

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
BRIDGEPORT DIVISION**

	x	Chapter 11
In re:	:	
	:	Case Nos. 16-21311 (JAM)
HEBREW HEALTH CARE, INC., <i>et al</i> , ¹	:	through 16-21314 (JAM)
	:	and 16-21334 (JAM)
Debtors	:	(Jointly Administered)
	x	

**DISCLOSURE STATEMENT FOR JOINT PLAN OF REORGANIZATION
FOR HEBREW HEALTH CARE, INC., HEBREW LIFE CHOICES, INC., HEBREW
COMMUNITY SERVICES, INC., HEBREW HOME AND HOSPITAL, INC. AND CT
GERIATRICS SPECIALTY GROUP, P.C.**

Pullman & Comley, LLC
Attorneys for the Debtors
HEBREW HEALTH CARE, INC., et al

By: /s/ Elizabeth J. Austin
Elizabeth J. Austin (ct04383)
Jessica Grossarth (ct23975)
PULLMAN & COMLEY, LLC
850 Main Street, P.O. Box 7006
Bridgeport, CT 06601-7006
(203) 330-2000 Fax: 576-8888
eaustin@pullcom.com
jgrossarth@pullcom.com

¹ Hebrew Health Care, Inc., Case No. 16-21311, Hebrew Life Choices, Inc., Case No. 16-21312, Hebrew Community Services, Inc., Case No. 16-21213, Hebrew Home and Hospital, Incorporated, Case No. 16-21314, and CT Geriatric Specialty Group, P.C., Case No. 16-21334.

I. INTRODUCTION

On August 15, 2016 (the "Petition Date"), Hebrew Health Care, Inc. ("HHCI") and Hebrew Life Choices, Inc. also known as Hoffman SummerWood Community ("HLCI"), Hebrew Community Services, Inc. ("HCSI"), and Hebrew Home and Hospital, Incorporated ("HHHI"), filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Connecticut, Hartford Division. On August 19, 2016, CT Geriatrics Specialty Group, P.C. ("CGSG") filed a Voluntary Petition in this Court for relief under the Bankruptcy Code. HHCI, HLCI, HCSI, HHHI and CGSG shall be collectively referred to herein as the Debtors.

The Debtors continue to operate their businesses and manage their properties as a debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. On August 18, 2016, an Order Authorizing the Joint Administration of the Debtors' cases was entered. On August 25, 2016, an Order Authorizing the Joint Administration of CGSG with the other Debtors' cases was granted by the Court. On August 30, 2016, an Official Committee of Unsecured Creditors was appointed in these cases (the "Committee").

The Debtors, by and through their undersigned counsel, have proposed and filed their Joint Plan of Reorganization dated March 31, 2017 (the "Plan") with the United States Bankruptcy Court for the District of Connecticut (the "Bankruptcy Court").² A

² All capitalized terms not defined herein shall have the meaning ascribed to them in the Plan filed simultaneously herewith.

copy of the Plan is annexed hereto as Exhibit A. The Debtors are seeking confirmation of the Plan by the Bankruptcy Court.

This Disclosure Statement (the "Disclosure Statement") is provided pursuant to §1125 of the Bankruptcy Code to all known creditors of the Debtors. The purpose of this Disclosure Statement is to provide the holders of claims in these cases with sufficient and adequate information with respect to the Plan. It enables such holders to make an informed decision in exercising their right to vote on the Plan. This Disclosure Statement discusses, among other things, voting instructions, classification of Claims against the Debtors, the treatment of such Claims, and the history of the Debtors' businesses. This Disclosure Statement also contains a summary and analysis of the Plan.

The Plan is a reorganizing plan that contemplates a financial rehabilitation of the Debtors and the continuation of their businesses. The primary purpose of the Plan is to ensure that the Debtors can service their secured debt and to satisfy the Debtors' obligations to, among others, holders of Allowed Unsecured Claims. The restructuring proposed in the Plan will enable the Debtors to exit chapter 11, service their debts, and continue their existing operations. The Debtors will retain their respective assets and operate their businesses after confirmation of the Plan. The Creditors will receive payment of their Claims against the Debtors, either on the Effective Date of the Plan or over time.

As described herein, the Debtors believe that any alternatives to the Plan would produce less for Creditors than they will receive under the Plan and would endanger or terminate the operation of the Debtors' businesses.

This Disclosure Statement has been approved by order of the Bankruptcy Court as containing "adequate information," as that term is defined in Bankruptcy Code section 1125 to enable the Debtors' Creditors to make an informed judgment about whether to accept or reject the Plan.

NO REPRESENTATIONS CONCERNING THE DEBTORS, INCLUDING THOSE RELATING TO THEIR BUSINESS OPERATIONS, OR THE VALUE OF THEIR ASSETS, THEIR PROPERTY AND CREDITORS' CLAIMS INCONSISTENT WITH ANYTHING CONTAINED HEREIN, HAVE BEEN AUTHORIZED. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN THAT IS OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETE OR WITHOUT OMISSIONS. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY COURT FOR OR AGAINST ANY FILED PLAN. NOTWITHSTANDING THE FOREGOING, THE DEBTORS HAVE USED THEIR BEST EFFORTS TO HAVE ALL THE INFORMATION CONTAINED HEREIN BE TRUTHFUL AND ACCURATE AND, TO THE BEST OF DEBTORS' KNOWLEDGE, SUCH INFORMATION IS TRUTHFUL AND ACCURATE.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY

FACT OR LIABILITY BY ANY PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THIS DISCLOSURE STATEMENT SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THE DISCLOSURE STATEMENT AND SINCE THE DATE THAT THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

Accompanying the Disclosure Statement are copies of:

- (a) the Plan;
- (b) the Order Scheduling a Hearing on Plan Confirmation and settling the Objection and Balloting Deadline in connection therewith;
- (c) the Notice fixing (i) the time for submitting acceptances or rejections of the Plan; (ii) the date and time of the hearing to consider confirmation of the Plan and related matters; (iii) the time for filing objections to the Plan (the "Confirmation Hearing Notice"); and
- (d) ballots for acceptance or rejection of the Plan.

Pursuant to provisions of the Code, only classes of Claims and Interests that are "impaired" under the terms and provisions of the Plan, may vote to accept or reject the

Plan. ACCORDINGLY, A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO MEMBERS OF THE VOTING CLASSES.

In order for the Plan to be confirmed, Bankruptcy Code §1129(a) requires that each impaired Class of Allowed Claims in the Plan vote to accept that Plan, subject to certain exceptions. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of creditors as acceptance by holders of two-thirds in dollar amount and a majority in number of the Claims in that Class, but for this purpose considers only those creditors that have actually cast ballots for acceptance or rejection of a plan. Creditors that fail to vote are not counted as either accepting or rejecting a Plan. Only a Class of Claims that are “impaired” are entitled to vote to accept or reject the Plan. As set forth in Bankruptcy Code §1124, a Class is impaired “if the legal, equitable or contractual rights attaching to the Claims of that Class are modified by a plan.”

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired Classes, as long as (a) the plan otherwise satisfies the requirements for confirmation, (b) at least one impaired Class of Claims has accepted the plan without taking into account the votes of any insiders in such Class and (c) the plan is “fair and equitable” and does not “discriminate unfairly” as to any impaired Class that has not accepted the plan. The so-called “cram down” provisions are set forth in Bankruptcy Code §1129(b).

The Plan provides that if all of the applicable requirements of the Bankruptcy Code §1129(a), other than Section 1129(a)(8) thereof (i.e., acceptance of a Plan by all impaired Classes), are met with respect to the Plan, then the Debtors request that the

Bankruptcy Court, pursuant to Bankruptcy Code §1129(b), confirm the Plan notwithstanding the requirements of Bankruptcy Code §1129(a)(8). **THE DEBTORS WILL SEEK CONFIRMATION OF THE PLAN UNDER THE CRAM DOWN PROVISIONS IN THE EVENT THAT AN IMPAIRED CLASS REJECTS THE PLAN.**

Each holder of a Claim or Interest in a voting class should read this Disclosure Statement, together with its exhibits, in their entirety. After carefully reviewing the Plan and its exhibits, and this Disclosure Statement and its exhibits, please indicate your vote on the Plan on the enclosed ballot and return it in the envelope provided. If you have an impaired Claim or Interest in more than one class, you will receive a separate coded ballot for each Claim. See Section I.A. "Voting Instructions". **PLEASE VOTE EVERY BALLOT YOU RECEIVE.**

For a summary description of the treatment of each Class of Claims and Interests and the estimated value of distributions to each class of claims in interest as provided in the Plan, see I.C. "Overview of the Plan".

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan for _____, 2017 at __:00 A.M. at the United States Bankruptcy Court, 915 Lafayette Boulevard, Bridgeport, Connecticut, (the "Confirmation Hearing"), the Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed on or before _____, 2017, in the manner described in the Confirmation Hearing Notice accompanying this Disclosure Statement. The Court will consider only objections that are properly filed and served by the deadline. The day of the Confirmation Hearing may be adjourned from time to time without further notice.

THE DEBTORS URGE ALL CREDITORS TO VOTE IN FAVOR OF THIS PLAN BECAUSE IT PROVIDES THE GREATEST POSSIBLE RECOVERIES TO CREDITORS. YOUR "YES" VOTE ON THE ENCLOSED BALLOT IS RECOMMENDED FOR THE FOLLOWING REASONS:

The Debtors believe that the failure to confirm the Plan would result in cessation of operations and liquidation of the Debtors' businesses. In the event of a liquidation, the Debtors would have insufficient funds to pay in full the Claims of Creditors asserting administrative expense claims and no money to pay general unsecured claims. The Plan allows Creditors to participate in distributions in excess of those that would be available if the Debtors were liquidated under Chapter 7 of the Code.

