votes to accept or reject the Plan, (c) the notice of and fixing (1) the time for submitting acceptances or rejections to the Plan, (2) the hearing to consider confirmation of the Plan, (3) the time for filing objections to confirmation of the Plan and (4) other deadlines and notice procedures.

The forms of Ballots, and the related materials delivered together herewith, are being furnished, for purposed of soliciting votes on the Plan, to Classes 1 and 4, which are the only

impaired classes of Claims that are entitled to vote on the Plan. The Disclosure Statement is also available at no cost upon request to holders of Claims in Classes 2, 3 and 5 (which classes are unimpaired and therefore deemed to have accepted the Plan) and other persons or entities, solely for informational purposes.

1. Who May Vote

Pursuant to the provisions of the Bankruptcy Code, impaired classes of claims or interests are entitled to vote to accept or reject a plan of reorganization. A class which is not “impaired” is deemed to have accepted a plan and is not entitled to vote. A class is “impaired” under the Bankruptcy Code unless the legal, equitable, and contractual rights of the holders of claims or interests in such class are not modified or altered. As set forth above, Classes 2, 3 and 5 are unimpaired and deemed to accept the Plan, and Classes 1 and 4 are impaired and entitled to vote on the Plan.

2. Voting Procedures

All votes to accept or reject the Plan must be cast by using the form of Ballot. No votes other than ones using such Ballot will be counted except to the extent the Court orders otherwise. The first day of the hearing to consider approval of the Disclosure Statement has been established as the date (the “Voting Record Date”) for the determination of holders of record of Claims who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan on the appropriate Ballot and return such Ballot in the enclosed envelope to Epiq Bankruptcy Solutions, LLC, the Debtors’ voting agent (the “Voting Agent”), at the following address:

IF BY FIRST CLASS MAIL:

SRHS Bankruptcy, Inc. Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, P.O. Box 5014
New York, New York 10150-5014

IF BY OVERNIGHT MAIL OR HAND DELIVERY:

SRHS Bankruptcy, Inc. Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, New York 10017

BALLOTS MUST BE RECEIVED ON OR BEFORE __.M. (PREVAILING EASTERN TIME) ON _____, 2011 (THE “VOTING DEADLINE”).

Parties holding Allowed Claims shall be those (a) who have filed timely proofs of claim (or untimely proofs of claim which have been allowed as timely by the Court under applicable law on or before the Voting Record Date) that have not been disallowed by an order of the Court entered on or before the Voting Record Date; (b) whose Claims are listed in the Schedules (other than those which have either been satisfied by payment in full or scheduled as (x) unliquidated, contingent or disputed and/or (y) zero or unknown in amount), provided that such scheduled claims have not been amended or superseded by proofs of claim filed with respect thereto; and (c) whose Claims are allowed under the Plan. To the extent scheduled claims have been amended or superseded by proofs of claim with respect thereto, the amount of such Claim on the proof of claim shall control for purposes of voting, subject to the following:

- a. Creditors who filed proofs of claim for unknown, undetermined, wholly unliquidated, or contingent amounts will count for satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code and will count as Ballots for Claims in the amount of \$1.00 solely for the purpose of satisfying the dollar amount provisions of section 1126(c) of the Bankruptcy Code;
- b. if a Claim is partially liquidated and partially unliquidated, such Claim shall be allowed for voting purposes only in the liquidated amount;
- c. so as to avoid duplication and reduce expenses, creditors who have filed or purchased duplicate Claims in any given class shall be entitled to receive only one solicitation package and shall be allowed one Ballot for voting their Claims with respect to that class, regardless of whether the Debtors have objected to such duplicate Claims;
- d. Claims that have been amended and superseded by a subsequently filed Claim will be disallowed for voting purposes regardless of whether the Debtors have objected to such amended Claims;
- e. if the Debtors file an objection to a Claim, such Claim shall be disallowed for voting purposes only and not for purposes of allowance or distribution, except to the extent and in the manner as may be set forth in such objection;
- f. Claims filed for \$0.00 are not entitled to vote; and
- g. for purposes of the numerosity requirement of section 1126(c) of the Bankruptcy Code, separate Claims held by a single creditor in a particular Class shall be aggregated as if such creditor held one Claim against the Debtors in such Class, and the votes related to such Claims shall be treated as a single vote to accept or reject the Plan.

3. Tabulation Rules

So as to avoid uncertainty and inconsistent results, Ballots in the following categories will not be counted, unless otherwise ordered by the Court:

- a. Ballots that partially reject and partially accept the Plan will not be counted, except in the case of Master Ballots submitting the votes of multiple entities;
- b. Any Ballot that is illegible or contains insufficient information to permit the identification of the claimant will not be counted;
- c. Ballots that fail to indicate an acceptance or rejection of the Plan, or that indicate both acceptance and rejection of the Plan, will not be counted;
- d. Unless previously authorized by the Debtors, only Ballots that are timely received with original signatures will be counted. Unsigned Ballots, or Ballots that are illegible or contain insufficient information to permit the identification of the holder of a Claim, will not be counted;
- e. Ballots postmarked prior to the Voting Deadline, but received after the Voting Deadline, will not be counted;
- f. Facsimile Ballots, or Ballots submitted via email or other electronic transmission, will not be counted, unless the holder of the Claim receives the consent of the Debtors to submit its Ballot by facsimile, e-mail or other electronic transmission; and
- g. If a Holder of Claims simultaneously casts inconsistent Ballots or Master Ballots, such Ballots shall not be counted, except in the case of a supplemental Master Ballot.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change his or its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. In the case where more than one properly completed Ballot is received, only the last timely received Ballot shall be counted for purposes of determining whether the requisite acceptances have been received.

4. Special Voting Procedures for Holders of Claims Arising Under, Related to or in Connection with Bonds and Bond Documents

Detailed instructions regarding how to vote on the Plan are contained on the Beneficial Holder Ballots distributed to holders of Claims arising under, related to or in connection with the Bonds and the Bond Documents and the Master Ballots distributed to Nominees (as defined below). For your vote to be counted, your Beneficial Holder Ballot must be completed, signed, and received by the Voting Deadline; provided, however, that Master Ballots received by the Voting Agent after the Voting Deadline may be counted only in the sole and absolute discretion of the Debtors.

If you are a beneficial holder (“Beneficial Holder”) of a Bond held by a broker, dealer, commercial bank, trust company, or other agent or nominee of beneficial holders (each, a

“Nominee”), please allow enough time when you return your Beneficial Holder Ballot for your Nominee to cast your vote on a Master Ballot before the Voting Deadline.

Each holder of a Claim arising under, related to or in connection with the Bonds and the Bond Documents (Class 1) may cast only one vote for each Claim held by such holder. By signing and returning a Beneficial Holder Ballot (in one of the manners as set forth below), each holder of a Claim in will be certifying to the Court and the Debtors that no other Beneficial Holder Ballots with respect to such Claim have been cast or, if any other Beneficial Holder Ballots have been cast with respect to such Class of Claims, such earlier Beneficial Holder Ballots are superseded and revoked.

It is important to follow the specific instructions provided on each Beneficial Holder Ballot. For information regarding voting by Nominees, *see* the Section immediately below entitled “Nominee Voting Instructions.”

5. Nominee Voting Instructions

As noted, the holders of Claims arising under, related to or in connection with the Bonds and the Bond Documents are entitled to vote to accept or reject the Plan, and such holders may do so by completing the appropriate Ballots and returning them in the envelope provided. The failure of a holder to deliver a duly executed Ballot will be deemed to constitute an abstention by such holder with respect to voting to accept or reject the Plan, and such abstentions will not be counted as votes to accept or reject the Plan. Voting instructions are attached to each Beneficial Holder Ballot.

With respect to holders of Claims arising under, related to or in connection with the Bonds and the Bond Documents, a Nominee should deliver the Beneficial Holder Ballot and other documents relating to the Plan, including this Disclosure Statement, to each Beneficial Holder of the eligible Claims for which they serve as Nominee.

A Nominee that on the Voting Record Date is the record holder for a Beneficial Holder shall obtain the vote of such Beneficial Holder consistent with customary practices for obtaining the votes of securities held in “street name,” in one of the following two ways:

(a) Pre-Validated Ballots: A Nominee may pre-validate a Ballot by: (i) signing the applicable Ballot; (ii) indicating on the Ballot the name of the Beneficial Holder, the account number and amount of the Claims held by the Nominee; and (iii) forwarding such Ballot together with the solicitation package and other materials requested to be forwarded to the Beneficial Holder for voting. The Beneficial Holder may then complete the information requested in the Ballot, review the certifications contained in the Ballot, and return the Ballot directly to the Voting Agent in the pre-addressed, postage paid envelope included with the solicitation package so that it is received by the Voting Agent before the Voting Deadline. A list of the Beneficial Holders to whom “pre-validated” Ballots were delivered should be maintained by the Nominee for inspection for at least one year from the Voting Deadline.

(b) Master Ballots: A Nominee may obtain the votes of Beneficial Holders by forwarding to the Beneficial Holders the applicable unsigned Ballots, together with the

solicitation package, a return envelope provided by, and addressed to, the Nominee, and other materials requested to be forwarded. Each such Beneficial Holder may then indicate his/her or its vote on the Ballot, complete the information requested in the Ballot, review the certifications contained in the Ballot, execute the Ballot, and return the Ballot to the Nominee. After collecting the Ballots, the Nominee shall, in turn, complete the applicable Master Ballot compiling the votes and other information from the Ballot, execute the Master Ballot, and deliver the Master Ballot to the Voting Agent so that it is received by the Voting Agent before the Voting Deadline. All Ballots returned by beneficial owners should either be forwarded to the Voting Agent (along with the Master Ballot) or retained by Nominees for inspection for at least one year from the Voting Deadline.

If a Master Ballot is received after the Voting Deadline, the votes and elections on such Master Ballot may be counted only in the sole and absolute discretion of the Debtors. The method of delivery of a Master Ballot to be sent to the Voting Agent is at the election and risk of each Nominee. Except as otherwise provided in this Disclosure Statement, such delivery will be deemed made only when the executed Master Ballot is actually received by the Voting Agent. Instead of effecting delivery by mail, it is recommended, though not required, that such entities use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. No Beneficial Holder Ballot should be sent to the Debtors, or the Debtors' financial or legal advisors, but only to the Voting Agent as set forth above.

Nominees must provide appropriate information for each of the items on the Master Ballot, including identifying the votes to accept or reject the Plan.

By returning a Master Ballot, each Nominee will be certifying to the Debtors and the Court, among other things, that: (a) it has received a copy of the Disclosure Statement, the Beneficial Holder Ballots, and the solicitation package and has delivered the same to the Beneficial Holders listed on the Beneficial Holder Ballots or to any intermediary Nominee, as applicable; (b) it has received a completed and signed Beneficial Holder Ballot from each Beneficial Holder for which it is a Nominee or from an intermediary Nominee, as applicable; (c) it is the intermediary record holder of the Claims being voted; (d) it has been authorized by each such Beneficial Holder or intermediary Nominee, as applicable, to vote on the Plan and to make applicable elections; (e) it has properly disclosed: (i) the number of Beneficial Holders who completed Beneficial Holder Ballots, (ii) the respective amounts of the Claims owned, as the case may be, by each Beneficial Holder who completed a Beneficial Holder Ballot, (iii) each such Beneficial Holder's respective vote concerning the Plan; (iv) each such Beneficial Holder's certification as to the other Claims voted; and (v) the customer account or other identification number for each such Beneficial Holder; (f) each such Beneficial Holder has certified to the Nominee or to an intermediary Nominee, as applicable, that it is eligible to vote on the Plan; (g) each such Beneficial Holder has certified to the Nominee that such Beneficial Holder has not submitted any other ballot for such Claims held in other accounts or other names, or, if it has submitted another ballot held in other accounts or names, that the Beneficial Holder has certified to the Nominee that such Beneficial Holder has cast the same vote for such Claims, and the undersigned has identified such other accounts or owner and such other Ballots; and (h) it will maintain Beneficial Holder Ballots and evidence of separate transactions returned by Beneficial Holders or by intermediary Nominees (whether properly completed or defective) for at least one

year after the Voting Deadline and disclose all such information to the Court or the Debtors, as the case may be, if so ordered.

Except as otherwise provided in the Plan, each Master Ballot must be returned in sufficient time to allow it to be received by the Voting Agent by no later than the Voting Deadline.

If you have any questions regarding the procedures for voting on the Plan, please contact the Debtors' Voting Agent, Epiq Bankruptcy Solutions, LLC, at the above address, or the following telephone number: 646-282-2400.

II. THE DEBTORS' BUSINESS AND DEBT STRUCTURE AND EVENTS LEADING TO COMMENCEMENT OF CHAPTER 11 CASES

A. Overview of the Debtors' Business and Acquisition of Facilities from the County

Sumner Regional Health Systems, Inc. ("Sumner") was formed in Tennessee in 1994 as the non-profit parent corporation of an integrated healthcare system (the "System") comprised of the affiliated Debtors, which was headquartered in Gallatin, Tennessee. The System provided acute care and skilled nursing services to eleven counties in central Tennessee and southern Kentucky. The Debtors owned and/or operated, among other businesses and assets, four acute care hospital facilities (collectively, the "Hospitals"), a provider of home health, hospice and palliative care services, a family physician group, and several medical office and outpatient facilities.

The Debtors acquired certain of their Hospital facilities (the "County Hospitals") from the County of Sumner in the State of Tennessee (the "County"). In connection with Sumner's formation in 1994, the County transferred operational control of the County Hospitals to Sumner. In connection with that transfer, the County and Sumner entered into a lease (the "County Lease"), pursuant to which the County leased the County Hospitals to Sumner for nominal rent and certain agreements to continue providing certain levels of care to the community. Ultimately, Sumner and the County entered into a Lease Termination Agreement dated as of January 27, 2004 (the "Lease Termination Agreement"), pursuant to which (i) the County agreed to terminate the County Lease and convey the real property underlying the County Hospitals to Sumner, and (ii) Sumner agreed to pay \$10,000,000 and undertook to provide certain reduced or no-cost medical services to County inmates and indigent residents through at least October 1, 2034 and, thereafter, for a certain period at the County's request, at Sumner's cost.

