

**UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

In re:

THE VILLAGE AT PENN STATE
RETIREMENT COMMUNITY

Debtor.

Chapter 11

Case No. 11-08005-MDF

**GLOBAL NOTES REGARDING DEBTOR'S SCHEDULES OF ASSETS
AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS**

The Schedules of Assets and Liabilities (the "Schedules") and the Statement of Financial Affairs (the "SOFA," and collectively with the Schedules, the "Schedules and Statements") filed by The Village at Penn State Retirement Community (the "Debtor"), in the United States Bankruptcy Court for the Middle District of Pennsylvania (the "Bankruptcy Court"), were prepared pursuant to Section 521 of Title 11 of the United States Code (the "Bankruptcy Code") and Federal Rule of Bankruptcy Procedure 1007 by the Debtor with the assistance of counsel and are unaudited. While the Debtor has made every reasonable effort to ensure that the Schedules and Statements are accurate and complete, based upon information that was available to it at the time of preparation, the subsequent receipt of information may result in material changes to the financial data and other information contained therein. The Debtor reserves its right to amend the Schedules and Statements from time to time as may be necessary or appropriate. These Global Notes Regarding Debtor's Schedules of Assets and Liabilities and Statements of Financial Affairs (the "Global Notes") are incorporated by reference in, and comprise an integral part of, the Schedules and Statements, and should be referred to and reviewed in connection with any review of the Schedules and Statements.

1. Description of the Case and "as of" Information Date. On November 30, 2011 (the "Petition Date"), the Debtor filed a voluntary petition with the Bankruptcy Court under chapter 11 of the Bankruptcy Code. The Debtor's Bankruptcy Case has been assigned case number 11-08005 (MDF). The Debtor is currently operating its business as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. Unless otherwise stated, asset and liability information is as of the Petition Date. Additionally, the Debtor has made every effort to allocate liabilities between the pre-petition and post-petition periods based on the information available and research that was conducted in connection with the preparation of the Schedules and Statements. As additional information becomes available to and further research is conducted by the Debtor, the Debtor's allocation of liabilities between pre-petition and post-petition periods may change.

2. Basis of Presentation. For financial reporting purposes, Debtor prepares financial statements that include financial data from the Debtor. The Schedules and Statements do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

3. Summary of Significant Reporting Policies. The following conventions were adopted by the Debtor in the preparation of the Schedules and Statements:

(a) Payments Made within 90-days prior to the Petition Date. Payments made to non-insider employees for ordinary course salaries, wages, bonuses, expense, reimbursements, commissions and employee benefits were omitted from SOFA 3(b).

(b) Inventories. Inventories are provided as kept in the ordinary course of the Debtor's business. The Debtor reserves all rights with respect to the valuation of any inventories.

(c) Causes of Action. The Debtor has not necessarily set forth all claims or causes of action against third parties as assets in the Schedules and Statements. The Debtor reserves all of its rights with respect to any such claims or cause of action they may have, and neither these Global Notes nor the Schedules and Statements shall be deemed a waiver of any such causes of action.

(d) Secured Claims. Except as otherwise agreed pursuant to a stipulation or agreed order or order entered by the Bankruptcy Court, the Debtor reserves its rights to dispute or challenge the validity, perfection or immunity from avoidance of any lien purported to be granted or perfected in any specific asset to a secured creditor listed on Schedule D. Moreover, although the Debtor may have scheduled claims of various creditors as secured claims, except as otherwise agreed pursuant to a stipulation or agreed order or order entered by the Bankruptcy Court, the Debtor reserves all rights to dispute or challenge the secured nature of any such creditor's claim or the characterization of the structure of any such transaction or any document or instrument related to such creditor's claim. Furthermore, secured claim amounts have been listed on Schedule D without regard to the value of assets secured thereby. The Debtor did not estimate the fair market value as of the Petition Date of assets pledged pursuant to a secured obligation. Accordingly, deficiency claims of secured creditors may not have been listed on Schedule F and any such omission is not an admission by the Debtor as to the sufficiency of collateral related to any secured claim listed on Schedule D. Any descriptions provided in Schedule D are intended only to be a summary. Reference to the applicable loan agreements and related documents is necessary for a complete description of the collateral and the nature, extent and priority of any liens. Nothing in the Global Notes or the Schedules and Statements shall be deemed a modification or interpretation of the terms of such agreements.