Capitalized terms used in this Disclosure Statement and not defined herein shall have the respective meanings assigned to them in the Plan.

A. Voting Instructions

1. Ballots

In voting for or against the Plan, please use only the ballot or ballots sent to you with this Disclosure Statement. If you have an impaired claim in more than one Class under the Plan, you will receive multiple ballots. IF YOU RECEIVE MORE THAN ONE BALLOT, YOU SHOULD ASSUME THAT EACH BALLOT IS FOR A SEPARATE CLAIM OR INTEREST AND YOU SHOULD COMPLETE AND RETURN ALL OF THEM.

IF YOU ARE A MEMBER OF A VOTING CLASS AND DID NOT RECEIVE A BALLOT, IF YOUR BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, CALL ELIZABETH J. AUSTIN,

PULLMAN & COMLEY, LLC AT (203) 330-2243 or VIA E-MAIL at eaustin@pullcom.com.

2. Returning Ballots

YOU SHOULD COMPLETE AND SIGN EACH ENCLOSED BALLOT AND RETURN IT IN THE ENCLOSED ENVELOPE TO:

PULLMAN & COMLEY, LLC
ATTN: ELIZABETH J. AUSTIN
850 MAIN STREET
8TH FLOOR
BRIDGEPORT, CT 06604

IF YOU ARE RETURNING THE BALLOT BY FIRST CLASS MAIL, IT SHOULD BE ADDRESSED TO:

PULLMAN & COMLEY, LLC
ATTN: ELIZABETH J. AUSTIN
850 MAIN STREET
8TH FLOOR
BRIDGEPORT, CT 06604

IN ORDER TO BE COUNTED, BALLOTS MUST BE RECEIVED ON OR BEFORE _____, 2017.

B. Acceptance or Rejection of the Plan

As a creditor of the Debtors, your vote on the Plan is most important. In order for the Plan to be accepted by Creditors, votes representing at least two-thirds (2/3) in amount and more than one-half (1/2) in number of claims allowed for voting purposes of each impaired class that are voted must be received for the acceptance of the Plan. The Debtors are soliciting acceptances from members of the following Classes of Claims: Class 2 Secured Claim of TD Bank; Class 3 Secured Claim of HUD; Class 6 Holders of General Unsecured Claims of HHCI, HCSI HHHI and CGSG; and Class 7

Convenience Class Claims. Class 1 Claims Priority Tax Claims, Class 4 Secured Claim of DRS and Class 5 Holders of General Unsecured Claims of HLCI are not impaired and do not vote.

C. Overview of the Plan

THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. CREDITORS ARE URGED TO REVIEW THE MORE DETAILED DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT. SEE III "JOINT PLAN OF REORGANIZATION" BELOW AND THE PLAN ITSELF, WHICH IS INCLUDED AS **EXHIBIT A** TO THIS DISCLOSURE STATEMENT. ALL SUMMARIES ARE QUALIFIED BY THE PLAN ITSELF. THE PLAN IS CONTROLLING IN THE ANY EVENT OF ANY INCONSISTENCY BETWEEN A SUMMARY AND THE PLAN.

The Plan is a reorganizing plan. If the Plan is confirmed, on the Effective Date of the Plan the Debtors will pay Allowed Administrative Claims, Allowed Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Claims, and Allowed Unsecured Claims as provided in the Plan.

The following table summarizes the classification and treatment of Allowed Claims under the Plan: A more detailed discussion is set forth in Section III.

Claim and Estimated Amount of Claims in Class	Treatment Under the Plan
Administrative Claims	Paid in full in cash in equal quarterly installments over a period ending not later than three (3) years from the Effective Date.
Allowed Priority Tax Claims	Paid in cash in equal quarterly installments over a period ending not later than five (5) years after the Effective Date.
Class 1 - Allowed Priority Non-Tax Claims	Paid in cash in equal installments over a period ending not later than five (5) years after the Effective Date.
Class 2 – TD Bank Secured Claim	Will be refinanced in accordance with the Term Sheet attached as Exhibit 1 to the Plan.
Class 3 - Secured Claim of HUD (\$1,300,000.00)	Paid in accordance with the terms of the settlement between HHHI, HCSI, the Committee and HUD.
Class 4 - Secured Claim of DRS (\$1,264,707.06)	The Allowed Amount will be paid in full in cash in equal quarterly installments over a period ending not later than 10 years from the Effective Date and the balance will be allowed as an unsecured claim.
Class 5 - Holders of Unsecured Claims of HLCI	Unsecured claims that are Allowed Claims classified in Class 5 will be paid in full within 5 years from the Effective Date.
Class 6 – Holders of Unsecured Claims of HHCI, HCSI, HHHI and CGSG	Unsecured Claims that are Allowed Claims classified in Class 6 will receive their Pro Rata Share of the Creditor Escrows 30 days after the Effective Date and will receive their Pro Rata Share of the Fund without the accrual of interest, in equal monthly installments over a 10 year period commencing 120 days after the Effective Date. In addition, Allowed Claims in Class 6 will receive their Pro Rata Share of the Litigation Claims Proceeds.
Class 7 – Convenience Class Claims	Allowed Convenience Claims will receive an amount equal to 5% of the Allowed amount as such Allowed Convenience Claim on the one month anniversary of the Effective Date.

D. Formation of Debtor Groups for Convenience Purposes.

Solely in connection with distributions to be made on the distribution dates to the Holders of Allowed Administrative, Priority and Unsecured Claims which are allowed as of such date, the Plan is predicated upon, and it is a condition precedent to confirmation of the Plan, that the Debtors are authorized to utilize the operating income of all Debtors for the purposes of making the afore-described distributions

E. Background and General Information

HHCI is the parent company of HLCI, HCSI, HHHI and CGSG. HHCI, HCSI, HHHI and CGSG operate at One Abrahms Boulevard, West Hartford, Connecticut 06117 which premises are leased from Hebrew Home for Health and Rehabilitation, LLC. HLCI operates at 160 Simsbury Road, West Hartford, Connecticut 06116 which property is owned by HLCI. All of the Debtors are not-for-profits and mission of the Debtors are to provide the community with a broad spectrum of exceptional healthcare and ageing services tailored to the needs of each individual. Together the Debtors are a comprehensive adult healthcare organization offering a dynamic system of care featuring a full spectrum of integrated and seamless inpatient and outpatient and community based geriatric services to meet the needs in the greater Hartford community. Together the Debtors offer a chronic disease hospital specially designed for older patients, behavioral health hospital care, assisted living, adult day centers, and outpatient medical and therapy services. HHCI provides management, human resources and payroll services to its four subsidiaries. HLCI is a Connecticut corporation that is engaged in the business of operating an assisted living facility and providing rehabilitation services. HCSI is a Connecticut corporation that is engaged in the business of providing senior day care services. HHHI is a Connecticut corporation that is engaged in the business of operating a 45 bed nursing hospital comprising of a 23 bed medical unit, a 22 bed behavioral health unit. It previously operated a skilled nursing home businesses (the "SNF Business") which was sold during the Chapter 11 case. CGSG is a doctors' group that provides support to the Hospital.

F. Events leading up to the Bankruptcy

HHHI began operations in 1892 when 124 orthodox Jewish women in Hartford formed the Hebrew Ladies Sick Benefit Association. The women agreed to contribute a nickel per week for the proposed home, and they resolved to go out and collect a nickel per week from others in the community. These volunteer collectors were known as the "Handkerchief Brigade" because they collected their nickels in large handkerchiefs. On October 14, 1909, the first Hebrew Old People's Home in Connecticut opened on Wooster Street in Hartford, Connecticut with four residents. When the home on Wooster Street could not accommodate more people, the Hogle Mansion at 276 Washington Street was purchased on April 3, 1919. In 1925, a three-story annex was added to provide space for sixty-five residents. In 1954, a new facility housing 200 residents was opened on Tower Avenue in Hartford, where it continued its operations until its moved in 1989, to its current location, on Abrahms Boulevard, where it currently serves approximately 250 residents and patients.

Despite management's best efforts, Debtors exhausted their cash reserves including those unrestricted funds held by the Hebrew Health Care Foundation, Inc., an affiliated not-for-profit entity which is not a debtor in these proceedings.

Through the Chapter 11 process, the Debtors has successfully eliminated the SNF Business, which was part of HHHI's operations putting it in a position to operate the hospital, assisted living facility and community-based geriatric programs as profitable businesses.

II. THE CHAPTER 11 CASE

On August 15, 2016 and August 19, 2016, the Debtors filed voluntary petitions seeking the relief afforded by Chapter 11 of Title 11, United States Bankruptcy Code, §§ 101 et seq., in the United States Bankruptcy Court, District of Connecticut. In accordance with § 1107 and § 1108 of the Bankruptcy Code, the Debtors were authorized to continue in possession of their properties and operate and manage their businesses as debtors-in possession. No trustee or examiner has been appointed in these Chapter 11 Cases. An Official Committee of Unsecured Creditors was appointed on August 30, 2016 (the “Committee”), and Zeisler & Zeisler, P.C. was selected and approved as the Committee’s counsel on October 6, 2016.

The Debtors’ books and records indicated that as of the Petition Date, the Debtors have assets totaling \$24,594,106 and liabilities totaling \$56,049,228.