B. Pre-Petition Bonds In or around the fall of 2007, the System formed an obligated financing group (the "Obligated Group") in order to gain access to the municipal bond market. The members of the Obligated Group are jointly and severally liable for the obligations in respect of the following series of outstanding tax-exempt revenue bonds: (a) The Health, Educational and Housing Facilities Board of the County, \$150,000,000 Hospital Revenue Refunding and Improvement Bonds (Sumner Regional Health Systems, Inc.), Series 2007A (the "2007 Bonds") and (b) The Health, Educational and Housing Facilities Board of the County, \$12,000,000 Hospital Revenue Improvement Bonds (Sumner Regional Health Systems), Series 2008 (the "2008 Bonds" and, together with the 2007 Bonds, the "Bonds"). Wells Fargo Bank,

N.A. (the “Bond Trustee”) currently serves as successor master trustee and successor bond trustee with respect to the Bonds.

C. Events Leading to the Chapter 11 Filing

As noted, in 2007 and 2008, pursuant to an expansion strategy, the Obligated Group issued the Bonds in the aggregate amount of \$162 million, in two separate series. After the issuance of the 2008 Bonds, the Debtors determined that operating results had been overstated for fiscal year 2008 because certain methods used to estimate the contractual adjustment and allowance for doubtful accounts were flawed. During the fiscal year beginning June 1, 2008, operating losses continued in substantial part due to four factors: lower realization of patient revenues, increased costs of operations associated with new facilities, a declining economic environment, and reduced rates of return on the investment portfolio. The Debtors were experiencing negative cash flows. In November 2008, the Debtors implemented a reduction-in-force with the termination of 84 employees.

As a result of this decline in operating performance, several members of the Debtors’ executive management resigned or were terminated during calendar year 2008 and the first half of calendar year 2009, including the Chief Financial Officer, Vice President of Development, and Sumner Regional Administrator. For the fiscal years ended May 31, 2008 and May 31, 2009, the Debtors recorded a net negative change in unrestricted net assets of (\$22.2) million and (\$42.9) million, respectively, resulting from lower realization of patient revenues.

On June 10, 2009, Fitch Rating issued a downgrade report of the Debtors to ‘B-’ from ‘BB+’ with a “Negative” watch, citing the Debtors’ deterioration in operating profitability, accounting problems, a material decline in liquidity, and the Debtors’ auditors issuing a going-concern opinion in the 2008 audit. Two days later, the former Chief Executive Officer of the Debtors resigned, and soon thereafter in June 2009, the System Board retained Navigant Consulting, Inc. and Navigant Capital Advisors, LLC (together, “Navigant”) to serve as its performance improvement consultant and strategic alternative and disposition advisor. Certain Navigant employees were named to key executive management positions, including Roger Kaiser, M.D as the Debtors’ Chief Executive Officer, Mark Brazitis as the Debtors’ Chief Implementation Officer, and Waite Popejoy as the Debtors’ Chief Restructuring Officer.

No longer able to sustain viable long-term business operations, the System Board and the Debtors’ management determined that the Debtors’ best option to maximize the value of their assets for stakeholders and to safeguard the welfare of their patients was to pursue the sale of the Sale Assets (the “Sale”) in an orderly fashion through the Cases. Accordingly, the System Board authorized the filing of these Cases and the Sale, as set forth more fully below.

III. SIGNIFICANT EVENTS DURING THE DEBTORS’ CHAPTER 11 CASES

A. Overview of Chapter 11 and Commencement of Chapter 11 Cases in General

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its finances and operations for the benefit of itself, its creditors and equity interest holders. In addition to permitting rehabilitation of a

debtor, another goal of Chapter 11 is to promote the optimization of a debtor's assets and equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing of the debtor's bankruptcy petition. The Bankruptcy Code provides that a Chapter 11 debtor may continue to operate its business and remain in possession of its property as a debtor-in-possession. The Debtors filed their Cases with the Court on April 30, 2010. The Debtors' cases were assigned to the Honorable Marian F. Harrison, United States Bankruptcy Judge for the Middle District of Tennessee. The Debtors continue to retain control of their remaining assets as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

Confirmation and consummation of a plan of reorganization or liquidation are the principal objectives of a Chapter 11 case. In general, confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Before soliciting acceptances of a proposed plan, however, Section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment in voting to accept or reject the plan. The Debtors are submitting this Disclosure Statement to holders of impaired Claims against the Debtors to satisfy the requirements of Section 1125 of the Bankruptcy Code.

The following is a brief description of some of the major events that have occurred in the Cases.

B. First Day Orders

On or shortly after the Petition Date, the Court entered various orders designed to minimize the disruption of the Debtors' business affairs and facilitate the orderly administration of the Cases. These include:

- a. an order granting procedural consolidation of the Cases and authorizing joint administration thereof [Docket No. 78];
- b. a order limiting scope of notice and establishing certain case management procedures [Docket No. 88];
- c. an order granting an extension of time for the Debtors to file (a) statements of financial affairs and (b) schedules of assets and liabilities, current income and expenditures and executory contracts and unexpired leases [Docket No. 89];
- d. an interim order enjoining utility providers from terminating service to the Debtors and establishing procedures for determining requests for additional adequate assurance, which was ultimately granted on a final basis [Docket Nos. 91, 232];

- e. an order authorizing the Debtors to maintain their cash management system and existing bank accounts, and to use existing business forms [Docket No. 93];
- f. an order authorizing the Debtors' payment of pre-petition employee wages, salaries and other compensation and maintenance of certain benefit programs [Docket No. 94];
- g. an order authorizing the Debtors' continued payments with respect to workers' compensation and other insurance coverage and related expenses [Docket No. 95];
- h. an order authorizing the Debtors' remittance of sales and use taxes [Docket No. 96];
- i. an interim order authorizing the Debtors to remit funds to patients and insurance companies in respect of overpayments, which was ultimately granted on a final basis [Docket Nos. 101, 231]; and
- j. an order determining that a patient care ombudsman (as described in 11 U.S.C. section 333(a)(1)) was not necessary at the time of entry of the order [Docket. 226].

C. Retention of the Debtors' Crisis Managers and Related Officers

As set forth above, the Debtors retained Navigant, among other things, to pursue a strategic disposition of the Debtors' assets. After the filing of the Cases, this retention was expanded to include provision of crisis management services, and was approved by the Court on May 25, 2010 [Docket No. 225]. Pursuant to such order, Navigant professionals served as the Debtors' Chief Restructuring Officer, Chief Executive Officer, Chief Implementation Officer, Revenue Cycle Officer and Vice President of Finance. Upon consummation of the sale of the Sale Assets, in accordance with the Debtors' reduced needs, the level of Navigant staffing was reduced accordingly. Navigant professionals continue to serve as the Debtors' Chief Restructuring Officer and Vice President of Finance.

D. Retention of Debtors' Professionals

During the Cases, the Debtors obtained orders of the Court authorizing them to retain a number of professionals to assist them with conducting the Cases and various goals related thereto. These professionals are:

- a. the law firm of Proskauer Rose LLP, retained as bankruptcy and reorganization counsel [Docket No. 228];
- b. the law firm of Frost Brown Todd LLC, retained as local bankruptcy co-counsel [Docket No. 229];
- c. Epiq Bankruptcy Solutions, LLC, retained as claims, noticing and balloting agent [Docket No. 230]; and

- d. Mathews Partners, LLC d/b/a Colliers International, retained as real estate broker (the “Broker”) with respect to certain non-core real estate assets [Docket No. 524].

E. Appointment of Creditors’ Committee and Professionals

On or about May 11, 2010, the U.S. Trustee appointed an Official Committee of Unsecured Creditors (the “Committee”) in the Chapter 11 case of SRHS Bankruptcy, Inc. (f/k/a Sumner Regional Health Systems, Inc.) [Docket No. 147] to represent the interests of the unsecured creditors in that case. Since the formation of the Committee, the Debtors have extensively consulted and cooperated with the Committee concerning various aspects of the Cases. The members of the Committee appointed on the date set forth above are as follows:

- Citadel Properties, V, LLC,
- Center for Comprehensive Services, Inc.,
- Jan Hallmark,
- James Hodges, and
- William T. Sugg.

Pursuant to orders of the Court, the Committee has employed Alston & Bird LLP as its bankruptcy counsel [Docket No. 421], Puryear Law Group as its local bankruptcy co-counsel [Docket No. 422] and Deloitte Financial Advisory Services, LLC as its financial advisor [Docket No. 484].

F. Use of Cash Collateral

On the Petition Date, the Debtors filed a motion for authorization to use the Bond Trustee’s cash collateral, and to provide adequate protection in connection therewith, in order to provide the funding critical to enable the Debtors to maintain their current operations while pursuing the Sale and to cover the administrative costs associated with the Cases (the “Cash Collateral Motion”). On May 5, 2010, the Court entered an interim order, among other things, and with the consent of the Bond Trustee, (i) authorizing the Debtors to utilize cash collateral pursuant to Section 363 of the Bankruptcy Code and (ii) granting adequate protection [Docket No. 86]. After extensive negotiations between the Debtors, the Bond Trustee and the Committee to produce a final order with respect to the Cash Collateral Motion, the Court granted such motion on a final basis by an order entered on May 26, 2010 [Docket No. 236] (the “Final Cash Collateral Order”). As discussed in further detail below, the Committee retains the right to challenge the Bond Trustee Liens in connection with the Bond Holdback Distribution and certain of the Remaining Assets.

G. The Sale of Substantially All of the Debtors’ Assets and the Debtors’ Related Disputes with the County

As set forth more fully in the Sale Motion (as defined below) and the affidavits of Mr. Waite Popejoy in support of the Debtors’ bankruptcy petitions and in further support of the Sale

Motion, prior to the Petition Date, the Debtors went to great lengths to stabilize their operations. Nonetheless, it was determined that the Sale was the best option to ensure that the Hospitals could continue providing medical services to the citizens of the County, as well as Trousdale and Smith Counties and the surrounding areas. Therefore, the Debtors conducted an extensive pre-petition marketing campaign prior to the commencement of the Cases. The pre-petition process concluded with the execution of an asset purchase agreement with a stalking horse bidder for the Sale and the Debtors shortly thereafter commenced the Cases. Shortly after filing the Cases, the Debtors filed a motion (the "Sale Motion") [Docket No. 7], among other things, to approve bidding procedures and an auction (the "Auction") in connection with the proposed Sale to the Purchaser. The Debtors also filed the Cash Collateral Motion and a motion to reject the Lease Termination Agreement under 11 U.S.C. § 365 [Docket No. 29] (the "Rejection Motion"). The County filed objections to each of these motions. As set forth above, on May 26, 2010, the Court entered the Final Cash Collateral Order over the County's objection. In a separate memorandum opinion, the Court reserved judgment on the issues of whether the Lease Termination Agreement is an executory contract subject to rejection and, if it is executory, whether or not rejection of such agreement is an appropriate application of the Debtors' business judgment.

The County filed its objection to the bidding procedures portion of the Sale Motion on May 10, 2010 (the "Bid Procedures Objection") [Docket No. 143], arguing that the Sale could not be authorized and that the Debtors were required to transfer their assets to the County. On May 18, 2010, the Court overruled the Bid Procedures Objection and the Court entered an order approving, among other things, the bidding procedures [Docket No. 181], which expressly preserved the County's objections to the Sale itself. Pursuant to the bidding procedures, the Debtors conducted a final round of marketing and solicitations for the Sale. No other bidders emerged, and the Debtors proceeded to seek authorization from the Court to consummate the Sale with the Purchaser. On June 8, 2010, the County filed an objection to this request [Docket No. 289], arguing, among other things, that the County had a reversionary interest in the Sale Assets, and that the Debtors could not sell them free and clear of this interest pursuant to 11 U.S.C. § 363(f). After extensive briefing by the County, the Debtors, the Bond Trustee and the Committee, and after a hearing, the Court issued a memorandum opinion on June 18, 2010 [Docket No. 336] which overruled the County's objections and approved the Sale free and clear of the County's alleged interests, subject to the Debtors' submission of an appropriate form of sale order. The Debtors' proposed sale order, submitted that day [Docket No. 337], was objected to by the County [Docket No. 338], which argued (among other things) that insufficient evidence had been submitted to support the factual findings to be made by the Court therein. In response to the County's objections, the Court required supplemental materials from the Debtors and other parties in interest and held two subsequent hearings on June 21, 2010 and June 23, 2010 to further establish the evidentiary basis for entry of the proposed sale order. Thereafter, on June 24, 2010, the Court entered an order (the "Sale Order") authorizing the Debtors to consummate the Sale to the Purchaser free and clear of all liens, claims and encumbrances, including any purported interest of the County [Docket No. 367].

On July 8, 2010, the County appealed the entry of the Sale Order (the "Appeal"). Due to the Appeal, First American, the company chosen to provide title insurance to the Purchaser in connection with the Sale, was unwilling to issue title insurance without an exception for the interests asserted by the County. While the Debtors disagreed with First American's refusal to issue title insurance, the Debtors were nonetheless unable to obtain clean title insurance and

therefore could not close the Sale while the Appeal was pending. This issue had the potential to unravel the entire Sale since, pursuant to Subsection 4.4(a)(i) of the Asset Purchase Agreement between the Debtors and the Purchaser (the “APA”), the Purchaser could terminate the APA if closing of the Sale had not occurred by July 31, 2010. Moreover, the Debtors did not have a backup bidder to turn to if they lost the Purchaser, as there were no other bidders at the Auction. Therefore, without the Purchaser, there may not have been a Sale, which could ultimately have resulted in the closure of the Hospitals.

In addition to the foregoing litigation surrounding the Sale itself, and in compliance with paragraph 24 of the Final Cash Collateral Order, the County commenced an adversary proceeding (the “Adversary Proceeding”), seeking, among other things, to prevent the disbursement of the proceeds of the Sale to the Bond Trustee for the benefit of the holders of the Bonds. In a scheduling conference held shortly after the commencement of the Adversary Proceeding, the Court stated that it had already disposed of issues relating to whether or not the Debtors could consummate the Sale free and clear of the County’s alleged interests, and required that the County submit an amended complaint narrowing the issues to just those that dealt with the parties’ respective rights to the Sale proceeds. The County filed its amended complaint on July 8, 2010, and the Debtors, the Bond Trustee and the Committee subsequently filed a joint motion on July 13, 2010 to strike a prayer for relief that was not in conformity with the Court’s directive. The County admitted that this was an error in its July 14, 2010 reply, and subsequently filed a second corrected amended complaint. On July 15, 2010, each of the Debtors, the Committee and the Bond Trustee made motions for summary judgment in the Adversary Proceeding.