(e) Priority Claims. Priority claims related to any known tax obligations have been listed on Schedule E. Moreover, although the Debtor may have scheduled claims of various creditors as priority claims, the Debtor reserves all rights to dispute or challenge the priority treatment of any such creditor's claim (or portion thereof) or the characterization of the structure of any such transaction or any document or instrument related to such creditor's claim. As some taxing authorities may not yet have assessed all of the Debtor's pre-petition tax obligations, the Debtor specifically reserves the right to amend Schedule E to include any such later discovered tax obligation.

(f) Executory Contracts. While every effort has been made to ensure the completeness and accuracy of the listing of executory contracts, inadvertent errors or omissions

may have occurred. The Debtor hereby reserves all of its rights to dispute the validity, status or enforceability of any contracts, agreements or leases set forth in Schedule G and to amend or supplement such Schedule as necessary. The contracts, agreements and leases listed on Schedule G may have expired or may have been modified, amended, or supplemented from time to time by various amendments, restatements, waivers, estoppel certificates, letter and other documents, instruments and agreements which may not be listed therein. Certain leases listed on Schedule G may contain renewal options, guarantees of payments, options to purchase, rights of first refusal, rights to lease additional space and other miscellaneous rights. Such rights, powers, duties and obligations may not be set forth on Schedule G. Certain of the executory agreements may not have been memorialized and could be subject to dispute. The absence of a contract or agreement on Schedule G does not constitute an admission that any other contract or agreement to which Debtor is a party is not executory. Parties to executory contracts and unexpired leases were not listed on Schedule F, except where past due amounts were recorded in the Debtor's accounts payable. The Debtor has not listed on Schedule F executory contract counter-parties which may have claims related to contract/lease rejection or other damages. The Debtor reserves all of its rights, claims and causes of action with respect to the contracts and agreements listed on the Schedule, including the right to dispute or challenge the characterization or the structure of any transaction, document or instrument.

4. Adjustment to Scheduled Claim Amounts. Certain of the Schedules list creditors and set forth the Debtor's estimate of the claims of creditors as of the Petition Date. The Bankruptcy Court has authorized the Debtor to, *inter alia* pay prepetition wages, salaries and employee benefits, and to pay certain priority claims in the ordinary course of business. Accordingly, to the extent prepetition amounts have been paid in accordance with Bankruptcy Court order prior to the filing of the Schedule, such claim amounts may not be listed. However, the actual unpaid claims of creditors that may be allowed in these cases may differ from the amounts set forth due to additional invoices received or prepetition payments made following the filing of the Statements and Schedules.

5. Disputed, Contingent and/or Unliquidated Claims. Schedules D, E, and F permit the Debtor to designate a claim as disputed, contingent and/or unliquidated. A failure to designate a claim on any of the Schedules as disputed, contingent and/or unliquidated does not constitute an admission that such claim is not subject to objection by the Debtor. The Debtor reserves the right to dispute, or assert offsets or defenses to, any claim reflected on the Schedules, as to amount, liability or status.

6. Global Notes Control. In the event that the Schedules and Statements differ from the foregoing Global Notes, the Global Notes shall control.

**United States Bankruptcy Court
Middle District of Pennsylvania**

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Debtor(s)

Case No. 11-08005-MDF
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SUMMARY OF SCHEDULES¹

Indicate as to each schedule whether that schedule is attached and state the number of pages in each. Report the totals from Schedules A, B, D, E, F, I, and J in the boxes provided. Add the amounts from Schedules A and B to determine the total amount of the debtor's assets. Add the amounts of all claims from Schedules D, E, and F to determine the total amount of the debtor's liabilities. Individual debtors also must complete the "Statistical Summary of Certain Liabilities and Related Data" if they file a case under chapter 7, 11, or 13.

NAME OF SCHEDULE	ATTACHED (YES/NO)	NO. OF SHEETS	ASSETS	LIABILITIES	OTHER
A - Real Property	Yes	1	\$0.00		
B - Personal Property	Yes	35	\$3,225,751.01		
C - Property Claimed as Exempt	No	0			
D - Creditors Holding Secured Claims	Yes	2		\$34,652,679.40	
E - Creditors Holding Unsecured Priority Claims (Total of Claims on Schedule E)	Yes	6		\$221,902.00	
F - Creditors Holding Unsecured Nonpriority Claims	Yes	28		\$28,866,784.44	
G - Executory Contracts and Unexpired Leases	Yes	19			
H - Codebtors	Yes	1			
I - Current Income of Individual Debtor(s)	No	0			\$N/A
J - Current Expenditures of Individual Debtor(s)	No	0			\$N/A
TOTAL		92	\$3,225,751.01	\$63,741,065.84	

¹Totals do not include amounts on the Schedules of Assets and Liabilities listed as "unknown" or "undetermined".