As of the Petition Date, Wells Fargo Bank, National Association (“Wells Fargo”) held a secured claim in the approximate amount of \$11 million against HHHI, secured by a mortgage and a lien on all of the HHHI’s assets. In addition, as of the Petition Date, the United States Department of Housing and Urban Development (“HUD”) held a secured claim in the approximate amount of \$11 million against HHHI, secured by a second mortgage and a subordinate lien on all of HHHI’s assets and a lien on all of HCSI’s assets. The pre-petition indebtedness of HHHI to Wells Fargo was satisfied in full from the proceeds of the sale of HHHI’s skilled nursing facility business and Wells Fargo no longer holds a lien and security interest in cash collateral of HHHI. A total of \$1,300,000 of the pre-petition indebtedness owed to HUD was satisfied from the

proceeds of the sale of HHHI's skilled nursing facility. HUD maintains its security interest in the personal property of HHHI and HCSI.

As of the Petition Date, HLCl was indebted to U.S. Bank under the U.S. Bank Loan Documents in the amount of \$14,890,000.00, together with any other obligations of HLCl to U.S. Bank to the extent provided under the U.S. Bank Loan Documents. On November 1, 2007 TD Bank issued a Letter of Credit ("TD Bank LOC") for the benefit of the U.S. Bank Pre-Petition Indebtedness and HLCl entered into a written Reimbursement Agreement aka Credit Facility Agreement dated November 1, 2007 with TD Bank which was incorporated by reference and made part of the U.S. Bank Loan Documents. U.S. Bank had the right to draw upon the TD Bank LOC in certain instances, including in the event said Series B Bonds were tendered by the Bondholders and not remarketed under the U.S. Bank Loan Documents. If U.S. Bank drew upon the TD Bank LOC, TD Bank becomes the Bondholder, and so long as TD Bank remains the Bondholder, then all of the U.S. Bank Pre-Petition Indebtedness is held by the Trustee for the benefit of TD Bank, as Bondholder. As of the Petition Date, the remarketing of the Series B Bonds under the U.S. Bank Loan Documents was not permitted under the U.S. Bank Loan Documents and of all of the Series B Bonds were tendered for purchase, and could not be remarketed causing U.S. Bank to draw on the TD Bank LOC. The amounts drawn on the TD Bank LOC were \$11,291,887.84 on or about September 15, 2016, \$2,630,732.95 on or about September 22, 2016 and \$970,342.42 on or about September 26, 2016. HLCl have engaged with TD Bank regarding the refinancing on the amounts drawn on the TD Bank LOC and have come to the terms with respect to same which in general terms will provide for refinancing of a

loan amount of no more than \$14,500,000.00, payable over a seven-year term on a thirty year principal amortization schedule bearing interest floating at one month LIBOR, plus 200 bps, coupled with an interest rate swap agreement, which indebtedness will be secured on a first mortgage on the real estate owned by HLCI and located at 160 Simsbury Road, West Hartford, CT, along with a Collateral Assignment of Leases and Rents, and a security interest on all of the personal property of HLCI.

The Debtors owe priority tax claims in the approximate amount of \$ 278,013.82 and priority non-tax claims in the approximate amount of \$ 228,256.00. Additionally, the Debtors estimate that Allowed Administrative Claims, including Professional Fees, will approximate \$680,000.00. Further, the Debtors estimate that unsecured claims against HLCI will total approximately \$141,000.00. And that unsecured claims against HHCI, HCSI, HHHI and CGSG will total approximately \$13,600,000.00.

A. The Debtors' Professionals

The Debtors retained Pullman & Comley, LLC ("P&C") to represent the Debtors in connection with their Chapter 11 proceedings. The Debtors also retained additional professionals to assist them in connection with their Chapter 11 proceedings. Such professionals included Altman and Company, LLC, financial advisors to the Debtors, whose employment was approved by the Bankruptcy Court by Order dated October 17, 2016; Wiggin & Dana, LLP as special health and regulatory counsel, whose employment was approved by the Bankruptcy Court by Order dated October 17, 2016; Kroll McNamara Evans & Delehanty, LLP as collections counsel, whose employment was approved by the Bankruptcy Court by order dated November 9, 2016; Rogin Nassau, LLC as special purpose counsel, whose employment was approved by the Bankruptcy Court by order dated October 17, 2016; and Siegel O'Connor O'Donnell

Beck, P.C., as special labor and employment counsel, whose employment was approved by the Bankruptcy Court by order dated October 17, 2016. On March 1, 2017, the Court entered an order approving Zangari Cohn Cuthbertson Duhl & Grello P.C. as substitute special labor and employment counsel.

B. Formation of Creditors Committee and Selection of Professionals

On August 30, 2016, the Office of the United States Trustee appointed the Committee comprised of The Connecticut Light & Power Company, McKesson Corp. and Morrison Management Specialists Inc. The Committee retained Zeisler & Zeisler, P.C. ("Z&Z") as its attorneys to advise and represent the Committee in connection with these proceedings. By Order dated October 6, 2016, the Bankruptcy Court approved the employment of Z&Z. On or about September 9, 2016, the Committee filed an Application seeking to retain EisnerAmper, LLP ("Eisner") as its Financial Advisors. By Order dated November 1, 2016, the Bankruptcy Court approved the Committee's employment of Eisner.

C. Events During The Chapter 11 Case

i. Cash Collateral & DIP Financing

Through consensual cash collateral orders, the Debtors were permitted to utilize the cash collateral in which Wells Fargo, HUD, U.S. Bank and TD Bank had an interest. Specifically, on August 24, 2016, the Court entered a preliminary order authorizing the Debtors' Interim Use of Cash Collateral (Docket No. 65). On September 9, 2016, the Court entered its second preliminary order authorizing the Debtors' interim use of cash collateral (Docket No. 137) (the "Second Cash Collateral Order"). On October 7, 2016, the Court entered its third preliminary order authorizing the Debtor's interim use of cash

collateral (Docket No. 275) (the “Third Cash Collateral Order”). On December 7, 2016, the Court entered its fourth preliminary order authorizing the Debtors’ interim use of cash collateral (Docket No. 456). On December 16, 2016, the Court entered its fifth preliminary order authorizing the Debtors’ interim use of cash collateral (Docket No. 468). On January 27, 2017, the Court entered its sixth preliminary order authorizing the Debtors’ interim use of cash collateral (Docket No. 582). On February 28, 2017, the Court entered its seventh preliminary order authorizing the Debtors’ interim use of cash collateral (Docket No. 644) (the “Seventh Cash Collateral Order”), together with the First Cash Collateral Order, Second Cash Collateral Order, Third Cash Collateral Order, Fourth Cash Collateral Order, Fifth Cash Collateral Order and Sixth Cash Collateral Order (collectively, the “Cash Collateral Orders”).

By orders entered on August 29, 2016 (Docket No. 91) (the “8/29/16 Order”), September 16, 2016 (the “9/16/16 Order”), October 26, 2016 (the “10/26/16 Order”) and November 22, 2016 (the “11/22/16 Order”), (the “8/29/16 Order, the 9/16/16, the 10/26/16 Order and the 11/22/16 Order shall be collectively referred to as the “DIP Financing Orders”), the Court authorized the Debtors to obtain secured, superpriority post-petition financing (the “DIP Facility”) from Hebrew Home DIP Financing, LLC, or its administrative agent (together with its successors and assigns, the “DIP Lender”). The DIP Facility has been repaid in full.

ii. Bar Date for Administrative Claims

On February 7, 2017, the Debtors filed a Motion requesting the Bankruptcy Court fix a Bar Date by which holders of Administrative Claims other than Professionals must file their Administrative Expense Claims. The Bankruptcy Court heard the Motion on

February 14, 2017, and set April 7, 2017 as the Administrative Claims Bar Date. On September 1, 2016, the Debtors filed a Motion requesting the Bankruptcy Court to fix a Bar Date by which holders of 503(b)(9) claims must file their claims (the “503(b)(9) Motion”). The Bankruptcy Court granted the 503(b)(9) Motion on October 7, 2016 and set December 8, 2016 as the bar date.

D. Post-Confirmation Management

Gary Jones currently serves as the Interim President and CEO of HHCI, the parent company of HCLI, HCSI, HHHI and CGSG. Mr. Jones will continue to serve as the Interim President and CEO and will manage and oversee the operations of the Reorganized Debtors.

III. THE JOINT PLAN OF REORGANIZATION

The Debtors believe that under the Plan, holders with Allowed Claims against the Debtors will obtain recoveries from the estates of the Debtors having a value in excess of what otherwise would be available if the assets of the Debtors were liquidated pursuant to Chapter 7 of the Code. Through a reorganization of the Debtors as going concerns, the Debtors will have sufficient assets to pay their liabilities, and confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtor.

The Debtors believe that the foregoing classification of Claims and Interests will permit all Claimants to obtain a fair distribution under the Plan and will accommodate the needs and particular attributes of the different types of Claims and Interests in these Chapter 11 Cases. The classification results in the highest value being made available

to all creditors. A description of each of the classes of Claims and Interests and their respective treatment under the Plan is set forth below.

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THE DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE ATTACHMENTS THERETO.

A. Classification

The Plan classifies the following Claims and Interests:

- (a) Class 1 – Priority Non-Tax Claims
- (b) Class 2 – Secured Claim of TD Bank
- (c) Class 3 - Secured Claim of HUD
- (d) Class 4 – Secured Claim of DRS
- (e) Class 5 – General Unsecured Claims of HLCI
- (f) Class 6 – General Unsecured Claims of HHCI, HCSI, HHHI and

CGSG

- (g) Class 7 – Convenience Class Claims

B. Treatment of Claims and Interests

The treatment of and consideration to be received by Holders of Allowed Claims and Allowed Interests pursuant to the Plan, including satisfaction of obligations to be performed by the Debtors under the Plan, when fully paid or performed shall be in full satisfaction, settlement, release, extinguishment and discharge of such Allowed Claims against and Allowed Interests in the Debtors and the Property of the Debtors, except as expressly provided in the Plan or the Confirmation Order.