While such motions and the Appeal were pending, the Debtors, the County, the Bond Trustee and the Committee entered into negotiations in order to reach a settlement of the disputes with the County. The result was a Settlement Agreement (the “Settlement Agreement”) that was approved by the Court pursuant to Bankruptcy Rule 9019 on August 17, 2010 [Docket No. 495]. Among other things, the Settlement Agreement provided for a payment of \$15,000,000 to the County in satisfaction of all claims and interests of any kind or nature against the Debtors, the Debtors’ assets, the Bond Trustee, the holders of the Bonds or the Purchaser, except for a claim to any residual proceeds after all other claims against the Debtors are paid in full. In exchange, all parties to the Settlement Agreement consented to the consummation of the Sale, with the bulk of the proceeds to be applied in satisfaction of the Bonds and related obligations, thereby saving the Debtors’ Estates from having to bear any further significant interest expenses with respect thereto. In addition, \$15,000,000 of the proceeds of the Sale were allocated to the Debtors’ Estates, \$8,500,000 of which was intended to enable the Debtors to fund the Cases, including distributions to creditors under a plan. The remaining \$6,500,000, which is referred to in the Plan and the Settlement Agreement as the Bond Holdback Distribution, is being held for the benefit of the Bond Trustee subject to reduction by either the amount that the Committee (and, on and after the Effective Date, the Post Effective Date Committee as a successor in interest to the Committee with respect to those rights) successfully challenges as not subject to the Bond Trustee Liens or such other amount as may be agreed to among the Debtors, the Committee and the Bond Trustee. As set forth in more detail in Section VII of this Disclosure Statement entitled “Risk Factors”, the potential recovery to holders of Claims is to an extent dependent, among other things, on the outcome of the Committee’s aforementioned challenge rights.

H. Post Closing Issues with the Purchaser

The APA provides for, among other things, a post closing purchase price adjustment based on changes in working capital. This process is an accounting and diligence-intensive process that has become subject to significant dispute, notwithstanding the detailed nature of the applicable provisions of the APA. After months of trading information and discussions, the Debtors and the Purchaser are still millions of dollars apart in their respective positions regarding this adjustment.

While there is still a substantial amount of work to be done in connection with finalizing the purchase price adjustment, the Debtors continue to make every effort to consensually resolve the working capital disputes. Nonetheless, it is possible that these issues will ultimately be submitted to the Court for resolution.

In addition to issues respecting the purchase price adjustment, the Debtors are also attempting to resolve issues with the Purchaser respecting the \$3.0 million indemnification reserve established in connection with the Sale. The Purchaser has made claims to the \$3.0 million dollar reserve pursuant to the indemnification procedures under the APA. The Debtors dispute the Purchaser's claims and, absent consensual resolution, this matter may be submitted to the Court for resolution.

The Debtors also assert that the Purchaser has collected cash receipts that belong to the Debtors, and the Purchaser has, to date, refused to acknowledge such or turn such funds over to the Debtors. The Debtors intend to pursue these funds from the Purchaser.

As set forth in more detail in Section VII of this Disclosure Statement entitled "Risk Factors", the potential recovery to holders of Claims is to an extent dependent, among other things, on the outcome of the various post closing disputes with the Purchaser.

I. Non-Core Real Estate

Certain non-core real estate assets were carved out of the Sale to the Purchaser and were retained by the Debtors' Estates. This non-core real estate currently consists of real property located at or known as 425 Steam Plant Road, Gallatin, TN 37066; 535 East Main Street, Gallatin, TN 37066; 551 East Main Street, Gallatin, TN 37066; 510 East Main Street (Lilly Building), Gallatin, TN 37066; 1047 South Water Avenue, Gallatin, TN 37066; Shawn Drive, Gallatin, TN 37066; 31-E (Nashville Pike), Gallatin, TN 37066; Big Station Camp Boulevard; 225 Big Station Camp Boulevard, Tract 1, Gallatin, TN 37066; 916 South Broadway, Portland, TN 37148; Sage Road Property - White House, TN; and the Ground Lease between Sumner Regional Health Systems, Inc. and Citadel Properties V, L.L.C. The Debtors, through their Broker, have been actively marketing the non-core real estate in attempt to monetize same. As set forth in more detail in Section VII of this Disclosure Statement entitled "Risk Factors", the potential recovery to holders of Claims is to an extent dependent, among other things, on the outcome of the sale of the non-core real estate.

J. Claims Process and Bar Dates

On June 7, 2010, the Debtors filed their schedules of assets and liabilities and statements of financial affairs with the Court [Docket No. 283] and on August 18, 2010 they filed amendments to certain of those schedules [Docket No. 498] (as amended, the “Schedules”), which set forth, among other things, amounts the Debtors believe they owe to various parties. In order to induce all parties that wish to assert claims against the Debtors to inform the Debtors of such claims and to foreclose the possibility that any party could assert a claim beyond a certain date, the Debtors requested that the Court establish a claims bar date. On September 3, 2010, the Court entered an order (the “Bar Date Order”) setting November 1, 2010 at 4:30 p.m. (Prevailing Eastern Time) as the bar date for Creditors to file proofs of claim (the “Bar Date”) [Docket No. 549]. The Bar Date Order provides, except as set forth therein, that any holder of a Claim that fails to file a timely proof of claim on or before the Bar Date shall not be permitted to vote to accept or reject any plan of liquidation or to participate in any distribution in the Cases on account of such Claim.

As of the date hereof, 387 filed claims and approximately 8,000 scheduled claims have been asserted against the Debtors’ Estates with an aggregate asserted liability exceeding \$52.6 million and asserting varying levels of priority (*i.e.*, secured, administrative, priority and general unsecured claims). These Claims include, among others, Medical Malpractice Claims and claims for workers’ compensation. The Debtors have insurance to cover both types of claims. The Plan contains special provisions to address Medical Malpractice Claims which are discussed in further detail in section IV. B. below. The Debtors’ insurance carrier respecting the workers’ compensation claims holds a fully collateralized \$700,000 letter of credit which secures its obligations to claimants. To the extent total liability for workers’ compensation claims exceeds that amount, the Debtors assert that such Claims shall be Unsecured Claims.

After a preliminary review of such Claims and a comparison thereof to their books and records, the Debtors believe that the foregoing claims include, among other things, invalid, overstated, duplicative, misclassified and/or otherwise objectionable claims and that certain of such Claims will be eliminated after giving effect to the substantive consolidation provisions of the Plan and taking into account certain Claims that were satisfied either by the Purchaser or the Debtors pursuant to the APA or otherwise, subsequent to the filing of the Schedules. Thus, the Debtors believe that the foregoing Claim amounts are greatly overstated.

K. Executory Contracts and Unexpired Leases

In order to prevent the accrual of administrative expenses, the Debtors filed motions to reject certain agreements pursuant to Section 365 of the Bankruptcy Code with respect to (i) a lease of certain physician office space and a fitness center located at “Sumner Station” (a leased set of facilities located at 225 Big Station Camp Boulevard in Gallatin, Tennessee), (ii) a lease with respect to the premises formerly used as the Debtors’ corporate headquarters and (iii) certain minor commercial agreements. The court subsequently granted these motions [Docket Nos. 156 and 238]. In connection with the closing of the Sale, the Sale Order approved the rejection of numerous executory contracts which the Purchaser did not want to take an assignment of and which were of no benefit to the Estates. Moreover, the Debtors gained Court

approval [Docket No. 511] of a motion to establish certain rejection procedures which allowed the Debtors to reject additional executory contracts expeditiously.

IV. OVERVIEW OF THE PLAN

A. General

The following is a summary intended as a brief overview of the Plan and is qualified in its entirety by reference to the full text of the Plan, a copy of which is annexed hereto as Exhibit A. Holders of Claims are respectfully referred to the relevant provisions of the Bankruptcy Code and are encouraged to review the Plan and this Disclosure Statement with their counsel.

In general, a Chapter 11 liquidating plan must (i) divide claims and interests into separate categories and classes, (ii) specify the treatment that each category and class is to receive under such plan, and (iii) contain other provisions necessary to implement the liquidation of a debtor. A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of claims or interests in certain classes are to remain unchanged by the liquidation effectuated by the plan. Such classes are referred to as “unimpaired” and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of claims or interests in such “unimpaired” classes. Pursuant to Section 1124(1) of the Bankruptcy Code, a class of claims or interests is “impaired,” and entitled to vote on a plan, unless the plan “leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest.” 11 U.S.C. §1124(1).

B. Classification of Claims

Section 1122 of the Bankruptcy Code provides that a plan shall classify the claims and interests of a debtor’s creditors and equity interest holders. In compliance with Section 1122 of the Bankruptcy Code, the Plan divides the holders of Claims into 4 unclassified categories and 5 Classes, and sets forth the treatment to be provided to each Class.⁴ These Classes take into account the differing nature and priority of Claims against the Debtors. Section 101(5) of the Bankruptcy Code defines “claim” as a “right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured” or a “right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed,

⁴ A plan proponent is required under Section 1122 of the Bankruptcy Code to classify the claims and interests of a debtor’s creditors and interest holders into classes containing claims and interests that are substantially similar to the other claims or interests in such class. While the Debtors believe that their classification of all Claims is in compliance with the provisions of Section 1122 of the Bankruptcy Code, it is possible that a holder of a Claim may challenge the Debtors’ classification scheme and the Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtors, to the extent permitted by the Court, to modify the Plan to provide for whatever reasonable classification might be required by the Court for Confirmation, and to use the acceptances received by the Debtors from any holder of a Claim pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such holder of a Claim is ultimately deemed to be a member.

undisputed, secured or unsecured.” 11 U.S.C. § 101(5). A “claim” against the Debtors also includes a claim against property of the Debtors, as provided in Section 102(2) of the Bankruptcy Code. 11 U.S.C. § 102(2). An “interest” is an equity interest in a debtor.⁵

For the holder of a Claim to participate in a plan and receive the treatment offered to the class in which it is classified, its Claim must be “Allowed.” Under the Plan, “*Allowed*” means with reference to any Claim, (i) a Claim against the Debtors that is Allowed under the Plan and, therefore, is not subject to disallowance, defense, reduction, avoidance, setoff, recoupment, or subordination of any kind, (ii) any Claim against the Debtors to the extent: (a) such Claim is scheduled by the Debtors pursuant to the Bankruptcy Code and Bankruptcy Rules in a liquidated amount and not listed as contingent, unliquidated, zero, undetermined or disputed, or (b) a proof of such Claim was timely filed, or deemed timely filed, with the Court pursuant to the Bankruptcy Code, the Bankruptcy Rules, and/or any applicable Final Order; and, in either case, (x) is not objected to within the period fixed by the Bankruptcy Code, the Bankruptcy Rules, the Plan and/or applicable Final Orders of the Court, (y) has been settled pursuant to Section [9.2] of the Plan, or (z) has otherwise been allowed by a Final Order, and (iii) any Claim as to which the Debtors have determined not to interpose an objection. An “*Allowed Claim*” shall be net of any valid setoff or recoupment amount based on a valid setoff or recoupment right. Except as otherwise expressly provided in the Plan, the term “*Allowed Claim*” shall not, for the purposes of computation of distributions under the Plan, include (i) any non-compensatory penalties, fines, punitive damages, exemplary damages, multiple damages, treble damages, or any other Claims or obligations that do not compensate for actual losses incurred or (ii) any other amounts not allowable under the Bankruptcy Code or applicable law.

C. Treatment of Claims Under the Plan

The Plan segregates the various Claims against the Debtors into the following groups: Administrative Claims, Priority Tax Claims, Professional Fee Claims, U.S. Trustee Fees, Class 1 (Bond Trustee Secured Claim), Class 2 (Other Secured Claims), Class 3 (Other Priority Claims), Class 4 (Unsecured Claims) and Class 5 (County Residual Claim).

Under the Plan, Claims in Classes 2, 3 and 5 are unimpaired, and Claims in Classes 1 and 4 are impaired. The treatment accorded to the impaired Classes of Claims under the Plan represents the best treatment that can be provided to such Classes pursuant to the priority provisions of the Bankruptcy Code. Set forth below is a summary of the Plan’s treatment of the various categories and Classes of Claims. This summary is qualified in its entirety by the full text of the Plan. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern. The Plan is complicated and substantial. Time should be allowed for its analysis; consultation with a legal and/or financial advisor is recommended and should be considered.

1. Unclassified Categories of Claims

(a) Administrative Claims

⁵ The Debtors do not have any equity interest holders.

Supplemental Administrative Claims Bar Date. Except as provided below for (1) Professional Persons requesting compensation or reimbursement for Professional Fee Claims, and (2) U.S. Trustee Fees, requests for payment of Administrative Claims, for which a Bar Date to file such Administrative Claim was not previously established, must be filed no later than forty-five (45) days after the occurrence of the Effective Date, or such later date as may be established by Order of the Court. Holders of Administrative Claims who are required to file a request for payment of such Claims and who do not file such requests by the applicable Bar Date shall be forever barred from asserting such Claims against the Debtors or their property, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover such Administrative Claim.

Estimation of Administrative Claims. The Debtors and the Plan Administrator reserve the right, for purposes of allowance and distribution, to seek to estimate any unliquidated Administrative Claims, if the fixing or liquidation of such Administrative Claim would unduly delay the administration of and distributions under the Plan (including seeking to estimate post-petition medical malpractice or personal injury Claims in the United States District Court for the Middle District of Tennessee).

Treatment. Each holder of an Allowed Administrative Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive Cash in an amount equal to such Allowed Claim on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed or is payable, unless such holder agrees to a different treatment of such Claim. After the Effective Date, the Plan Administrator may, in the ordinary course of business, satisfy any liabilities, expenses and other Claims incurred by the Plan Administrator in the ordinary course of business and without further order of the Court.

(b) Priority Tax Claims

Treatment. Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive on account of such Allowed Claim, at the option of the Debtors, either payment in full in Cash as soon as reasonably practicable after the Effective Date, or in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, regular installment payments in Cash: (i) of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (ii) which total value shall include simple interest to accrue on any outstanding balance of such Allowed Priority Tax Claim starting on the Effective Date at the rate of interest determined under applicable nonbankruptcy law pursuant to section 511 of the Bankruptcy Code; (iii) over a period ending not later than five (5) years after the Petition Date; and (iv) in a manner not less favorable than the most favored nonpriority Unsecured Claim

provided for by the Plan. Any Claim or demand for penalty relating to any Priority Tax Claim (other than a penalty of the type specified in Section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and the holder of an Allowed Priority Tax Claim shall not assess or attempt to collect such penalty from the Estates or any of their respective Assets or properties.