1. United States Trustee Fees

Any unpaid statutory fees due pursuant to 28 U.S.C. § 1930 which are owed by the Debtors to the United States Trustee shall be paid in full, in cash, on or before the Effective Date.

2. Administrative Claims

Administrative Claims are **Unimpaired**. Unless otherwise provided herein, each Holder of an Allowed Administrative Claims shall receive in full satisfaction, settlement and discharge of such Claim (a) the amount of such unpaid Allowed Claim in Cash on the later of: (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed by Final Order, and (iii) a date agreed to by the Debtors and the Holder; or (b) such other treatment as may be agreed to in writing by the Debtors and the Holder of such Claim.

(a) Professional Fees

The Debtors estimate that upon the Effective Date, there will be approximately \$600,000 of accrued and unpaid professional fees which include \$450,000.00 of fees that remain unpaid from prior fee applications. The Debtors shall pay the Allowed Claims of the Professionals by making a payment of \$100,000.00 on the Effective Date, which payment will be held in escrow as set forth below pending approval of Professional fees. The balance will be paid in thirty-six (36) equal monthly installments in an amount equal to one-eighth of the balance due each Professional commencing on the one month anniversary of the Effective Date and continuing on the 15th day thereafter. In the event a monthly payment comes due prior to the approval of such fees, such monthly payment will be held in escrow by Pullman & Comley, LLC pending

approval of such Professional fee. The amount of \$100,000.00 paid on the Effective Date pursuant to the provisions of this paragraph shall be allocated (i) \$66,000.00 to the Debtors' Professionals, which shall be paid on the Effective Date to Pullman & Comley, LLC to be held in escrow pending the approval of the Debtors' Professional Fees and Expenses by the Court, and (ii) \$34,000.00 to the Creditors' Committee's Professional Fees, which shall be paid on the Effective Date to Zeisler & Zeisler P.C. to be held in escrow pending the approval of the Creditors' Committee Professional Fees and Expenses by the Court. Any amounts paid to Zeisler & Zeisler, P.C., and Pullman & Comley, LLC in escrow, in excess of what the Court approves by Final Order for payment of the Debtors' and/or Creditors Committee Professionals shall be returned to the Debtors. All payments to be made by the Debtors after the Effective Date to the Debtors' and the Creditors Committee Professionals shall be paid *pari passu* among them, and such payments shall be subject to adjustment and/or disgorgement in the event the Debtors fail to comply with this *pari passu* treatment. Each such Professional shall have standing to seek adjustment and/or disgorgement.

(b) 503(b)(9) Claims

Holders Of 503(B)(9) Claims are **Unimpaired** and do not vote on the Plan. The following holders of 503(b)(9) claims shall receive in full satisfaction, release and discharge of such Claim, the amount of such Allowed 503(b)(9) claim, Cash installments as agreed to by the Debtors and the Holders of the 503(b)(9) claims, as set forth below:

Morrison Management Specialists, Inc. Morrison Management Specialists, Inc. holds an holds an administrative claim against HHHI pursuant to

§ 503(b)(9) of the Bankruptcy Code in the amount of \$57,657.60. In full satisfaction of the claim, on the Effective Date, Morrison Management Specialists, Inc. will be permitted to set off the full amount of its § 503(b)(9) claim against the pre-petition deposit it is holding.

US Foods, Inc. US Foods, Inc. holds an administrative claim against HLCl pursuant to § 503(b)(9) of the Bankruptcy Code in the amount of \$7,520.36, which claim will be paid in equal monthly installments, commencing on the one month anniversary of the Effective Date, and continuing each month thereafter for a period of one (1) year.

3. Priority Tax Claims

Priority Tax Claims. Priority Tax claims are **unimpaired** and do not vote on the Plan. Each Holder of an Allowed Priority Tax Claim shall receive in full satisfaction, release and discharge of such Claim the amount of such Allowed Priority Tax Claim, Cash installments as agreed to by the Debtors and the Holders of the Allowed Priority Tax Claim as set forth below.

(i) Unsecured Priority Tax Claim of DOL as to HHCl. As of the Petition Date, DOL held an Unsecured Priority Tax Claim for unemployment compensation taxes against HHCl in the amount of \$4,209.09, which Claim will be paid in equal quarterly installments by HHCl commencing on the one-year anniversary date of the Effective Date, and continuing each quarter thereafter for a period of nine (9) years, without interest.

(ii) Unsecured Priority Tax Claim of DOL as to HCSI. As of the Petition Date, DOL held an Unsecured Priority Tax Claim for unemployment compensation

taxes against HCSI in the amount of \$47,761.92, which Claim will be paid in equal quarterly installments by HCSI commencing on the one-year anniversary date of the Effective Date, and continuing each quarter thereafter for a period of nine (9) years, without interest.

(iii) Unsecured Priority Tax Claim of DOL as to HHHI. As of the Petition Date, DOL held an Unsecured Priority Tax Claim for unemployment compensation taxes against HHHI in the amount of \$83,214.81, which Claim will be paid in equal quarterly installments by HHHI commencing on the one-year anniversary date of the Effective Date, and continuing each quarter thereafter for a period of nine (9) years, without interest.

(iv) Unsecured Priority Tax Claim of the City of West Hartford. As of the Petition Date, the City of West Hartford held an Unsecured Priority Tax Claim for personal property taxes in the amount of \$4,668.36 and real property taxes in the amount of \$138,184.54, for a total claim of \$142,828.90, which Claim will be paid in full from the proceeds of the closing of the TD Bank Refinanced Debt.

4. Unsecured Priority Non-Tax Claims – Class 1

Unsecured Priority Non-Tax Claims are **unimpaired** and do not vote on the Plan. Each holder of an Allowed Priority Non-Tax Claim shall receive in full satisfaction, release and discharge of such Claim, the amount of such Allowed Priority Non-Tax Claim, Cash installments, as agreed to by the Debtors and the holder of the Allowed Priority Non-Tax Claim, as set forth below:

Class 1 – Priority Non-Tax Claims (Unsecured Priority Claims of the Trustees of the Connecticut Laborers' Health Fund, Trustee of the Connecticut

Laborers' Legal Services Fund and Laborers' Local 1224, Connecticut Laborers' District Council (Laborers' Local 1224)); and (Unsecured Priority Claim of Aetna), Class 1 is **unimpaired** and does not vote on the Plan.

As of the Petition Date, the Trustees of the Connecticut Laborers' Health Fund held an unsecured priority claim for employee benefit plan contributions in the amount of \$1,803.68, the Trustees of the Connecticut Laborers' Legal Services Fund held an unsecured priority claim for benefit plan contributions in the amount of \$4,960.12 and Laborers' Local 1224 held an unsecured priority claim for benefit plan contributions in the amount of \$107,560.00 which claims will be paid in equal quarterly installments commencing on the one month anniversary of the Effective Date and continuing each quarter thereafter for a period of five (5) years.

As of the Petition Date, Aetna held an Unsecured Party Claim pursuant to 11 U.S.C. § 507(a)(5) in the amount of \$113,933.13, which claim will be paid in equal quarterly installments commencing on the one month anniversary of the Effective Date and continuing each quarter thereafter for a period of five (5) years.

5. Secured Claims – Classes 2 through 4

Class 2 – Secured Claim of TD Bank. Class 2 is **impaired** and votes on the Plan. As of the Petition Date, HLCl was indebted to U.S. Bank under the U.S. Bank Loan Documents in the amount of \$14,890,000.00, together with any other obligations of HLCl to U.S. Bank to the extent provided under the U.S. Bank Loan Documents. On November 1, 2007 TD Bank issued a Letter of Credit (“TD Bank LOC”) for the benefit of the U.S. Bank Pre-Petition Indebtedness and HLCl entered into a written Reimbursement Agreement aka Credit Facility Agreement dated November 1, 2007

with TD Bank which was incorporated by reference and made part of the U.S. Bank Loan Documents. U.S. Bank had the right to draw upon the TD Bank LOC in certain instances, including in the event said Series B Bonds were tendered by the Bondholders and not remarketed under the U.S. Bank Loan Documents. If U.S. Bank drew upon the TD Bank LOC, TD Bank becomes the Bondholder, and so long as TD Bank remains the Bondholder, then all of the U.S. Bank Pre-Petition Indebtedness is held by the Trustee for the benefit of TD Bank, as Bondholder. As of the Petition Date, the remarketing of the Series B Bonds under the U.S. Bank Loan Documents was not permitted under the U.S. Bank Loan Documents and of all of the Series B Bonds were tendered for purchase, and could not be remarketed causing U.S. Bank to draw on the TD Bank LOC. The amounts drawn on the TD Bank LOC were \$11,291,887.84 on or about September 15, 2016, \$2,630,732.95 on or about September 22, 2016 and \$970,342.42 on or about September 26, 2016. HLCl has remained current on the mortgage. Subject to Credit Committee approval TD Bank has agreed to refinance the amounts draw on the TD Bank, LOC in an amount no more than \$14,500,000.00, payable by HHCl over a seven-year term at a thirty-year principal amortization rate, all as more fully described in the Term Sheet attached here to as Exhibit 1. This obligation will continue to be secured by the real and personal property of HLCl.

Class 3 – Secured Claim of HUD. Class 3 is **impaired** and votes on the Plan. Prior to the Petition Date and through the date of the SNF Sale, Wells Fargo held first priority liens and security interest, in the approximate amount of \$10,000,000.00, in all of the real and personal property of HHHI and HUD held lien and security interest subordinate to Wells Fargo in the amount of \$11,389,241.65. All of the indebtedness of

HHHI to Wells Fargo was satisfied in full from the proceeds of the SNF Sale and Wells Fargo no longer holds a lien and security interest in cash collateral of HHHI. A total of \$1,300,000.00 of the pre-petition indebtedness owed to HUD was satisfied from the proceeds of the SNF Sale. HUD has agreed that the balance of the indebtedness owed to HUD by HHCI will be satisfied as follows: (i) HUD will hold a security interest in the personal property of HHHI and HCSI, including but not limited to accounts receivable, furniture, fixtures and equipment and other tangible assets, but only to the same extent, validity and priority that such security interest existed on the Petition Date; provided, however, that in accordance with the Order dated December 13, 2016 Granting and Approving the Sale of Assets Free and Clear of Liens, Claims, Interests and Encumbrance and Other Related Relief (the "Sale Order"), HUD consents to the use of cash collateral to pay administrative expenses in HHHI's bankruptcy case; (ii) HHHI and HCSI's plan of reorganization will grant HUD a \$1,300,000.00 secured claim in accounts receivable of HHHI and HCSI, but only having the same validity and priority that such security interest existed on the Petition Date to be paid from Surplus Cash as reported in individual financial statements for HHHI and HCSI; (iii) HUD will have an unsecured claim for the balance of the unpaid Pre-Petition Indebtedness against HHHI and HCSI; (iv) with HUD's consent \$200,000.00 in accounts receivable collected by HHHI was set aside and maintained in a segregated account by HHHI for the exclusive benefit of allowed unsecured claims in HHHI's bankruptcy case (subject, however, to administrative claims in the event HHHI's bankruptcy case is determined to be administratively insolvent); and (v) HUD will not receive any distribution on account of those funds and that it will not receive a distribution from the \$150,000.00 paid by

Hebrew Home for Health and Rehabilitation, LLC, for the exclusive benefit of allowed unsecured claims in HHHI's bankruptcy case (subject, however, to administrative claims in the event HHHI's bankruptcy is determined to be administratively insolvent).

Class 4 – Secured Claim of DRS. Class 4 is **unimpaired** and does not vote on the Plan. DRS asserts a Secured Claim in the amount of \$1,264,707.06 and shall be paid by HHHI on account of its Allowed Secured Claim the total of \$1,128,552.00, without interest, payable in equal quarterly payments over a nine (9) year period, with the first payment commencing one year after the Effective Date. The remaining balance of \$136,154.95 will be allowed as an unsecured claim against HHHI.

6. Unsecured Claims – Classes 5-7

Class 5 – Holders of Unsecured Claims (HLCI). Class 5 is **impaired** and votes on the Plan. Class 5 consists of all Allowed General Unsecured Claims of HLCI. Each holder of an Allowed General Unsecured Claim in this class that has not been paid prior to the Effective Date shall be paid in equal quarterly installments over a five-year period commencing on the later of (i) the one-month anniversary of the Effective Date, and (ii) the date on which such General Unsecured Claim becomes an Allowed General Unsecured Claim, or as soon thereafter as is practicable. The treatment and consideration to be received by Holders of Allowed Claims in Class 5 shall be in full and final satisfaction of their respective claims.

Class 6 – Holders of Unsecured Claims (HHCI, HCSI, HHHI and CGSG). Class 6 Claims includes all General Unsecured Claims including all Rejection Claims with the exception of the following which are expressly not included as General Unsecured Claims classified in Class 6: (i) all Debtors' Intercompany Claims, (ii) Claims

held by the Real Estate Entities, against the Debtors, (iii) Convenience Claims, (iv) Claims held by any other person or entities with whom there are settlements of Administrative, Priority Non-Tax, Priority Tax, or Allowed Secured Claims, (v) Administrative Claims, Priority Non-Tax Claims, Priority Tax Claims, or Allowed Secured Claims are included in other classes or otherwise treated in the Plan independent of this Class 6, or (vi) the unsecured Claims of affiliates of the Debtors and shareholders and members of the Debtors, which are being waived pursuant to Section 3.16.

Each Holder of a General Unsecured Claim that is an Allowed Claim classified in this Class 6 shall receive its Pro Rata Share, in cash, of each of the following:

(i) The Creditor Escrows will be disbursed to holders of Allowed Unsecured Claims in Class 6 on the one month anniversary of the Effective Date.

(ii) The Fund, which shall be funded by the Debtor over a ten (10) year period from the Debtors' operations, and shall be paid in equal quarterly installments over a ten-year period commencing on the later of (i) the one-month anniversary of the Effective Date, and (ii) the date on which such General Unsecured Claim becomes an Allowed General Unsecured Claim, or as soon thereafter as is practicable;

(iii) the Litigation Claims Proceeds;

(iv) Unclaimed Property, as described in Articles V., Sections 5.06 and 5.07 of the Plan.

The amounts realized pursuant to subsections (i) through (iii) above shall be deposited by the Debtors and the Creditor Custodian into the Class 6 Creditor Escrows and maintained in such Account until disbursed by the Debtors to the Holders of Class 6

Claims. Notwithstanding anything to the contrary provided in the Plan, or otherwise, no Creditor shall hold a security interest in the Class 6 Creditor Escrows.

No Disputed Claim shall receive a distribution unless and until such claim becomes an Allowed Claim by Final Order.

Class 6 is **impaired** and votes on the Plan.

7. Convenience Claims – Class 7

A Convenience Claim is an Allowed Unsecured Claim that is \$2,000 or less. In full and complete satisfaction of its claim, on the later of (i) the one month anniversary of the Effective Date, and (ii) the date such Convenience Claim becomes an Allowed Claim, each Holder of an Allowed Convenience Claim will receive from the Debtors Cash equal to ten percent (5%) of the allowed amount of such Convenience Claim, except to the extent that such Holder of an Allowed Convenience Claim has been paid by the Debtors prior to the Effective Date and except to the extent that such Holder agrees to less favorable treatment. Class 7 is **impaired** and votes on the Plan.

Means of Implementation of the Plan

On the Effective Date, the Reorganized Debtors shall be authorized and directed to execute and deliver all documents and agreements and take all actions contemplated by the Plan. The Debtors will retain all of their properties subject only to the Claims as provided in the Plan. The Debtors will make distributions provided for in the Plan from the Debtors' cash on hand and operating revenue. As demonstrated by the Debtors' cash flow projections for the five year period following the Effective Date and annexed hereto as Exhibit B, the Debtors cash flow will be sufficient to allow the Debtors to properly operate its properties and make all payments required under the Plan. The

projections incorporated anticipate reductions in reimbursement rates presently being contemplated by the Connecticut State Legislature, and at this time, it is not certain that these reductions in reimbursement rates will be implemented.

C. Effect of Confirmation

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself and its creditors and interest holders. In addition to permitting rehabilitation of the debtor, chapter 11 promotes equality of treatment of creditors and interest holders who hold substantially similar claims against or interest in the debtors and its assets.

The consummation of a plan of reorganization that maximizes value for the benefit of all constituents is the principal objective of a Chapter 11 case. A plan of reorganization sets forth the means for satisfying claims and interest in the debtor. Confirmation of a plan of reorganization by a bankruptcy court makes the plan binding upon the debtor, any person or equity requiring property under the plan and any creditor of or equity holder in the debtor, whether or not such creditor or equity holder is (i) has accepted the plan or (ii) receives or retains any property under the plan subject to certain limitations and otherwise as provided in the plan itself or the confirmation order. The confirmation discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan, and terminates all rights and interest of equity security holders other than as provided in the plan.

D. Procedures for Resolving and Treating Disputed Claims

The Plan provides, inter alia, that notwithstanding any other provision in the Plan, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on any portion of that Claim unless and until and only to the extent such Claim becomes Allowed. Under the Plan, the Reorganized Debtors and the Creditors Committee shall have the right to the exclusion of all others (except as to applications for allowance of compensation and reimbursement of expenses under Section 328, 330 and 503 of the Bankruptcy Code) to make, file and prosecute objections to Claims, provided, however, the Creditors Committee may only object to a Claim in the event the Debtors fail or refuse to pursue such objection. The Plan provides that the Reorganized Debtors shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable (unless such Claim was already the subject of a valid objection by the Debtors), but in no event shall service of such objection be later than one (1) year after the Effective Date, unless such date is extended by order of the Bankruptcy Court. The Plan further provides that all objections shall be litigated to a Final Order except to the extent that the Reorganized Debtors elect to withdraw such objection, or Reorganized Debtors and the holder of the Disputed Claim compromise, settle or otherwise resolve any such objections, in which event they may settle, compromise or resolve any Disputed Claim without further notice of the Bankruptcy Court.

Under the Plan, the Reorganized Debtors shall be required to reserve (but not in a formal, segregated account) sufficient cash for Disputed Unsecured Claims, as set forth in the Plan. The Plan provides that if on or after the Effective Date any Disputed

Claim becomes an Allowed Claim, as soon as practical following the date on which the Disputed Claim becomes an Allowed Claim, the Reorganized Debtors and, if applicable, the Creditor Custodian, distribute to the Holder of such Allowed Claim in an amount that provides such Holder with the same percentage recovery, as of the date, as other Holders of Claims in the relevant Class that were allowed on the Effective Date.

An objection to the allowance of a Claim shall be in writing and may be filed with the Bankruptcy Court at any time on or before the Claim Objection Deadline, unless another date is established by order of the Bankruptcy Court. The failure of the Debtors and Creditors Committee to object to any Claim for voting purposes shall not be deemed a waiver of the Debtors' or Creditors Committee right to object to any Claim, in whole or in part.