(c) Professional Fee Claims

Professional Fee Claims Bar Date. All final applications for payment of Professional Fee Claims for the period through and including the Effective Date shall be filed with the Court and served on the Plan Administrator and the other parties entitled to notice pursuant to the *Order Granting Motion of the Debtors for and Order, Pursuant to Bankruptcy Code Sections 105(a) and 331, Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket No. 379] on or before the Professional Fee Claims Bar Date, or such later date as may be agreed to by the Plan Administrator. Any Professional Fee Claim that is not asserted in accordance with Section 2.4(a) of the Plan shall be deemed Disallowed under the Plan and the holder thereof shall be enjoined from commencing or continuing any Cause of Action, employment of process or act to collect, offset, recoup or recover such Claim against the Estates or any of their respective Assets or properties.

Treatment. Each holder of an Allowed Professional Fee Claim shall be paid in Cash in an amount equal to such Allowed Claim on or as soon as reasonably practicable after the first Business Day following the date upon which such Claim becomes Allowed by a Final Order, unless such holder agrees to a different treatment of such Allowed Claim.

Post Effective Date Services. The fees and expenses of professionals retained by the Plan Administrator, the Post Effective Date Committee and the Bond Trustee on and after the Effective Date shall be paid by the Plan Administrator upon receipt of invoice(s) therefor, or on such other terms as the Plan Administrator may agree to, without the need for further Court authorization or entry of a Final Order, but subject to the approval of the Post Effective Date Committee and the Bond Trustee, which approval shall not unreasonably be withheld. If the Plan Administrator and the professional cannot agree on the amount of post Effective Date fees and expenses to be paid to such professional or if the Post Effective Date Committee or the Bond Trustee objects to such amount, such amount shall be determined by the Court.

(d) U.S. Trustee Fees

U.S. Trustee Fees incurred by the Estates prior to the Effective Date shall be paid in Cash on the Effective Date in accordance with the applicable schedule for payment of such fees. Until the Cases are closed by entry of a final decree of the Court, the Plan Administrator shall pay all additional U.S. Trustee Fees incurred in accordance with the applicable schedule for the payment of such fees.

2. Unimpaired Classes of Claims

A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of claims or interests in certain classes are to remain unchanged by the plan. Such classes are referred to as “unimpaired” and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holders of claims or interests in such “unimpaired” classes. Under the Plan, Classes 2, 3 and 5 are unimpaired and, therefore, are deemed to have accepted the Plan.

(a) Class 2 (Other Secured Claims).

Treatment. Each holder of an Allowed Other Secured Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive one of the following alternative treatments, at the option of the Debtors: (a) payment in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes due and payable by its terms; (b) the return of the collateral securing such Claim; (c) the treatment described in Section 1124(2) of the Bankruptcy Code; or (d) such other recovery necessary to satisfy Section 1129 of the Bankruptcy Code. To the extent that the value of the collateral securing each Allowed Other Secured Claim is less than the amount of such Allowed Other Secured Claim, the undersecured portion of such Claim shall be treated for all purposes under the Plan as an Unsecured Claim and shall be classified as such.

(b) Class 3 (Other Priority Claims).

Treatment. Each holder of an Allowed Other Priority Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall be paid in full in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed, unless such holder agrees to a different treatment of such Claim (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim or in a prior agreement with such holder).

(c) Class 5 (County Residual Claim).

Treatment. After and only in the event all Allowed Administrative Claims, Priority Tax Claims, Professional Fee Claims, Claims in Classes 1 through 4 of the Plan, and all costs and expenses respecting administration of the Plan have been satisfied or reserved for in full in accordance with the provisions of the Plan, the County shall receive any remaining Available Cash.

3. Impaired Classes of Claims

Pursuant to Section 1124 of the Bankruptcy Code, a class of claims or interests is impaired unless the legal, equitable, and contractual rights of the holders of claims or interests in such class are not modified or altered by a plan. Holders of allowed claims and equity interests

in impaired classes that receive or retain property under a plan are entitled to vote on such plan. Under the Plan, Classes 1 and 4 are impaired and, therefore, are entitled to vote on the Plan.

(a) Class 1 (Bond Trustee Secured Claim).

Treatment. Pursuant to the Settlement Agreement and the Settlement Order, the Bond Trustee received \$120,963,615.63 at the Closing in partial satisfaction of the Bond Trustee Secured Claim, and also has been deemed to have applied the Indenture Held Funds to further reduce the Bond Trustee Secured Claim. On or as soon as reasonably practicable after the Effective Date, the Bond Trustee shall additionally receive, in full and final satisfaction, release and settlement of the Bond Trustee Secured Claim, (i) distributions of (w) the Bond Holdback Distribution, (x) the Downstream LAC Proceeds, (y) the proceeds of any sale, liquidation or other disposition of the Remaining Assets subject to the Bond Trustee Liens and (z) the proceeds of any Avoidance Actions, which distributions shall reduce the Participating Remaining Bond Claim on a dollar for dollar basis, (ii) Pro Rata distributions of Available Cash, which distributions shall be made as if the Participating Remaining Bond Claim was an Unsecured Claim, which distributions shall reduce the Participating Remaining Bond Claim on a dollar for dollar basis, and (iii) after and only in the event all Allowed Claims in Classes 2, 3 and 4 of the Plan have been satisfied or reserved for in full in accordance with the provisions of the Plan, distributions of Available Cash; provided, however, that in no event shall the Bond Trustee receive more than the amount of the Bond Trustee Secured Claim without interest.

Cancellation of Bonds and Bond Documents. As of the Effective Date, the Bonds shall be cancelled without further action by any party, and the Bonds and related Bond Documents shall be deemed to continue in effect solely to the extent they relate to and are necessary to (i) allow applicable distributions pursuant to the Plan, (ii) permit the Bond Trustee to be compensated for fees and reimbursed for expenses including expenses of its professionals, assert its charging lien, and enforce its indemnity and other rights and protections with respect to and pursuant to the Bond Documents, (iii) permit the Bond Trustee to set one or more record dates and distribution dates with respect to the distribution of funds to beneficial holders of the Bonds, (iv) permit the Bond Trustee to appear in the Cases with respect to matters relevant to the Bonds, (v) otherwise continue to govern relationships of the Bond Trustee and holders of the Bonds; and (vi) permit the Bond Trustee to perform any functions that are necessary in connection with the foregoing clauses (i) through (v). The foregoing shall not in any way limit the rights of the Bond Trustee, for the benefit of the holders of the Bonds, to the proceeds of any sale, liquidation or other disposition of the Remaining Assets subject to the Bond Trustee Liens as of the Effective Date.

Bond Trustee Fees and Expenses. The Debtors shall pay, in Cash, the reasonable fees, costs and expenses incurred by the Bond Trustee (including, without limitation, the fees and expenses of the Bond Trustee's counsel) through the Effective Date that the Debtors have not otherwise satisfied under the terms of the

Final Cash Collateral Order and/or the Settlement Order on the later of the date that is the Effective Date and ten (10) days following the date on which the Debtors receive invoices from the Bond Trustee. In the event the Bond Trustee, the Debtors and the Committee (or Post Effective Date Committee) cannot reach agreement on the amount thereof, such amount shall be determined by the Court. Such payment shall be in full and final satisfaction of all Claims of the Bond Trustee against the Debtors for reasonable fees, costs and expenses through the Effective Date. From and after the Effective Date, the Plan Administrator shall pay the reasonable fees and expenses of the Bond Trustee as provided in Section 2.4(c) of the Plan. Distributions on account of the Bond Trustee Secured Claim pursuant to the Plan will not be reduced on account of payments made to the Bond Trustee for fees and expenses secured by any Bond Trustee charging lien.

The Debtors estimate the range of recovery on account of the Bond Trustee Secured Claim to be approximately 92% to 100%.

(b) Class 4 (Unsecured Claims).

Treatment. Each holder of an Allowed Unsecured Claim, in full and final satisfaction, release and settlement of such Allowed Claim, shall receive on or as soon as reasonably practicable after the Effective Date Pro Rata distributions of Available Cash until each holder receives 100% of its Allowed Claim without interest. Solely for purposes of determining Pro Rata distributions to holders of Unsecured Claims, the Participating Remaining Bond Claim shall be included as an Unsecured Claim.

The Debtors estimate the range of recovery on account of Allowed Unsecured Claims to be approximately 24% to 100%.

(c) Special Provisions for Treatment of Medical Malpractice Claims.

Distributions under the Plan to each holder of a Medical Malpractice Claim shall be in accordance with the treatment provided under the Plan for Administrative Claims or Unsecured Claims as applicable; provided, however, that the maximum amount of any Claim under the Plan on account of an Allowed Medical Malpractice Claim upon which a distribution shall be made shall be limited to an amount equal to the applicable self-insured retention under the relevant insurance policy; provided further, however, that, to the extent a holder has an Allowed Medical Malpractice Claim the amount of which exceeds the total coverage available from the relevant insurance policies of the Debtors, such holder shall have either an Allowed Unsecured Claim or an Allowed Administrative Expense Claim, as the case may be, in the amount of the applicable self-insured retention plus the amount by which such Allowed Medical Malpractice Claim exceeds the coverage available from the relevant Debtors' insurance policies. Nothing in Section 4.6(a) of the Plan shall constitute a waiver or release of any Avoidance Actions the Debtors may hold against any Person, including the Debtors' insurance carriers; and nothing in Section 4.6(a) of the Plan is intended to, shall, or shall be deemed to preclude any holder of an Allowed Medical Malpractice Claim from seeking and/or obtaining a distribution or other recovery from

any insurer of the Debtors in addition to (but not in duplication of) any distribution such holder may receive under the Plan; provided, however, that the Debtors do not waive and expressly reserve their rights to assert that any insurance coverage is property of the Estates to which they are entitled.

The Plan shall not expand the scope or, or alter in any other way, the rights and obligations of the Debtors' insurers under their policies, and the Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors, the existence, primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of any other Claims the Debtors' insurers have asserted in any proof of claim or the Debtors rights and defenses to such proofs of claim.

D. Implementation of the Plan and the Plan Administrator

1. Implementation of the Plan. The Plan will be implemented by the Plan Administrator in a manner consistent with the terms and conditions set forth in the Plan and the Confirmation Order.

2. Plan Funding. The funds utilized to make Cash payments under the Plan have been and/or will be generated from, among other things, collections, the proceeds of sale of the Sale Assets, and the proceeds of the sale, liquidation or other disposition of the Remaining Assets.

3. Vesting of Assets in the Debtors. Except as expressly provided in the Plan, on the Effective Date, all Remaining Assets shall vest in the Debtors free and clear of all Claims against the Debtors, liens, encumbrances, charges, and other rights and interests of Creditors arising on or before the Effective Date, but subject to the terms and conditions of the Plan and the Confirmation Order. Notwithstanding the foregoing, the Bond Trustee shall retain the Bond Trustee.

4. Continuing Existence. From and after the Effective Date, the Debtors shall continue in existence for the purposes of (i) winding up their affairs as expeditiously as reasonably possible, (ii) liquidating, by conversion to Cash, or other methods, the Remaining Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting Causes of Action, interests, rights and privileges of the Debtors, (iv) resolving Disputed Claims, (v) administering the Plan, (vi) filing appropriate tax returns and (vii) performing all such other acts and conditions required by and consistent with consummation of the terms of the Plan.

5. Liquidation of Remaining Assets. From and after the Effective Date, the Debtors, in consultation with the Post Effective Date Committee and the Bond Trustee, may, without further approval of the Court, use, sell at public or private sale, assign, transfer, or otherwise dispose of any of the Remaining Assets and convert the same to Cash.

6. Management of Debtors. On the Effective Date, the operation of the Debtors shall become the general responsibility of the Plan Administrator in accordance with applicable law.

7. Powers and Obligations of the Plan Administrator.

(a) The Confirmation Order shall provide for the appointment of the Plan Administrator. The compensation for the Plan Administrator (to the extent the Plan Administrator is Waite Popejoy) shall be set at Mr. Popejoy's standard hourly rate, and the compensation of any successor Plan Administrator shall be as determined by the Post Effective Date Committee and the Bond Trustee, or as determined by the Court if the Post Effective Date Committee and the Bond Trustee are unable to agree on the compensation of such successor Plan Administrator. The Plan Administrator shall be deemed the Estates' representative in accordance with section 1123 of the Bankruptcy Code and shall have all powers, authority and responsibilities specified under sections 704 and 1106 of the Bankruptcy Code.

(b) The Plan Administrator will act for the Debtors in a fiduciary capacity as applicable to a board of directors, subject to the provisions of the Plan. On the Effective Date, the Plan Administrator shall succeed to all of the rights of the Debtors with respect to the Remaining Assets necessary to protect, conserve, and liquidate all Remaining Assets as quickly as reasonably practicable, including, without limitation, control over (including the right to waive) all attorney-client privileges, work-product privileges, accountant-client privileges and any other evidentiary privileges relating to the Remaining Assets that, prior to the Effective Date, belonged to the Debtors pursuant to applicable law. The powers and duties of the Plan Administrator shall include the right:

- (i) to invest Cash in accordance with section 345 of the Bankruptcy Code, and withdraw and make distributions of Cash to holders of Allowed Claims and pay taxes, if any, and other obligations owed by the Debtors or incurred by the Plan Administrator in connection with the wind-down of the Estates in accordance with the Plan;
- (ii) to receive, manage, invest, supervise, and protect the Remaining Assets, including paying taxes, if any, or other obligations incurred in connection with the Remaining Assets;
- (iii) to engage attorneys, consultants, agents, employees and all professional persons to assist the Plan Administrator with respect to the Plan Administrator's responsibilities;
- (iv) to pay the fees and expenses for the attorneys, consultants, agents, employees and professionals engaged by the Plan Administrator, the Post Effective Date Committee and the Bond Trustee and to pay all other expenses in connection with administering the Plan and winding down the affairs of the Debtors in each case in accordance with the Post Confirmation Administrative Reserve and associated wind-down budget,

or as otherwise agreed to by the Plan Administrator, in either case without further order of the Court;

- (v) to execute and deliver all documents, and take all actions, necessary to consummate the Plan and wind-down the Debtors' business;
- (vi) in consultation with the Post Effective Date Committee and the Bond Trustee, to use, sell at public or private sale, assign, transfer, abandon or otherwise dispose of any of the Remaining Assets and convert the same to Cash;
- (vii) to coordinate the collection of outstanding accounts receivable;
- (viii) to coordinate the storage and maintenance of the Debtors' books and records;
- (ix) to oversee compliance with the Debtors' accounting, finance and reporting obligations;
- (x) to oversee the filing of final tax returns, audits and other corporate dissolution documents if required;
- (xi) to perform any additional corporate actions as necessary to carry out the wind-down and liquidation of the Debtors;
- (xii) to communicate regularly with and respond to inquiries from the Post Effective Date Committee, the Bond Trustee and their professionals, including providing to them regular cash budgets, information on all disbursements, and copies of bank statements on a monthly basis;
- (xiii) subject to the approval of the Post Effective Date Committee and the Bond Trustee (which approval shall not be unreasonably withheld), to object to, compromise and settle Claims;
- (xiv) to act on behalf of the Debtors and the Estates in all adversary proceedings and contested matters (including, without limitation, any Causes of Action), then pending or that can be commenced in the Court and in all actions and proceedings pending or commenced elsewhere, and subject to the approval of the Post Effective Date Committee and the Bond Trustee (which approval shall not be unreasonably withheld), to settle, retain, enforce, dispute or adjust and Claim and otherwise pursue actions involving the Remaining Assets that could arise or be asserted at any time under the Bankruptcy Code, unless otherwise waived or relinquished in the Plan;
- (xv) to implement and/or enforce all provisions of the Plan;

- (xvi) to obtain, purchase and maintain, using the Remaining Cash, a directors and officers liability insurance policy and an errors and omissions insurance policy, with appropriate tails; and
- (xvii) to use such other powers as may be vested in or assumed by the Plan Administrator pursuant to the Plan or Court order or as may be necessary and proper to carry out the provisions of the Plan.

8. Plan Administrator's Bond. The Plan Administrator shall obtain and maintain a bond in the amount of 110% of the Cash held by or for the benefit of the Estates. The Plan Administrator shall pay for such bond from the Remaining Cash.

9. Resignation, Death or Removal of Plan Administrator. The Plan Administrator may resign at any time upon not less than 30 days' written notice to the Post Effective Date Committee and the Bond Trustee. The Plan Administrator may be removed at any time by the Post Effective Date Committee or the Bond Trustee for cause upon proper application to, and Final Order of, the Court. For purposes of the preceding sentence, "cause" shall mean gross negligence, fraud or willful misconduct. In the event of the resignation, removal, death or incapacity of the Plan Administrator or any other vacancy in the position of Plan Administrator, the Post Effective Date Committee and the Bond Trustee shall jointly designate another Person to become the Plan Administrator, and thereupon the successor Plan Administrator, without further act, shall become fully vested with all of the rights, powers, duties and obligations of his or her predecessor; provided, however, in the event the Post Effective Date Committee and the Bond Trustee cannot reach agreement on the appointment of a successor Plan Administrator, either party may nominate a successor Plan Administrator and the appointment will be determined by the Court. No successor Plan Administrator under the Plan shall in any event have any liability or responsibility for the acts or omissions of his or her predecessors.

10. Post Effective Date Committee.

(a) On the Effective Date, the Committee shall continue as the Post Effective Date Committee until such time as all distributions on account of all Allowed Unsecured Claims have been completed or reserved for in accordance with the Plan, at which time the Post Effective Date Committee shall be dissolved and all requirements in the Plan respecting the approval of or consultation with the Post Effective Date Committee shall be terminated.

(b) The Post Effective Date Committee shall be comprised of the members of the Committee, unless any particular member thereof opts not to be a member thereof. If a member of the Post Effective Date Committee resigns or is removed, a replacement who holds an Unsecured Claim against the Debtors may be appointed by the remaining members. The Post Effective Date Committee's role shall be to consult with the Plan Administrator and the Bond Trustee, and to perform the functions set forth in the Plan.

(c) The Post Effective Date Committee shall have the power and authority to utilize the services of its counsel and financial advisor as necessary to perform the duties of the Post Effective Date Committee and to authorize and direct such Persons to act on behalf of the Post Effective Date Committee in connection with any matter requiring its attention or action.

The Debtors and their Estates shall be responsible for the payment of all reasonable and necessary fees and expenses of such counsel and financial advisor in accordance with the Post Confirmation Administrative Reserve and associated wind-down budget. The Plan Administrator shall pay the reasonable and necessary fees and expenses of the Post Effective Date Committee's counsel and financial advisor without the need for Court approval.

(d) Except for the reimbursement of reasonable, actual costs and expenses incurred in connection with their duties as members of the Post Effective Date Committee, the members of the Post Effective Date Committee shall serve without compensation. Reasonable expenses incurred by members of the Post Effective Date Committee may be paid by the Plan Administrator in accordance with the Post Confirmation Administrative Reserve and associated wind-down budget without the need for Court approval.

(e) The Plan Administrator shall provide a quarterly report of all material matters to the Post Effective Date Committee and the Bond Trustee.

(f) Notwithstanding anything in the Plan to the contrary, as of the Effective Date, the Post Effective Date Committee shall assume, succeed to, and be a successor in interest to the Committee with respect to, the rights of the Committee under Sections 3.02(b)(ii) and 3.02(d) of the Settlement Agreement. Notwithstanding anything in the Plan to the contrary, the Post Effective Date Committee shall be entitled to assert and prosecute the rights of the Committee under Sections 3.02(b)(ii) and 3.02(d) of the Settlement Agreement and all such rights are fully preserved under the Plan for the Post Effective Date Committee and shall not be limited in any fashion by the Plan or the Confirmation Order.

11. Rights of Action. In accordance with Section 1123(b)(3)(B) of the Bankruptcy Code, the Plan Administrator may pursue all reserved rights of action for the benefit of the holders of Claims, including, without limitation, Causes of Action of the Debtors. Any distributions provided for in the Plan and the allowance of any Claim for the purpose of voting on the Plan is and shall be without prejudice to the rights of the Plan Administrator to pursue and prosecute any reserved rights of action. Except as otherwise set forth in the Plan, all Causes of Action of the Debtors shall survive confirmation of the Plan and the commencement and prosecution of Causes of Action of the Debtors shall not be barred or limited by any estoppel, whether judicial, equitable or otherwise. In reviewing the Plan and the Disclosure Statement, and in determining whether to vote for or against the Plan, Creditors (including Creditors who received payments or transfers from the Debtors within ninety (90) days prior to the Petition Date and insiders who received payments from the Debtors within one (1) year before the Petition Date) and other parties should consider that Causes of Action of the Debtors may exist against them, that, except as otherwise set forth in the Plan, the Plan preserves all Causes of Action of the Debtors, and that the Plan authorizes the Plan Administrator to prosecute all Causes of Action of the Debtors.

12. Corporate Action. On the Effective Date, the appointment of the Plan Administrator, and any and all other matters provided for under the Plan involving corporate action by the Debtors, their directors or trustees, including, without limitation, the transfer of management responsibilities of the Debtors to the Plan Administrator, shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to applicable law,

without any requirement of further action by the Debtors' directors, officers, or trustees. Upon the distribution of all Available Cash pursuant to the Plan and the filing by the Plan Administrator of a certification to that effect with the Court (which may be included in the application for the entry of the final decree), the Debtors shall be deemed dissolved for all purposes without the necessity for any other or further actions to be taken by or on behalf of the Debtors or payments to be made in connection therewith; provided, however, that the Debtors may take appropriate action to dissolve under applicable law. From and after the Effective Date, the Debtor shall not be required to file any document, or take any action, to withdraw their business operations from any states where the Debtors previously conducted business.

13. Cancellation of Existing Securities, Instruments and Agreements. On the Effective Date, except as otherwise provided in the Plan, all securities, instruments, and agreements governing any Impaired Claim shall be deemed cancelled and terminated, and the obligations of the Debtors relating to, arising under, in respect of, or in connection with such securities, instruments, or agreements shall be deemed released and/or satisfied as to the Debtors.

14. Full and Final Satisfaction. All payments and all distributions under the Plan shall be in full and final satisfaction, release and settlement of the Debtors' obligations with respect to all Claims, except as otherwise provided in the Plan.

15. Setoffs. The Plan Administrator may, pursuant to and to the greatest extent permitted by applicable law, set off against any Claim asserted against the Remaining Assets, and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, any Claims of any nature whatsoever that that Debtors or the Estates may have against the holder of such Claim, provided that the Plan Administrator shall give the holders of such Claim notice of the proposed setoff and the holder of such Claim does not object to the proposed setoff within thirty (30) days; provided further that if an objection is timely raised to a proposed setoff, the Plan Administrator may seek relief from the Court to effectuate the setoff; and provided further that neither the failure to effect a setoff, nor the allowance of any Claim against the Debtors under the Plan, shall constitute a waiver or release of any such Claim the Debtors or the Estates may have against such holder.

16. Establishment and Maintenance of Reserve for Disputed Claims. On or as soon as practicable after the Effective Date and before making any distributions under the Plan, the Plan Administrator (on behalf of the Debtors), in consultation with the Post Effective Date Committee and the Bond Trustee, shall establish and maintain a Cash reserve (the "*Disputed Claims Reserve*") equal to the distributions to which holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the amount of such Disputed Claim or such lesser amount as required by a Final Order. Any Cash including, without limitation, the Disputed Claims Reserve, shall be held in an interest-bearing account. As Disputed Claims are resolved, excess Cash in the Disputed Claims Reserve shall be made available for distribution to the holders of Allowed Claims in accordance with the Plan, after funding the Post Confirmation Administrative Reserve. For the purposes of effectuating the provisions of Section 5.16 of the Plan and the distributions to holders of Allowed Claims, the Debtors may, at any time and regardless of whether an objection to the Disputed Claim has been brought, request that the Court estimate the amount of Disputed Claims pursuant to Section 502(c) of the Bankruptcy Code, in which event the amounts so estimated shall be deemed the

Allowed amounts of such Claims for purposes of distribution under the Plan. In lieu of estimating the amount of any Disputed Claim, the Court may determine the amount to be reserved for such Disputed Claim (singularly or in the aggregate), or such amount may be fixed by agreement in writing by and between the Debtors and the holder of a Disputed Claim. In the event that the Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Plan Administrator may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. Claims may be estimated by the Court and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Court.

17. Distributions Upon Allowance of Disputed Claims. The holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Effective Date shall receive distributions from the Disputed Claims Reserve as soon as practical following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order. Such distributions shall be made in accordance with the Plan based upon the distributions that would have been made to such holder under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Effective Date. No holder of a Disputed Claim shall have any Claim against the Disputed Claims Reserve or the Debtors with respect to such Claim until such Disputed Claim shall become an Allowed Claim, and no holder of a Disputed Claim shall have any right to interest on such Disputed Claim.

18. Establishment of Reserve for Plan Expenses. On or as soon as practicable after the Effective Date and before making any distributions under the Plan, the Plan Administrator (on behalf of the Debtors), in consultation with the Post Effective Date Committee and the Bond Trustee, shall establish and maintain a Cash reserve (the “*Post Confirmation Administrative Reserve*”) and establish an associated wind-down budget for estimated expenses of administering the Plan including, without limitation, (i) amounts reasonably necessary to maintain the value of the Remaining Assets during liquidation, (ii) reasonable administrative expenses (including the costs and expenses of the Plan Administrator, the Post Effective Date Committee, the Bond Trustee, and the fees, costs and expenses of all professionals retained by the Plan Administrator, the Post Effective Date Committee and the Bond Trustee, and taxes, if any, imposed in respect of the Remaining Assets), (iii) amounts necessary to fund the Causes of Action, (iv) amounts to satisfy other liabilities to which the Remaining Assets are otherwise subject, in accordance with the Plan, and (v) any other necessary reserves. In the event the Plan Administrator, the Post Effective Date Committee and the Bond Trustee are unable to agree on the appropriate level of the Post Confirmation Administrative Reserve, the Plan Administrator may seek appropriate relief from the Court.

19. Plan Distributions. The Plan Administrator shall make distributions to holders of Allowed Claims in accordance with Article IV of the Plan on or as soon as reasonably practicable after the Effective Date. From time to time, in consultation with the Post Effective Date Committee and the Bond Trustee, the Plan Administrator shall make subsequent Pro Rata distributions to holders of Allowed Claims, including to the holders of Allowed Class 4 Unsecured Claims in accordance with Article IV of the Plan. All such distributions to the holders of Allowed Claims shall be made in accordance with the Plan. The Plan Administrator may withhold from amounts distributable to any Person any and all amounts determined in the

Plan Administrator's reasonable sole discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement. Holders of Allowed Claims shall, as a condition to receiving distributions, provide such information and take such steps as the Plan Administrator may reasonably require to ensure compliance with withholding and reporting requirements and to enable the Plan Administrator to obtain certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law. For the avoidance of doubt, all distributions under the Plan relating to the Bonds shall be made to the Bond Trustee, or as agreed by the Bond Trustee.

20. Cash Distributions. The Plan Administrator shall not be required to make interim or final Cash distributions in an amount less than \$10. Any funds so withheld and not distributed on an interim basis shall be held in reserve and distributed in subsequent distributions. Should a final distribution to any holder of a Claim not equal or exceed \$10, that sum shall be distributed to the American Bankruptcy Institute Anthony H.N. Schnelling Endowment Fund.

21. Delivery of Plan Distributions. All distributions under the Plan on account of any Allowed Claims shall be made at the address of the holder of such Allowed Claim as set forth in a proof of Claim filed by such holder or in the Schedules, or at such other address as such holder shall have specified for payment purposes in a written notice to the Plan Administrator at least fifteen (15) days prior to a given distribution date. In the event that any distribution to any holder is returned as undeliverable, the Plan Administrator shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Plan Administrator has determined the then-current address of such holder, at which time such distribution shall be made to such holder without interest; provided, however, that any undeliverable or unclaimed distribution that is unclaimed after one hundred eighty (180) days following such distribution (collectively, the "*Unclaimed Property*") shall be reallocated by the Plan Administrator for re-distribution for the benefit of all other holders of Allowed Claims in accordance with the Plan.