E. Assumption and Rejection Of Executory Contracts and Unexpired Leases

The Plan provides that pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, any and all pre-petition executory contracts and unexpired leases of the Debtors, that (i) have not been expressly assumed or rejected prior to the Effective Date by order of the Bankruptcy Court, as provided by the Plan or by operation of law; (ii) or which are not the subject of pending applications to assume or reject on or before the Effective Date and thereafter assumed or rejected, as the case may be, by order of the Bankruptcy Court, or (iii) is subject to Sections 6.02 and 6.03 of the Plan, shall be deemed rejected in accordance with Section 1123(b)(2) of the Bankruptcy Code.

Any Claims arising out of the rejection of executory contracts and unexpired leases shall, pursuant to Section 502(g) of the Code, be treated as Class 5 Unsecured

Claims. If the executory contracts and/or unexpired lease is with HLCI, and as Class 6 Unsecured Claims if the executory contracts and/or unexpired leases are with HHCI, HCSI, HHHI and/or CGSG.

Under the Plan, Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan, must be filed with the Bankruptcy Court and served upon the Debtors, or Reorganized Debtors, no later than thirty (30) days after the date notice of entry of the Confirmation Order is mailed. Any Holder of a Claim arising from the rejection of an executory contract or unexpired lease that fails to file a Proof of Claim relating to such rejection within such time shall be forever barred, estopped and enjoined from asserting such Claim in any manner against the Debtors or their Property, or against Reorganized Debtors and their Property and the Debtors, Reorganized Debtors, and their Estates and Properties shall be forever discharged and released from all indebtedness or liability with respect to such Claims, and such Holder shall not be permitted to vote on the Plan or to participate in any distribution and shall be bound by the terms of the Plan.

The Plan further provides that entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to the Plan, (ii) the extension of time, pursuant to Section 365(d)(4) of the Bankruptcy Code, within which the Debtor may assume and assign, or reject the unexpired leases specified in the Plan through the date of entry of an order approving the assumption, assumption and assignment, or rejection of such unexpired leases, and (iii) the approval, pursuant to

Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to the Plan. Under the Plan, the Reorganized Debtors shall pay all cure amounts, if any, to the non-Debtor parties to the executory contracts and unexpired leases assumed pursuant to the Plan by the later to occur of (i) the Effective Date anniversary or (ii) ten (10) days after resolution of the cure amount by Final Order or agreement of the parties, except as otherwise agreed to by the parties. Under the Plan, if a non-Debtor party to an executory contract or unexpired lease assumed pursuant to the Plan timely objects to the assumption or the proposed cure amount for that agreement, the Debtors and the objecting party may settle, compromise, or otherwise resolve the proper cure amount without further order of the Court, or may submit the dispute to the Bankruptcy Court for determination as to the proper cure amount.

F. Provider Agreements and Inter-Debtors Agreements

As of the Effective Date, provider agreements or other agreements that exist between the Debtors and either the federal government or any state government in connection with the participation of the Debtors in the Medicare and Medicaid programs are hereby assumed, provided, however, once all obligations under related to the SNF Sale are completed, the HHI Skilled Nursing Facility provider agreements will be surrendered. Notwithstanding anything to the contrary in the Plan or any of its Exhibits, Medicare's right of recoupment, and CMS's administration of the Debtors' Medicare Provider Agreements pursuant to federal Medicare laws and regulations, are unaffected by the confirmation of the Plan. Further, except as provided for in the Plan, Medicaid's right of recoupment, and DSS's administration of the Debtors' Medicaid Provider

Agreements pursuant to state Medicaid laws and regulations, are unaffected by the confirmation of the Plan.

F. Pension Plan

Debtor Hebrew Home and Hospital, Inc. is the contributing sponsor of the Hebrew Home and Hospital, Inc. Retirement Income Plan (“Pension Plan”). The Pension Plan is intended to be a tax-qualified defined benefit pension plan covered by Title IV of Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Debtors understand that the Pension Benefit Guaranty Corporation (“PBGC”) has filed proofs of claim (collectively, the “PBGC Claims”) against the Debtors for: (a) the Pension Plans’ underfunding on a termination basis; (b) unpaid minimum funding contributions; and (c) pension-insurance premiums. The Debtors understand that PBGC asserts that, in the event of a termination of the Pension Plan under 29 U.S.C. §§ 1341(c) or 1342, the contributing sponsor and all members of its controlled group, including Hebrew Home and Hospital, Inc. and the other Debtors, will be jointly and severally liable for the PBGC Claims pursuant to 29 U.S.C. § 1362(a), 26 U.S.C. § 412 and 29 U.S.C. § 1307, all as applicable.

Upon confirmation of the Plan, Reorganized Debtor Hebrew Home and Hospital, Inc. shall assume and continue to maintain the Pension Plan, and, upon the effectiveness of such assumption, PBGC shall be deemed to have withdrawn the PBGC Claims with prejudice. On and after the Effective Date, Reorganized Debtors will contribute to the Pension Plan the amount necessary to satisfy the minimum funding standards under 302 of ERISA, as amended, 29 U.S.C. § 1082, and section 412 of the Internal Revenue Code, 26 U.S.C. § 412.

G. Distributions Under the Plan

The Plan provides, inter alia, that the Reorganized Debtors shall make all distributions required by the Plan except as otherwise provided in Article V of the Plan. As provided in Article V of the Plan, distributions from Litigation Claim Proceeds or from proceeds generated by 6.06 or 6.07 of the Plan will be made by the Creditor Custodian.

H. Retention of Jurisdiction

Under the Plan, the Bankruptcy Court shall retain jurisdiction of the Chapter 11 Cases for the following purposes:

- (i) allow, disallow, determine, liquidate, classify, estimate or establish the priority or status of any Claim, whether arising before or after the Petition Date, including the compromise, settlement and resolution of any request for payment of any Administrative Expense Claim or Priority Claim, and to hear and determine any other issue presented relating to the Objection to any Claim or Interest;
- (ii) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain or prevent or restrain interference by any Person or entity with the consummation, implementation or enforcement of the Plan, Plan documents or the Confirmation Order; including (i) Claims subject to litigation pending as of the Effective Date and (ii) the waiver, release, injunction and exoneration provisions hereof;
- (iii) to determine all matters that may be pending before the Court in the Case on or before the Effective Date with respect to any Person;
- (iv) to determine any and all applications for allowance of compensation and expense reimbursement of Professionals for periods on or before the Effective Date;
- (v) to adjudicate and resolve any dispute arising under or related to the implementation, execution, consummation or interpretation of the Plan and any settlement approved as part of the Plan, and the making of distributions hereunder;

- (vi) to determine any and all motions for rejection, assumption or assignment of executory contracts or leases and to determine the allowance of Claims resulting from the rejection of executory contracts and unexpired leases;
- (vii) to determine all applications, adversary proceedings, contested matters, actions and any other litigated matters instituted prior to the closing of the Case, including any remands;
- (viii) to determine such other matters as may be provided in the Confirmation Order or as may be authorized under the provisions of the Bankruptcy Code, Rules or local Bankruptcy Rules;
- (ix) 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;
- (x) to modify the Plan under Section 1127 of the Code, remedy any defect, cure any omission or reconcile any inconsistency in the Plan or the Confirmation Order so as to carry out the Plan's intent and purposes;
- (xi) to resolve any dispute or matter arising under or in connection with any order of the Court entered in the Case;
- (xii) to enter a Final Order closing the Case; and
- (xiii) to determine such other matters as set forth in the Confirmation Order or as may arise in connection with the Plan or the Confirmation Order, and/or in connection with any other agreement, settlement or transaction entered into pursuant to or in connection with this Plan.
- (xiv) to determine the Debtors' rights to set off or recoupment hereunder.
- (xv) to enforce, collect and/or recover, by an order of contempt or otherwise, the payment of the amounts required by the Plan to be paid.

IV. VOTING ON AND CONFIRMATION OF THE PLAN

In order to confirm the Plan, the Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including that:

- (a)** The Plan has classified Claims and interests in a permissible matter;
- (b)** The Plan complies with the technical requirements of Chapter 11 of the Code;
- (c)** The Debtors have proposed the Plan in good faith;
- (d)** The Debtors' Disclosures as required by Chapter 11 of the Code have been adequate and have included information concerning all payments made or promised by the Debtors in connection with the Plan and the Chapter 11 cases. The Debtors believe that all of these conditions will have been met by the date set for the hearing on Confirmation and will seek ruling of the Bankruptcy Court to such effect at such hearing; and
- (e)** The Code also requires that the Plan shall have been accepted by the requisite votes of Creditors, the Plan be feasible (that is, that there be a reasonable prospect that the Debtors will be able to perform its obligations under the Plan and continue to operate its businesses without further financial reorganization), and that the Plan is in the "best interest" of all Creditors and equity security holders (that is that the Creditors and equity security holders will receive at least as much pursuant to the Plan, as they would receive in a Chapter 7 liquidation). To confirm the Plan, the Bankruptcy Court must find that all of these conditions are met. Thus, even if Creditors of the Debtors accept a Plan by requisite votes, the

Bankruptcy Court must make independent findings respecting the Plans feasibility and whether it is in the best interest of the Debtors, Creditors and equity security holders before it may confirm the Plan. The statutory conditions as to confirmation are discussed below.

A. Classification of Claims and Interests

The Code requires that a Plan of Reorganization place each Creditor's Claim, each Security Holder's Claim and each Claim of Interest in a class with other Claims and interests that are "substantially similar" for the rationale, for the classification of Claims and Interests used in the Plan, see Article III "Classification and Treatment of Administrative Expense Claims, Tax Claims and of Claims and Interests." The Debtors believe that the Plan meets the classification requirements of the Code.