22. Distributions to Holders as of the Confirmation Date. As of the close of business on the Confirmation Date, the claims register shall be closed, and there shall be no further changes in the record holders of any Claims. Neither the Debtors nor the Plan Administrator, as applicable, shall have any obligation to recognize any transfer of any Claims occurring after the close of business on the Confirmation Date, and shall instead be entitled to recognize and deal for all purposes under the Plan (except as to voting to accept or reject the Plan pursuant to Section 6.1 of the Plan) with only those holders of record as of the close of business on the Confirmation Date.

23. Abandoned Remaining Assets. Upon the election of the Plan Administrator, with the approval of the Post Effective Date Committee and the Bond Trustee, the Plan Administrator may abandon any Assets included among the Remaining Assets, without the need for additional approval of the Court, and upon such abandonment, such Assets shall cease to be Remaining Assets.

24. Windup. After (a) the Plan has been fully administered, (b) all Disputed Claims have been resolved, (c) all Causes of Action have been resolved, and (d) all Remaining Assets have been reduced to Cash or abandoned, the Plan Administrator shall effect a final distribution

of all Cash remaining (after reserving sufficient Cash to pay all unpaid expenses of administration of the Plan and all expenses reasonably expected to be incurred in connection with the final distribution) to holders of Allowed Claims in accordance with the Plan.

25. Indefeasibility of Distributions. All distributions provided for under the Plan shall be indefeasible.

26. Saturday, Sunday, or Legal Holiday. If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next Business Day.

27. Final Order. Any requirement in the Plan for a Final Order may be waived by the Debtors or the Plan Administrator.

E. Voting

1. Voting of Claims. Each holder of an Allowed Claim in an Impaired Class which receives or retains property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such vote on a duly executed and delivered Ballot as provided herein, or in any other controlling order or orders of the Court.

2. Nonconsensual Confirmation. If any Impaired Class entitled to vote shall not accept the Plan by the requisite statutory majorities provided in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any Impaired Class is deemed to have rejected the Plan, the Debtors reserve the right (a) to undertake to have the Court confirm the Plan under Section 1129(b) of the Bankruptcy Code and (b) subject to Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, to modify the Plan to the extent necessary to obtain entry of the Confirmation Order, provided such modifications are consistent with Article XI of the Plan. At the Confirmation Hearing, the Debtors will seek a ruling that if no holder of a Claim eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the holders of such Claims in such Class for the purposes of Section 1129(b) of the Bankruptcy Code.

F. Substantive Consolidation

On June 1, 2010, at the United States Trustee's request, the Debtors filed a motion to substantively consolidate these Chapter 11 cases [Docket No. 258]. If such motion is granted, on the Effective Date: (a) all Assets (and all proceeds thereof) and liabilities of each Debtor shall be deemed merged or treated as though they were merged into and with the assets and liabilities of the other Debtor, (b) no distributions shall be made under the Plan on account of intercompany Claims among the Debtors and all such Claims shall be eliminated, (c) all guarantees of the Debtors of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors, (d) each and every Claim filed or to be filed in any of the Cases shall be deemed filed against the consolidated Debtors, and shall be deemed one Claim against and obligation of the consolidated Debtors, and (e) for purposes of determining the availability of the right of set-off under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one

entity so that, subject to the other provisions of Section 553 of the Bankruptcy Code, debts due to any of the Debtors may be set-off against the debts of the other Debtors. Such substantive consolidation shall not (other than for purposes related to the Plan) affect the legal and corporate structures of the Debtors. Notwithstanding anything in Section 7.1 of the Plan to the contrary, all post Effective Date U.S. Trustee Fees pursuant to 28 U.S.C. § 1930 shall be calculated on a separate legal entity basis for each Debtor.

G. Executory Contracts and Unexpired Leases

1. Assumption or Rejection of Executory Contracts. Effective on and as of the Confirmation Date, all Executory Contracts are hereby specifically deemed rejected, except for any Executory Contract (a) that has been specifically assumed, assumed and assigned, or rejected by the Debtors on or before the Confirmation Date with the approval of the Court, (b) in respect of which a motion for assumption or assumption and assignment has been filed with the Court on or before the Confirmation Date, or (c) that is specifically designated as a contract to be assumed on a schedule to the Plan, which schedule shall be contained in the Plan Supplement.

2. Approval of Rejection of Executory Contracts. Entry of the Confirmation Order by the Clerk of the Court, but subject to the condition that the Effective Date occur, shall constitute the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the Executory Contracts pursuant to Section 8.1 of the Plan.

3. Bar Date for Filing Proofs of Claim Relating to Executory Contracts Rejected Pursuant to the Plan. Claims against the Debtors arising out of the rejection of Executory Contracts pursuant to the Plan must be filed with the Court no later than forty-five (45) days after the later of service of (a) notice of entry of an order (which order may be the Confirmation Order) approving the rejection of such Executory Contract, and (b) notice of occurrence of the Effective Date. Any such Claims not filed within such time shall be forever barred from assertion against the Debtors and any and all of their respective properties and Assets.

4. Compensation and Benefit Programs. To the extent not previously terminated, all employment and severance agreements and policies, and all employee compensation and benefit plans, policies and programs of the Debtors applicable generally to their respective current employees or officers as in effect on the Confirmation Date, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans and life, accidental death and dismemberment insurance plans, shall be terminated as of the Confirmation Date.

H. Provisions for Resolving and Treating Claims

1. Prosecution of Disputed Claims. Except as otherwise provided in the Plan, the Plan Administrator shall have the right to object to all Claims on any basis, including those Claims that are not listed in the Schedules, that are listed therein as disputed, contingent, and/or unliquidated, that are listed therein at a lesser amount than asserted by the respective Creditor, or that are listed therein at for a different category of Claim than asserted by the respective Creditor. Subject to further extension by the Court for cause with or without notice, the Plan Administrator may object to the allowance of Class 4 Unsecured Claims up to one hundred eighty (180) days

after the Effective Date, and the allowance of Administrative/Priority Claims and Secured Claims up to the later of (i) sixty (60) days after the Effective Date or (ii) the deadline for filing an objection established by order of the Court; provided, however, that an objection to a Claim based on Section 502(d) of the Bankruptcy Code may be made at any time in any adversary proceeding against the holder of any relevant Claim. The filing of a motion to extend the deadline to object to any Claims shall automatically extend such deadline until a Final Order is entered on such motion. In the event that such motion to extend the deadline to object to Claims is denied by the Court, such deadline shall be the later of the current deadline (as previously extended, if applicable) or 30 days after the Court's entry of an order denying the motion to extend such deadline. From and after the Effective Date, the Plan Administrator shall succeed to all of the rights, defenses, offsets, and counterclaims of the Debtors and the Committee in respect of all Claims, and in that capacity shall have the exclusive power to prosecute, defend, compromise, settle, and otherwise deal with all such objections. The Debtors and the Plan Administrator reserve the right, for purposes of allowance and distribution, to seek to estimate pursuant to Section 502(c) of the Bankruptcy Code any unliquidated Medical Malpractice Claims or personal injury Claims in the United States District Court for the Middle District of Tennessee. For the avoidance of doubt, the Plan Administrator shall not object to any Claim that is or becomes Allowed.

2. Settlement of Disputed Claims.

(a) Pursuant to Bankruptcy Rule 9019(b), subject to subparagraph (b) below, the Plan Administrator may settle any Disputed Claim (or aggregate of Claims if held by a single Creditor), respectively, without notice, a Court hearing or Court approval.

(b) The Plan Administrator shall give notice to the Post Effective Date Committee and the Bond Trustee of (i) a settlement of any Disputed Class 4 Unsecured Claim (or aggregate of Claims if held by a single Creditor) that results in the disputed portion of such Disputed Class 4 Unsecured Claim(s) being Allowed in an amount in excess of \$75,000, (ii) a settlement of any Disputed Administrative/Priority Claims, or (iii) settlement of any Disputed Secured Claims. The Post Effective Date Committee and the Bond Trustee shall have ten (10) days after service of such notice to object to such settlement. Any such objection shall be in writing and sent to the Plan Administrator and the settling party. If no written objection is received by the Plan Administrator and the settling party prior to the expiration of such ten (10) day period, the Plan Administrator and the settling party shall be authorized to enter into the proposed settlement without a hearing or Court approval. If a written objection is timely received, the Plan Administrator, the settling party and the objecting party shall use good-faith efforts to resolve the objection. If the objection is resolved, the Plan Administrator and the settling party may enter into the proposed settlement (as and to the extent modified by the resolution of the objection) without further notice or Court approval, provided that the Claim of the settling party against the Estates shall not be greater under the proposed settlement than that disclosed in the notice. Alternatively, the Plan Administrator may seek Court approval of the proposed settlement upon expedited notice and a hearing.

3. No Distributions Pending Allowance. Notwithstanding any provision in the Plan to the contrary, no partial payments and no partial distributions shall be made by the Plan Administrator with respect to any portion of any Claim against the Debtors if such Claim or any

portion thereof is a Disputed Claim. In the event and to the extent that a Claim against the Debtors becomes an Allowed Claim after the Effective Date, the holder of such Allowed Claim shall receive all payments and distributions to which such holder is then entitled under the Plan.

I. Conditions Precedent

1. Conditions to Confirmation. The following conditions are conditions precedent to Confirmation of the Plan unless waived by the Debtors pursuant to Section 10.3 of the Plan: (i) the Confirmation Order must be in a form and substance reasonably acceptable to the Debtors, the Committee and the Bond Trustee; and (ii) the Confirmation Order shall:

(a) authorize the appointment of all parties appointed under or in accordance with the Plan, including, without limitation, the Plan Administrator, and direct such parties to perform their obligations under such documents;

(b) approve in all respects the transactions, agreements, and documents to be effected pursuant to the Plan;

(c) authorize the Plan Administrator and the Post Effective Date Committee to assume the rights and responsibilities fixed in the Plan;

(d) approve the releases and injunctions granted and created by the Plan;

(e) order, find, and decree that the Plan complies with all applicable provisions of the Bankruptcy Code, including that the Plan was proposed in good faith; and

(f) order that nothing in the Plan operates as a discharge, release, exculpation, or waiver of, or establishes any defense or limitation of damages to, any Claim or Cause of Action belonging to the Estates.

2. Conditions to Effective Date. The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 10.3 of the Plan:

(a) the Confirmation Date shall have occurred and the Confirmation Order, in a form consistent with the requirements of Section 10.1 of the Plan, shall have become a Final Order;

(b) the Plan Supplement shall be in form and substance acceptable to the Debtors, the Committee and the Bond Trustee and shall have been executed and delivered by the respective parties thereto;

(c) the Plan Administrator shall have been appointed;

(d) all actions, documents and agreements necessary to implement the provisions of the Plan to be effectuated on or prior to the Effective Date shall be reasonably satisfactory to the Debtors, the Committee and the Bond Trustee, and such actions, documents, and agreements shall have been effected or executed and delivered;

(e) all documents to be contained in the Plan Supplement shall be completed and in final form and, as applicable, executed by the parties thereto and all conditions precedent contained in any of the foregoing shall have been satisfied or waived by the Debtors; and

(f) all other actions required by the Plan to occur on or before the Effective Date shall have occurred.

3. Waiver of Conditions. Any of the conditions set forth in Article X of the Plan may be waived by the Debtors, the Committee and the Bond Trustee to the extent such waiver does not affect the distributions under the Plan.

4. Notice to Court. The Debtors shall file a notice with the Court after the Effective Date that the Effective Date has occurred.

J. Modification, Revocation or Withdrawal of the Plan

1. Modification of Plan: Generally. The Debtors may alter, amend or modify the Plan pursuant to Section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After such time and prior to substantial consummation of the Plan, the Debtors may, so long as the treatment of holders of Claims against the Debtors under the Plan is not adversely affected, institute proceedings in Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, notice of such proceedings shall be served in accordance with Bankruptcy Rule 2002 or as the Court shall otherwise order.

2. Modification of Plan: Ancillary Documents. Notwithstanding any reference in the Plan to documents in the forms annexed to the Plan, and without limiting the preceding paragraph, the Debtors may revise those forms by filing such revised forms with the Court on or prior to the Confirmation Date.

3. Revocation or Withdrawal of Plan. The Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date. If the Debtors revoke or withdraw the Plan prior to the Effective Date, then the Plan shall be deemed null and void, and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

K. Retention of Jurisdiction

1. Exclusive Jurisdiction of the Court. Except as provided in Sections 12.2 and 12.3 of the Plan, following the Effective Date, the Court will retain exclusive jurisdiction of the Cases for the following purposes:

(a) to hear and determine any pending applications for the assumption or rejection of Executory Contracts, and the resulting allowance of Claims against the Debtors;

(b) to determine any adversary proceedings, applications, contested matters and other litigated matters pending on the Effective Date;

(c) to ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan;

(d) to hear and determine objections to or requests for estimation of Claims against the Debtors, including any objections to the classification of any Claims, and to allow, disallow and/or estimate Claims, in whole or in part;

(e) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(f) to issue any appropriate orders in aid of execution of the Plan or to enforce the Confirmation Order;

(g) to hear and determine any applications to modify the Plan, to cure any defect or omission or to reconcile any inconsistency in the Plan or in any order of the Court, including, without limitation, the Confirmation Order;

(h) to hear and determine all applications for compensation and reimbursement of expenses of Professional Persons under Sections 327, 328, 330, 331, 363 and 503(b) of the Bankruptcy Code;

(i) to hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

(j) to hear and determine other issues presented or arising under the Plan;

(k) to hear and determine other issues related to the Plan to the extent not inconsistent with the Bankruptcy Code; and

(l) to enter a final decree closing the Cases.

2. Non-Exclusive Jurisdiction of the Court. Following the Effective Date, the Court will retain non-exclusive jurisdiction of the Cases for the following purposes:

(a) to recover all Assets of the Debtors and property of the Estates, wherever located;

(b) to hear and determine any actions commenced on or after the Effective Date by the Plan Administrator, including, but not limited to, Avoidance Actions or other Causes of Action;

(c) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtors or the Estates arising prior to the Effective Date or relating to the period of

administration of the Cases, including, without limitation, matters concerning state, local and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code; and

(d) to hear and determine any other matters to the extent not inconsistent with the Bankruptcy Code.