B. Voting

As otherwise provided in Code §1129(b), as a condition to confirmation, the Code requires that each Impaired Class of Claims accept the Plan. A class is "Impaired" if the legal, equitable, or contractual right attaching to the Claims of that class are modified, other than by curing defaults and reinstating maturity or by payment in full in cash. The Code defines acceptance of a Plan by an impaired class of Claims as acceptance by holders of two-thirds (2/3) in dollar amount and majority in number of Claims of that class, but, for that purpose counts only those who actually vote to accept or reject the Plan. The Code defines acceptance of a Plan by an Impaired Class of interest or acceptance by holders of two-thirds (2/3) of the number of shares in such Claim, but for this purpose only shares actually voted are counted holders of claims of interest who fail to vote are not counted as either accepting or rejecting the Plan.

Classes of Claims that are not "Impaired" under the Plan are deemed to have accepted the Plan.

C. Confirmation Without Acceptance by All Impaired Classes

The Code contains provisions for confirmation of a Plan even if the Plan is not accepted by all impaired classes, as long as at least one impaired class has accepted it. The "cram down" provisions of the Code are set forth in §1129(b) of the Code. A Plan may be confirmed under the cram down provisions if in addition to satisfying the other requirements of the §1129 of the Code, it (i) "does not discriminate unfairly", and (ii) is "fair and equitable", with respect to each class of Claims or Interests that is impaired under, and has not accepted the Plan. As used by the Code, the phrases "discriminate unfairly" and "fair and equitable" have narrow and specific meanings unique to bankruptcy law.

In general, the cram down standard requires that a dissenting class receive full compensation for its Allowed Claims or interest before any junior class receives any distribution.

The Debtors shall utilize provisions of §1129(b) of the Code to satisfy the requirements for confirmation of the Plan as more fully described in the Plan, see Article XVII, "Miscellaneous Provisions."

D. Best Interests of Creditors and Shareholders

Notwithstanding acceptance of the Plan, as provided for in the Code, by creditors of each Class, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of all classes of creditors impaired by the Plan. The "best interests" test requires that the Bankruptcy Court find that the Plan

provides to each member of each impaired class of Claims and Interests, a recovery that has a value at least equal to the value of the distribution that each such person would receive if the Debtors were liquidated under Chapter 7 of the Code.

To estimate what members of each impaired class of unsecured creditors would receive if the Debtors were liquidated, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtors' assets if the Chapter 11 Cases were converted to Chapter 7 cases under the Code and the assets were liquidated by a trustee in bankruptcy (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the assets of the Debtors, augmented by any cash held by the Debtors.

The Liquidation Value available to general unsecured creditors would be reduced by:

- (a) The claims of secured creditors to the extent of the value of their collateral; and
- (b) The costs and expenses of the liquidation, as well as other administrative expenses of the Debtors' Estate. The Debtors' costs of liquidation under Chapter 7 would include the compensation of a trustee or trustees, as well as counsel and other professional retained by the trustee; disposition expenses; all unpaid expenses incurred by the Debtors during their Chapter 11 reorganization proceedings (such as compensation for attorneys, financial advisors, and accountants) which are allowed in the Chapter 7 proceedings; litigation costs; and claims arising from the operation of the Debtors during the pendency of the Chapter 11 Cases and the Chapter 7 liquidation proceedings. These claims which have priority over general unsecured claims, would be paid in full out of other liquidation proceeds before the balance would be made available to pay general unsecured claims, or to make any distribution respect to equity.

Once the percentage recoveries in the liquidation of secured creditors, priority claimants, general creditors and equity security holders are attained, the value of the distribution available out of the liquidation value, is compared with the value of the

property offered to each of the Classes of Claims in interest under the Plan to determine if the Plan is in the best interest of each creditor and equity security holder class.

The Debtors have undertaken the detailed analysis of the Liquidation Value of its assets as set forth in Exhibit C. Exhibit C demonstrates that there would not be sufficient funds to make any distribution to pay Allowed Unsecured Claims following a complete liquidation of the Debtors.

Due to the numerous uncertainties and time delays associated with liquidation under Chapter 7, and the circumstances of this particular case, it is not possible to predict with certainty the outcome of the liquidation of the Debtors or the priming of any distribution to creditors. However, based on the foregoing analysis, the Debtors have concluded the complete liquidation of the Debtors under Chapter 7 of the Code would result in a significantly lesser distribution to Creditors than provided for in the Plan.

E. Certain Federal Tax Consequences

The implementation of the Plan may have significant complex federal, state, local and foreign tax consequences for Creditors. No ruling from the IRS or any state, local or foreign taxing authority has been or will be sought or obtained with respect to any federal, state or local tax consequences of the Plan. The tax consequences for any particular creditor may be affected by matters not addressed in the Disclosure Statement or in the Plan. For example, certain types of investors (including non-resident aliens, life insurance companies and tax-exempt organizations) may be subject to special rules not discussed below. In addition, the Internal Revenue Code ("IRC"), the Treasury Department's regulations promulgated thereunder, and interpretations of the IRC and regulations by the IRS in its rulings and other announced positions and by

the courts are continually subject to change. Thus, the potential tax consequences described below are general in nature, are not intended to be complete or detailed, and are subject to significant exceptions and uncertainties. The discussion below covers only certain of the federal income tax consequences associated with implementation of the Plan. This discussion does not attempt to comment all aspects of the federal income tax consequences associated with the Plan, nor does it attempt to consider various facts or limitations applicable to any particular Creditor, which may modify or alter the consequences described herein. This discussion does not address state, local or foreign tax consequences.

IN THIS SECTION AND IN THE DISCLOSURE STATEMENT GENERALLY, THE DEBTORS AND THEIR PROFESSIONALS DO NOT INTEND TO AND ARE NOT GIVING TAX OR OTHER LEGAL ADVICE TO ANY CREDITORS. THE DEBTORS ONLY PROVIDE THIS GENERAL INFORMATION TO ASSIST THE PARTIES INVOLVED IN EVALUATING HOW THE PLAN AFFECTS THEM FOR TAX PURPOSES. CREDITORS ARE ADVISED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE INDIVIDUAL TAX CONSEQUENCES OF THE TRANSACTIONS, INCLUDING STATE AND LOCAL TAX CONSEQUENCES. NO RULING HAS BEEN REQUESTED FROM THE IRS AS TO THE TAX CONSEQUENCES OF THE PLAN. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE IRS WOULD AGREE WITH THE FOLLOWING DISCUSSION.

It is intended that nothing in the Plan shall adversely affect, or be interpreted inconsistently with, the tax status of the Debtors. Accordingly, the Debtors do not expect the implementation of the Plan to have any adverse federal income tax consequences to the Debtors, including, without limitation, in connection with (i) the discharge of debt pursuant to the Plan, or (ii) any other transaction contemplated thereunder.

The federal income tax treatment of payments received by a Creditor in these Chapter 11 Cases will vary depending upon a number of factors, including the classification of the Creditor for tax purposes, the Creditor's method of accounting, the creditor's tax residence, and the origin or genesis of the Creditor's claim. Thus, tax treatment will depend upon whether the creditor is an individual, a partnership or corporation, whether the Creditor uses a cash method or the accrual method of accounting, and whether the Creditor is a foreign purpose for income tax purposes.

In general, a Creditor receiving a distribution under the Plan and in satisfaction of the claim will realize income gained or loss measured by the difference between (i) the cash in the fair market value of the property received under the Plan and (ii) the Creditor's adjusted tax basis in the claim. The income, gain or loss realized by the Creditor will be ordinary income or loss if the distribution is in satisfaction of accounts or notes receivable required in the ordinary course of the Creditor's trade or business for the performance of services or for sale of goods or merchandise. Generally, the gain or loss will be capital gain or loss if the claim is a capital asset in the Creditor's hands. The federal income tax consequences of the distribution under the Plan will also depend on the nature of the original transaction pursuant which the claim arose. For example, a

distribution on account of the principal amount due on a loan is not included in the Creditor's gross income, whereas distribution on account of interest on a loan or an account of rent is included in the Creditor's gross income to the extent it was not previously included in the income.

The federal income tax consequences of a distribution to a Creditor will also depend on whether an amount representing the distribution has previously been included in the Creditor's gross income or whether the Creditor has previously claimed a loss or bad debt deduction for that amount. For example, if a distribution is made in satisfaction of an account or note receivable acquired in the ordinary course, the Creditor's trade or business for the performance of services or the sale of goods or merchandise, then the Creditor has previously included the amount of the distribution in its gross income under its method of accounting, and has not previously written off the account or note receivable, the receipt of the distribution would not result in additional income to the Creditor. On the other hand, if such Creditor has written off the account or note receivable in a prior year, the Creditor would have to treat the amount of the distribution as income.

Section 166 of the IRC permits a deduction for indebtedness that becomes wholly or partially worthless during the taxable year. In order to provide the worthlessness of the debt, the taxpayer must establish the existence of a "identifiable event" indicating worthlessness.

F. Alternatives to the Plan

The only known alternatives to the Debtors' Plan would be conversion of the case from a Chapter 11 reorganization to a Chapter 7 liquidation of Debtors' assets by a trustee or an outright dismissal of the Chapter 11 case.

In the event of a liquidation under a Chapter 7, the going concern value and substantial good will that has been developed by the Debtors after over twenty years of operation would be lost, and the value of the assets substantially diminished to a point where not only would there be nothing for unsecured creditors, but the Estates would likely become administratively insolvent.