3. Failure of the Court to Exercise Jurisdiction. If the Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Cases, including with respect to the matters set forth in Article XII of the Plan, such Article shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

L. Injunction and Releases

1. Injunction. Except as otherwise expressly provided in the Plan including, without limitation, the treatment of Claims against the Debtors, the entry of the Confirmation Order shall, provided that the Effective Date shall have occurred, operate to enjoin permanently all Persons that have held, currently hold or may hold a Claim against the Debtors, from taking any of the following actions against the Debtors, the Plan Administrator, the Committee, the Post Effective Date Committee, the Bond Trustee, or any of their respective attorneys, advisors, employees, present and former directors, officers, trustees, agents, members, or any of their respective successors or assigns (in each case, solely in their capacities as such), or any of their respective assets or properties, on account of any Claim against the Debtors: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind with respect to a Claim against the Debtors; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim against the Debtors; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim against the Debtors; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any Debt, liability or obligation due to the Debtors or their property or Assets with respect to a Claim against the Debtors; and (e) proceeding in any manner in any place whatsoever that does not conform to or comply with or is inconsistent with the provisions of the Plan; provided, however, nothing in this injunction shall preclude the holder of a Claim against the Debtors from pursuing any applicable insurance after the Cases are closed, from seeking discovery in actions against third parties or from pursuing third-party insurance that does not cover Claims against the Debtor; provided further, however, nothing in this injunction shall limit the rights of a holder of a Claim against the Debtors to enforce the terms of the Plan.

2. Releases by the Debtors. To the greatest extent permissible by law, and except as otherwise specifically provided in Section 13.2 of the Plan, as of the Effective Date, the Debtors shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged each of the Debtors', the Committee's and the Bond Trustee's present directors, officers, trustees, agents, attorneys, advisors, members or employees (in each case, solely in their capacities as such) and the Committee and the Bond Trustee of and from any and all past, present and future legal actions, causes

of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against the Debtors, the Committee or the Bond Trustee, or their respective present or former directors, officers, trustees, agents, attorneys, advisors, members or employees (in each case, solely in their capacities as such) occurring from the beginning of time to and including the Effective Date related in any way, directly or indirectly, arising out of, and/or connected with any or all of the Debtors and their Estates, the Cases and any financing provided to the Debtors in connection with the Bonds and the Bond Documents; provided, however, that Section 13.2 of the Plan shall not affect the liability of any Person due to willful misconduct or gross negligence as determined by a court of competent jurisdiction. Notwithstanding anything to the contrary in Section 13.2 of the Plan, Section 13.2 of the Plan does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement executed to implement the Plan.

3. Releases by Holders of Claims. To the greatest extent permissible by law and except as otherwise provided in the Plan, as of the Effective Date, each holder of a Claim against the Debtors shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged each of the Debtors, the Committee, the Bond Trustee and their respective present directors, officers, trustees, agents, attorneys, advisors, members or employees of and from any and all past, present and future legal actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, amounts paid in settlement, costs, fees, damages, debts, deficiencies, diminution in value, disbursements, expenses, losses and other obligations of any kind, character or nature whatsoever, whether in law, equity or otherwise (including, without limitation, those arising under Chapter 5 of the Bankruptcy Code and applicable non-bankruptcy law, and any and all alter-ego, lender liability, indemnification or contribution theories of recovery, and interest or other costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to third parties), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against the Debtors, the Committee, the Bond Trustee and their respective present directors, officers, trustees, agents, attorneys, advisors, members or employees occurring from the beginning of time to and including the Effective Date related in any way, directly or indirectly, arising out of, and/or connected with any or all of the Debtors and their Estates, the Cases and any financing provided to the Debtors in connection with the Bonds and the Bond Documents; provided, however, that Section 13.3 of the Plan shall not affect the liability of any Person due to willful misconduct or gross negligence as determined by a

court of competent jurisdiction. Nothing in Section 13.3 of the Plan shall be deemed to release or Impair Allowed Claims against the Debtors, which Allowed Claims against the Debtors shall be treated as set forth in Articles II and IV of the Plan, as applicable.

4. **Exculpation.** None of (i) Proskauer Rose LLP or Frost Brown Todd LLC, in their capacity as counsel to the Debtors, (ii) Navigant, in its capacity as the Debtors' crisis manager; (iii) any employee of or individual affiliated with Navigant, in the capacity in which such individual served the Debtors; (iv) the Debtors' officers, directors and trustees (in their capacities as such); (v) the Committee and the Post Effective Date Committee, (vi) the members of the Committee and the members of the Post Effective Date Committee, in their individual capacities as members of the Committee and as members of the Post Effective Date Committee, (vii) Alston & Bird LLP or Puryear Law Group, in their capacity as counsel to the Committee and as counsel to the Post Effective Date Committee, (viii) Deloitte Financial Advisory Services, LLC, in its capacity as financial advisor for the Committee and as financial advisor for the Post Effective Date Committee, (ix) the Bond Trustee or any holders of the Bonds, or their respective employees, agents and professionals, and (x) Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. or Prochaska, Thompson, Quinn & Ferraro, in their capacity as counsel for the Bond Trustee, shall have or incur any liability for any act or omission in connection with, related to, or arising out of, the Cases, the formulation, preparation, dissemination, implementation, confirmation, or approval of the Plan, the administration of the Plan or the property to be distributed under the Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; provided, however, that the foregoing provisions shall not affect the liability of any Person that would result solely from any such act or omission to the extent that act or omission is determined by a Final Order of the Court to have constituted willful misconduct or gross negligence; and in all respects, such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and shall be fully protected from liability in acting or refraining to act in accordance with such advice; provided further, however, that Section 13.4 of the Plan shall not limit the Debtors' obligations under the Plan.

5. **Indemnification.** The Plan Administrator and the members of the Post Effective Date Committee shall be indemnified and receive reimbursement against and from all loss, liability, expense (including counsel fees) or damage which the Plan Administrator and the members of the Post Effective Date Committee may incur or sustain in the exercise and performance of any of their respective powers and duties under the Plan, to the full extent permitted by law, except if such loss, liability, expense or damage is finally determined by a court of competent jurisdiction to result solely from the Plan Administrator's or the Post Effective Date Committee member's willful misconduct, fraud, intentional misconduct or gross negligence. The amounts necessary for such indemnification and reimbursement shall be paid by the Plan Administrator out of the Remaining Cash. The Plan Administrator shall not be personally liable for the payment of any expense of administering the Plan or any other liability incurred in connection with the Plan, and no person shall look to the Plan Administrator personally for the payment of any such expense or liability. This indemnification shall survive the death, resignation or removal, as may be applicable, of the Plan Administrator and the

members of the Post Effective Date Committee, and shall inure to the benefit of the Plan Administrator's and the Post Effective Date Committee members' heirs and assigns.

6. Release of Collateral. Except as expressly provided otherwise in the Plan, unless a holder of a Secured Claim receives a return of its collateral in respect of such Claim under the Plan: (i) each holder of (A) an Allowed Secured Claim and/or (B) an Allowed Claim that is purportedly secured, on the Effective Date, shall (x) turn over and release to the Debtors any and all property that secures or purportedly secures such Claim; and (y) execute such documents and instruments as the Plan Administrator requires to evidence such claimant's release of such property; and (ii) on the Effective Date, all claims, rights, title and interest in such property shall revert to the Debtors, free and clear of all Claims, including (without limitation) liens, charges, pledges, encumbrances and/or security interests of any kind. No distribution under the Plan shall be made to or on behalf of any holder of such Claim unless and until such holder executes and delivers to the Plan Administrator such release of liens. Any such holder that fails to execute and deliver such release of liens within 60 days of any demand thereof shall be deemed to have no further Claim and shall not participate in any distribution under the Plan. Notwithstanding the immediately preceding sentence, a holder of a Disputed Claim shall not be required to execute and deliver such release of liens until the time such Claim is Allowed or disallowed. For the avoidance of doubt, the release and surrender provisions set forth in Section 13.6 of the Plan shall not apply to the Bond Trustee or beneficial owners of the Bonds, provided however, in connection with the sale, liquidation or other disposition of any of the Remaining Assets subject to the Bond Trustee Liens, upon receipt by the Plan Administrator of the Bond Trustee's consent to such disposition the Bond Trustee Liens shall automatically be deemed released as to such asset and the Bond Trustee shall, from and after the Effective Date, execute such documents and instruments as the Plan Administrator reasonably requires to effectuate such disposition, and to apply the proceeds thereof in accordance with the Plan.

7. Cause of Action Injunction. On and after the Effective Date, all Persons other than the Plan Administrator will be permanently enjoined from commencing or continuing in any manner any action or proceeding (whether directly, indirectly, derivatively or otherwise) on account of, or respecting any, Claim, debt, right or Cause of Action that the Plan Administrator retains authority to pursue in accordance with the Plan.

8. Preservation and Application of Insurance. The provisions of the Plan shall not diminish or impair in any manner the enforceability and/or coverage of any insurance policies (and any agreements, documents, or instruments relating thereto) that may cover Claims (including Medical Malpractice Claims) against the Debtors, any directors, trustees or officers of the Debtors, or any other Person, other than as expressly as set forth in the Plan. For the avoidance of doubt, and as set forth in the Plan, all of the Debtors' insurance policies, or third party policies naming the Debtors as an additional insured party, and the proceeds thereof shall be available to holders of Medical Malpractice Claims to the extent such insurance policies cover such Medical Malpractice Claims. In addition, such insurance policies and proceeds thereof shall be available to holders of Medical Malpractice Claims for the purpose of satisfying Medical Malpractice Claims estimated pursuant to section 502(c) of the Bankruptcy Code or in accordance with the Plan.

M. Miscellaneous Provisions

1. Payment of Statutory Fees. All outstanding fees payable pursuant to Section 1930 of Title 28 of the United States Code shall be paid on or before the Effective Date.

2. Reports. Until a final decree closing the Cases is entered, the Plan Administrator shall comply with any requisite reporting requirements established pursuant to the guidelines of the U.S. Trustee.

3. Governing Law. Except to the extent the Bankruptcy Code, the Bankruptcy Rules, or other federal laws are applicable, the laws of the State of Tennessee shall govern the construction and implementation of the Plan and all rights and obligations arising under the Plan.

4. Withholding and Reporting Requirements. In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Plan Administrator shall comply with all withholding, reporting, certification and information requirements imposed by any federal, state, local or foreign taxing authority and all distributions under the Plan shall, to the extent applicable, be subject to any such withholding, reporting, certification and information requirements. Persons entitled to receive distributions under the Plan shall, as a condition to receiving such distributions, provide such information and take such steps as the Plan Administrator may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable the Plan Administrator to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

5. Section 1146 Exemption. Pursuant to Section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of any security under the Plan; or the execution, delivery, or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan; or the vesting, transfer, or sale of any real property of the Debtors pursuant to, in implementation of or as contemplated by the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument under the Plan is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax, or similar tax.

6. Plan Supplement. The Plan Supplement and all documents contained therein shall be filed with the Clerk of the Court no later than ten (10) days before the last day upon which holders of Claims may vote to accept or reject the Plan; provided, however, that the Debtors may amend any such documents through and including the Effective Date in a manner consistent with the Plan and Disclosure Statement. Once filed with the Court, the Plan Supplement may be inspected in the office of the Clerk of the Court during normal Court hours. Holders of Claims may obtain a copy of the Plan Supplement upon written request to the Debtors in accordance with Section 14.10 of the Plan.

7. Severability. In the event that any provision of the Plan is determined to be unenforceable, such determination shall not limit or affect the enforceability and operative effect of any other provisions of the Plan. To the extent that any provision of the Plan would, by its inclusion in the Plan, prevent or preclude the Court from entering the Confirmation Order, the Court, on the request of the Debtors, may modify or amend such provision, in whole or in part,

as necessary to cure any defect or remove any impediment to the Confirmation of the Plan existing by reason of such provision; provided, however, that such modification shall not be effected except in compliance with Sections 11.1 and 11.2 of the Plan.

8. Reservation of Rights. If the Plan is not confirmed for any reason, the rights of all parties in interest in the Cases are and shall be reserved in full. Any concession reflected or provision contained in the Plan, if any, is made for purposes of the Plan only, and if the Plan does not become effective, no party in interest in the Cases shall be bound or deemed prejudiced by such concession.

9. Binding Effect; Counterparts. The provisions of the Plan shall bind all holders of Claims against the Debtors, whether or not they have accepted the Plan. The Plan may be executed in any number of counterparts and by different parties thereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Plan.

10. Notices. All notices, requests, and demands to or upon the Debtors, the Plan Administrator, the Committee, the Post Effective Date Committee or the Bond Trustee must be in writing (including by facsimile transmission) and, unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission or by electronic mail, when received and telephonically confirmed, addressed as follows:

If to the Debtors, to:

PROSKAUER ROSE LLP

Jeff J. Marwil, Esq.
Three First National Plaza
70 West Madison, Suite 3800
Chicago, IL 60602-4342
Tel: (312) 962-3550
Fax: (312) 962-3551
E-mail: jmarwil@proskauer.com

-and-

PROSKAUER ROSE LLP

Jeffrey W. Levitan, Esq.
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-and-

FROST BROWN TODD LLC

Robert A. Guy, Jr., Esq.
424 Church Street, Suite 1600
Nashville, TN 37219
Tel: (615) 251-5550
Fax: (615) 251-5551
E-mail: bguy@fbtlaw.com

If to the Committee or to the Post Effective Date Committee, to:

ALSTON & BIRD LLP

Craig E. Freeman, Esq.
90 Park Avenue
New York, New York 10016-1387
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-and-

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If to the Plan Administrator, to:

Navigant Capital Advisors, LLC

S. Waite Popejoy
5215 Old Orchard Road, Suite 850
Skokie, Illinois 60077
Tel: 404.504.2016
Fax: 404.504.2023
E-Mail: wpopejoy@ncacf.com

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11. Plan Controls. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence.

V. ACCEPTANCE AND CONFIRMATION OF THE PLAN

The following is a brief summary of the provisions of the Bankruptcy Code respecting acceptance and confirmation of a plan. Holders of Claims are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys.

A. Acceptance of the Plan

This Disclosure Statement is provided in connection with the solicitation of acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the allowed claims of that class that have actually voted to accept or reject a plan.

If one or more impaired Classes rejects the Plan, the Debtors may, in their discretion, nevertheless seek confirmation of the Plan if the Debtors believe that they will be able to meet the requirements of Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan (which are set forth below), despite lack of acceptance by all impaired Classes.

B. Confirmation

1. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the bankruptcy court, after notice, to hold a hearing on confirmation of a plan. Notice of the Confirmation Hearing respecting the Plan has been provided to all known holders of Claims or their representatives, along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

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 Bankruptcy Rules and the Local Rules of the Court, must set forth the name of the objectant, the nature and amount of Claims held or asserted by the objectant against the Debtors' Estates or property, and the basis for the objection and the specific grounds in support thereof. Such objection must be filed with the Court, with a copy forwarded directly to the Chambers of the Honorable Marian F. Harrison, United States Bankruptcy Court, together with proof of service thereof, and served upon (a) counsel to the Debtors, (i) Proskauer Rose LLP, Three First National Plaza, 70 West Madison, Suite 3800, Chicago, IL 60602-4342, Attn: Jeff J.

Marwil, Esq., (ii) Proskauer Rose LLP, Eleven Times Square, New York, New York 10036, Attn: Jeffrey W. Levitan, Esq. and Adam T. Berkowitz, Esq., and (iii) Frost Brown Todd LLC, 424 Church St., Suite 1600, Nashville, TN 37219, Attn: Robert A. Guy, Jr., Esq.; (b) counsel to the Committee, (i) Alston & Bird LLP, 90 Park Avenue, New York, New York 10016-1387, Attn: Craig E. Freeman, Esq. and (ii) Puryear Law Group, 102 Woodmont Boulevard, Woodmont Centre, Suite 120, Nashville, TN 37201, Attn: Daniel H. Puryear, Esq.; (c) the Office of the United States Trustee, 701 Broadway, Suite 318, Nashville, TN 37203-3966; and (d) counsel to the Bond Trustee, (i) Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111, Attn: William W. Kannel, Esq. and (ii) Prochaska Thompson Quinn & Ferraro, P.C., 401 Church Street, Suite 2600, Nashville, TN 37219, Attn: Joseph Prochaska, Esq., so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

2. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Debtors will request that the Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If so, the Court shall enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

(a) The Plan must comply with the applicable provisions of the Bankruptcy Code;

(b) The Debtors must have complied with the applicable provisions of the Bankruptcy Code;

(c) The Plan has been proposed in good faith and not by any means forbidden by law;

(d) Any payment made or promised to be made by the Debtors under the Plan for services or for costs and expenses in, or in connection with, the Cases, or in connection with the Plan and incident to the Cases, has been disclosed to the Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Court as reasonable;

(e) The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or administrator of each of the Debtors under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and with public policy;

(f) Best Interests of Creditors Test. With respect to each Class of impaired Claims, either each holder of a Claim of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have either been paid in full or payment in full is provided for: (i) first to secured

creditors (to the extent of the value of their collateral), (ii) next to priority creditors, (iii) next to unsecured creditors, (iv) next to debt expressly subordinated by its terms or by order of the Court and (v) last to holders of equity interests. The starting point in determining whether the Plan meets the “best interests” test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors’ remaining assets in the context of a Chapter 7 liquidation. Such value must then be reduced by the costs of such liquidation, including costs incurred during the Chapter 11 Cases and allowed under Chapter 7 of the Bankruptcy Code (such as fees and expenses of Professional Persons), a Chapter 7 trustee’s fees, and the fees and expenses of professionals retained by a Chapter 7 trustee. The potential Chapter 7 liquidation distribution in respect of each class must be further reduced by the costs imposed as a result of the delay that would be caused by conversion of the Chapter 11 Cases to cases under Chapter 7. For the reasons set forth above, the Debtors submit that holders of Class 1 and 4 Claims will receive under the Plan a recovery at least equal in value to the recovery such holders would receive pursuant to a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

(g) Each class of Claims has either accepted the Plan or is not impaired under the Plan;

(h) At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim of such Class;

(i) Feasibility. Section 1129(a)(11) of the Bankruptcy Code provides that a Chapter 11 plan may be confirmed only if the Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor. Since the Plan provides for the liquidation of the Debtors, the Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the Cases. The Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

3. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. If any impaired classes reject or are deemed to have rejected the Plan, the Debtors reserve their right to seek the application of the statutory requirements set forth in Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan despite the lack of acceptance by all impaired classes.

Section 1129(b) of the Bankruptcy Code provides that notwithstanding the failure of an impaired class to accept a plan of reorganization, the plan shall be confirmed, on request of the proponent of the plan, in a procedure commonly known as “cram-down,” so long as the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each class of claims or interests that is impaired under and has not accepted the plan.

The condition that a plan be “fair and equitable” with respect to a non-accepting class of secured claims includes the requirements that (a) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan, and (b) each holder of a secured claim in the class receive deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant’s interest in the debtor’s property subject to the liens.

The condition that a plan be “fair and equitable” with respect to a non-accepting class of unsecured claims includes the requirement that either (a) such class receive or retain under the plan property of a value as of the effective date of the plan equal to the allowed amount of such claim, or (b) if the class does not receive such amount, no class junior to the non-accepting class will receive a distribution under the plan.

The condition that a plan be “fair and equitable” with respect to a non-accepting class of interests includes the requirements that either (a) the plan provides that each holder of an equity interest in such class receive or retain under the plan, on account of such equity interest, property of a value, as of the effective date of the plan, equal to the greater of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such equity interest, or (b) if the class does not receive such amount, no class of interests junior to the non-accepting class will receive a distribution under the plan.

VI. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN The following discussion summarizes certain of the material U.S. federal income tax consequences expected to result from the implementation of the Plan. The following summary does not address the U.S. federal income tax consequences to holders whose claims are entitled to payment in full in Cash under the Plan (e.g., holders of Allowed Administrative Claims, Priority Tax Claims and Professional Fee Claims). This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the “IRC”), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (“IRS”). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought. Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to, among others, the Debtors and the holders of Claims.

The following summary is for general information only. The U.S. federal income tax consequences of the Plan are complex and subject to significant uncertainties. This summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address all of the U.S. federal income tax consequences of the Plan. This summary also does not purport to address the U.S. federal income tax consequences of the Plan to taxpayers subject to special treatment under the U.S. federal income tax laws, such as broker-dealers, tax exempt entities, financial institutions, insurance companies, S corporations, small business investment companies, mutual funds, regulated investment companies, foreign corporations, and non-resident alien individuals.

EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE POTENTIAL U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE PLAN.

IRS Circular 230 Notice: To ensure compliance with requirements imposed by the IRS in Circular 230, you are hereby informed that (i) any tax advice contained in this Disclosure Statement is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the IRC, (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed in the Disclosure Statement, and (iii) each holder of a Claim should seek advice based on its particular circumstances from an independent tax advisor.

A. U.S. Federal Income Tax Consequences to the Debtor.

The Debtors are exempt from U.S. federal income tax pursuant to Section 501 of the IRC. Accordingly, the Debtors do not believe that the implementation of the Plan, including the extinguishment of the Debtors' outstanding indebtedness pursuant to the Plan, will result in any material tax liability to the Debtors.

B. U.S. Federal Income Tax Consequences to Holders of Class 1 and Class 4 Claims.

1. Gain or Loss Recognized. Except with respect to a Claim (or portion thereof) for accrued but unpaid interest (discussed below), for U.S. federal income tax purposes, each holder of an Allowed Claim arising under, related to or in connection with the Bonds and the Bond Documents (*i.e.*, the Class 1 Bond Trustee Secured Claim) or an Allowed Class 4 Unsecured Claim generally should recognize gain or loss as a result of receiving a Distribution pursuant to the Plan equal to the difference between (i) the sum of the amount of Cash received by such holder and (ii) the adjusted tax basis of such holder's Allowed Claim. The amount and timing of such gain or loss may be affected by the resolution of Disputed Claims. The character of any gain or loss as long-term or short-term capital gain or loss or ordinary income or loss will depend on a number of factors, including: (i) the nature and origin of the Claim (*e.g.*, Claims arising in the ordinary course of a trade or business or made for investment purposes); (ii) the tax status of the holder of the Claim; (iii) whether the Claim is a capital asset in the hands of the holder; (iv) whether the Claim has been held by the holder for more than one year; (v) the extent to which the holder previously claimed a loss or a bad debt deduction with respect to the Claim; and (vi) the extent to which the holder acquired the Claim at a discount. For a discussion of the tax consequences associated with a Claim for accrued but unpaid interest, if any, see Section B.2. -- "Receipt of Interest" below.

2. Receipt of Interest.

In general, to the extent that any amount of consideration received by a holder is treated as received in satisfaction of unpaid interest that accrued during such holder's holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income and not otherwise exempt from U.S. federal income tax) or will not be taxable to the holder if such interest is exempt from U.S. federal income tax. The Treasury Regulations appear to support the position that all consideration distributed to a holder should be

treated as interest income to the extent of accrued but previously unpaid interest, and the absence of an allocation in this Plan of the consideration to the stated principal amount of the Claim before the allocation to accrued but unpaid interest will strengthen this position.

Conversely, in the case of taxable interest, a holder may be allowed a bad debt deduction to the extent any accrued interest was previously included in its gross income but subsequently not paid in full. However, the IRS may take the position that any such loss must be characterized based on the character of the underlying obligation, such that the loss will be a capital loss if the underlying obligation is a capital asset.

Each holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

C. Withholding and Reporting. The Debtors and, after the Effective Date, the Plan Administrator will withhold all amounts required by law to be withheld from payments to holders of Allowed Claims. For example, under U.S. federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to backup withholding at the then applicable rate (currently 28%). Backup withholding generally applies only if the holder (i) fails to furnish its social security number or other taxpayer identification number (“TIN”); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in overpayment of tax. Certain persons are exempt from backup withholding, including corporations (before 2012) and financial institutions.

Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including among other types of transactions, certain transactions that result in the taxpayer’s claiming a loss in excess of specified thresholds. The types of transactions that require disclosure are very broad; however, there are numerous exceptions. Holders are urged to consult their advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holder’s tax returns.

The foregoing summary has been provided for informational purposes only. All holders of Claims are urged to consult their tax advisors concerning the U.S. federal, state, local and foreign tax consequences applicable under the Plan.

VII. RISK FACTORS

HOLDERS OF ALL CLASSES OF CLAIMS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

A. Certain Bankruptcy Related Considerations

1. Risk of Non-Confirmation of the Plan

Although the Debtors believe that the Plan will satisfy all requirements necessary for Confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. There can also be no assurance that modifications of the Plan will not be required for Confirmation, that any negotiations regarding such modifications would not adversely affect the holders of the Allowed Claims or that any such modifications would not necessitate the re-solicitation of votes.

2. Nonconsensual Confirmation

In the event any impaired class of claims or interests does not accept a plan, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class has accepted the plan of reorganization (with such acceptance being determined without including the acceptance of any "insider" in such class) and, as to each impaired class which has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to non-accepting impaired classes. In the event that any impaired Class of Claims fails to accept the Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, the Debtors reserve the right to request nonconsensual Confirmation of the Plan in accordance with Section 1129(b) of the Bankruptcy Code.

3. Risk that Conditions to Effectiveness Will Not Be Satisfied

Article X of the Plan contains certain conditions precedent to the effectiveness of the Plan. There can be no assurances that the conditions contained in Article X of the Plan will be satisfied.

4. Claims Objection/Reconciliation Process

The potential recovery to holders of all impaired Claims to an extent depends on the outcome of the claims reconciliation and objection process. Thus, there is no guarantee that the actual recovery to holders of impaired Claims will approximate the Debtors' estimates.

5. Post Closing Issues with Purchaser

As set forth in Section III.H. above, there remain material disputes between the Debtors and the Purchaser respecting, among other things, their respective calculations of the purchase price adjustment, claims asserted by the Purchaser to the \$3.0 million indemnification reserve which the Debtors dispute, and other issues including, without limitation, the Purchaser's receipt of funds which the Debtors allege belong to their Estates. The potential recovery to holders of all impaired Claims to an extent depends on the outcome of the various post closing disputes by and among the Debtors and the Purchaser. Thus, there is no guarantee that the actual recovery to holders of impaired Claims will approximate the Debtors' estimates.

6. Bond Holdback Distribution and Bond Trustee Liens on Remaining Assets

Pursuant to the Settlement Agreement and as set forth in the Plan, the Bond Trustee is entitled to receive on account of the Bond Trustee Secured Claim, among other things, distributions of the Bond Holdback Distribution and the proceeds of any sale, liquidation or other disposition of the Remaining Assets subject to the Bond Trustee Liens. Accordingly, \$6,500,000 out of the \$15,000,000 in proceeds of the Sale Assets allocated to the Debtors' Estates pursuant to the Settlement Agreement, less any amount that the Committee successfully challenges (pursuant to Section 3.02(b)(ii) of the Settlement Agreement) as not subject to the Bond Trustee Liens (or such other amount as may be agreed to among the Debtors, the Committee and the Bond Trustee), will be distributed to the Bond Trustee. Moreover, subject to the Committee's challenge rights under Section 3.02(d) of the Settlement Agreement, the Bond Trustee will receive the proceeds of sale or other disposition of the Remaining Assets, including the Debtors' non-core real estate assets. Thus, the potential recovery to holders of all impaired Claims is to an extent dependent on the outcome of the Committee's aforementioned challenge rights, and there is no guarantee that the actual recovery to holders of impaired Claims will approximate the Debtors' estimates.

VIII. ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF REJECTION

Among the possible consequences if the Plan is rejected or if the Court refuses to confirm the Plan are the following: (1) an alternative plan could be proposed or confirmed; or (2) the Chapter 11 Cases could be converted to liquidation cases under Chapter 7 of the Bankruptcy Code.

A. Alternative Plans

As previously mentioned, with respect to an alternative plan, the Debtors and their professional advisors believe that the Plan enables the holders of Claims to realize the maximum recovery under the circumstances. The Debtors believe the Plan is the best plan that can be proposed and serves the best interests of the Debtors and other parties-in-interest.

B. Chapter 7 Liquidation

As discussed above, with respect to each Class of impaired Claims, either each holder of a Claim of such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code. The Debtors believe that significant costs would be incurred by the Debtors as a result of the delay that would be caused by conversion of the Chapter 11 Cases to cases under Chapter 7 resulting in a reduced distribution to holders of Claims.

IX. RECOMMENDATION AND CONCLUSION

The Debtors and their professional advisors believe that the Plan will provide for a more favorable distribution to holders of Allowed Claims than would otherwise result if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in potentially smaller distributions to the holders of Allowed Claims. Accordingly, the

Debtors recommend confirmation of the Plan and urge all holders of impaired Claims to vote to accept the Plan, and to evidence such acceptance by returning their Ballots so that they will be received by no later than the Voting Deadline.

[SIGNATURE PAGE FOLLOWS]

Dated: March 1, 2011

/s/ Robert A. Guy, Jr.
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