Alternatively, if the Plan is not confirmed under Bankruptcy Code Section 1129, the Debtors' cases could be dismissed. The Debtors believe that the dismissal of the Chapter 11 Cases would result in piece meal litigation and attachment of the Debtors' assets without Bankruptcy Court supervision. Such litigation, would in the Debtors' opinion, generate substantially less for Creditors than sums which will be realized under the Plan and resulting in inequitable recoveries among Creditors.

If the Debtors remain in Chapter 11, they would remain subject to the operational difficulties and costs associated with a Chapter 11 bankruptcy case. Professional fees and other Chapter 11 costs have been substantial in this case, the Debtors cannot continue to incur these costs indefinitely, and the Debtors believe that the continuation of these costs will reduce the amount available to Creditors. The continued payment of these costs would not be of any benefit to the Creditors, as the Debtors believe that a confirmation of a plan superior to the Plan is not possible.

For the reasons described above, the Debtors believe that the distribution to each impaired Class under the Plan would be greater and earlier than distributions that might be received after liquidation of the Debtors by a Chapter 7 trustee.

The Debtors believe the confirmation of the Plan is preferable to the alternatives described above because the Plan provides for an equitable, early distribution to Creditors. Creditors and any alternative confirmation of the Plan would result in significant delays in and probable diminution of recoveries.

Further, the Debtors' businesses provide essential services to the community. The Debtors are not-for-profit senior healthcare providers, featuring in-patient acute care, dementia care services, physician practice, senior day center and an assisted living facility. The elderly served by the Debtors depend on the Debtors for health, safety and well-being. Additionally, the Debtors employ approximately 160 employees. As such, reorganization of the Debtors so that operations can continue is a better alternative.

G. Modification of the Plan

The Debtors reserve the right, in accordance with the Code, to amend or modify the Plan prior to the Confirmation Date, or as soon thereafter as practicable after the confirmation date, the Debtors may, upon order of the Bankruptcy Court in accordance with §1127(b) of the Code, remedy any defect or omission or reconcile any inconsistencies in the Plan in such a manner as may be necessary to carry out the purposes and intent of the Plan.

H. Confirmation Hearing

The Code requires that the Bankruptcy Court, after notice, to hold a hearing on the confirmation of the Plan to consider whether the foregoing requirements have been met. The confirmation hearing has been scheduled for _____, **2017**, at ___:00 a.m. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for the announcement of the adjourned date made at the confirmation hearing. Any objection to confirmation must be made in writing and filed with the Bankruptcy Court and served upon the following on or before _____, **2017**.

Elizabeth J. Austin, Esq.
Jessica Grossarth, Esq.
Pullman & Comley, LLC
850 Main Street, 8th Floor
P.O. Box 7006
Bridgeport, CT 06601-7006
Attorneys for the Debtors

Steven Mackey, Esq.
Office of the U.S. Trustee
The Giaimo Federal Building
150 Court Street, Room 302
New Haven, CT 06510
Attorney for the Office of the U.S. Trustee

Steven Kindseth, Esq.
Zeisler & Zeisler, P. C.
558 Clinton Avenue
P. O. Box 3186
Bridgeport, CT 06605-0186
Attorneys for the Official Unsecured Creditors Committee

V. RELEASES

Release by Holders of Claims. Upon the Completion of all payments and other obligations hereunder (the "Release Date"), and in consideration of the property

distributed to or on behalf of the Holders of Claims pursuant to this Plan, such Holders shall have been deemed to have released the Debtors, the Creditors Committee and its members, and each of their respective agents, professional persons, advisors and representatives in such capacity, from any and all claims, obligations, rights, causes of action and liability (other than the right to enforce the Debtors' obligations under the Plan and except solely for actions or omissions arising out of their respective gross negligence or exculpatory willful misconduct), which such Holder may be entitled to assert, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising based in whole or in part on events prior to the Effective Date, in any way relating to the Debtors, the Chapter 11 Cases or the Plan. No current Holder of a Claim or an Interest, or representative thereof, shall have or pursue any cause of action (a) against the Reorganized Debtors for making payments in accordance with the Plan, or for implementing the provisions of the Plan, or (b) against any Holder of a Claim for receiving or retaining distributions or other payments as provided for in the Plan. Nothing contained herein shall restrict the Creditor Custodian's right to pursue Litigation Claims against the Debtors' members, officers and directors. All applicable statute of limitations or repose and similar provisions shall be tolled until the Release Date.

Release by Debtors. On the Effective Date, the Debtors, in consideration for services rendered by the Debtors' officers, directors and employees prior to and during the pendency of the Chapter 11 Cases shall be deemed to have released any and all claims, obligations, rights, causes of action and liabilities, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, which are based in whole or in part on actions taken on or prior to the Effective Date ("Released Matters"), and which

may be asserted by or on behalf of the Debtors against such former and present officers, directors and employees; provided, however, that, notwithstanding the foregoing, the Litigation Claims shall not be released. All applicable statutes of limitations or repose or similar provisions shall be tolled until the Release Date. Notwithstanding any other provision hereof, nothing in the Plan, the Confirmation Order, or Bankruptcy Code (including Section 1141 thereof) shall release any Debtor, reorganized Debtor, or Party, from their duties and obligations under the Employee Retirement Income Security Act of 1974, as amended, or release any claim held by: (a) the Pension Benefit Guaranty Corporation ("PBGC"), a wholly owned United States Government corporation and an agency of the United States that administers the defined benefit pension plan termination insurance program under Title IV of ERISA; or (b) Hebrew Home And Hospital Inc. Retirement Income Plan, including any claim relating to fiduciary breach.

VI. CREDITOR CUSTODIAN/OVERSIGHT COMMITTEE

On the Effective Date, the Creditor Custodian shall be appointed. As set forth in the Creditor Custodian Agreement, the Creditor Custodian shall be authorized and empowered to exercise all of the rights and powers of the Debtors in connection with the Litigation Claims and shall have the following rights and duties:

The Creditor Custodian may engage such attorneys, accountants and other professionals as are reasonably required to effectively and efficiently perform its responsibilities under the Plan. The Creditor Custodian shall seek Bankruptcy Court approval for the retention of any such professional who was not retained previously by the Debtors or the Committee pursuant to an order of the Bankruptcy Court. Subject to

the Bankruptcy Court's approval, the Creditor Custodian and any professionals retained by the Creditor Custodian shall be compensated for fees and expenses from (a) an initial fund of \$10,000 funded by the Debtors on the Effective Date and (b) Litigation Claims Proceeds. Other than the initial \$10,000.00 payment, the Debtors will have no obligation for the fees and expenses of the Creditor Custodian or the Creditor Custodian's professionals. The Creditor Custodian may retain professionals who were retained by the Debtors or the Committee during the Case. The Creditor Custodian may, however, compensate himself and his professionals for fees and expenses only after the Oversight Committee has reviewed and approved same.

The Creditor Custodian shall have, in the exercise of his business judgment, the right and duty to, on behalf of and in the name of the Debtors, examine all Litigation Claims, including, without limitation, avoidance actions under Bankruptcy Code sections 544, 547, 548 and 549, and file, litigate to final judgment, settle, or withdraw such Litigation Claims.

The Creditor Custodian or its agent shall maintain books and records containing an accounting of receipts and disbursements. The Creditor Custodian shall maintain a separate bank account in the name of one of the Debtors specifically designated to be used by the Creditor Custodian, as its sole signatory, to facilitate the Creditor Committee's fulfillment of his obligations provided in the Plan including, but not limited to, his receipt of the initial funding by the Debtors in the amount of \$10,000.00, the receipt of the Litigation Claims Proceeds, the payment of all reasonable costs and expenses incurred by the Creditor Custodian, and the transfer of the net Litigation Claims Proceeds to the Class 6 Creditor Escrow Account for disbursement by the

Debtors. Notwithstanding anything to the contrary provided in the Plan, or otherwise, no Creditor shall hold a security interest in such account maintained by the Creditor Custodian. The Debtors and the Creditor Custodian shall cooperate and take such action as is reasonably necessary to accomplish the provisions of this paragraph.

The Creditor Custodian shall periodically inform the Oversight Committee of any developments that it considers significant in connection with the Litigation Claims Matters. At the request of the Oversight Committee, the Creditor Custodian shall provide the Oversight Committee with a written report on the status of all active Litigation Claims matters affecting the Debtors. Additionally, at the request of the Reorganized Debtors, the Creditors Custodian shall provide a reporting of all receipts and disbursements made by the Creditor Custodian to the Reorganized Debtors no later than thirty (30) days after the end of each calendar year.

The Creditor Custodian may resign by giving written notice of his resignation to the Oversight Committee, the twenty largest unsecured Creditors, the United States Trustee for Connecticut, and all parties who requested notice in these Chapter 11Cases. Unless the Bankruptcy Court orders otherwise, (a) such resignation shall become effective on the date on which the Bankruptcy Court appoints a successor Creditor Custodian and (b) the Creditor Custodian shall be entitled to compensation up to the date on which the Creditor Custodian's resignation becomes effective. Unless the Bankruptcy Court orders otherwise, within forty-five days of such resignation becoming effective, the Creditor Custodian shall serve a final accounting on the Oversight Committee and thereupon be discharged from the performance of any further duties. The Oversight Committee may move the Bankruptcy Court, upon not less than ten days

written notice to all parties listed above, for an order removing the Creditor Custodian for cause. If the Creditor Custodian at any time resigns or is removed, or dies or becomes incapable of action, or is a debtor under the Bankruptcy Code or is adjudged to be insolvent, a vacancy shall be deemed to exist and a successor Creditor Custodian shall be appointed pursuant to an order of the Bankruptcy Court as soon as practicable upon motion of the Oversight Committee on not less than ten days written notice to all parties listed above.

If any claim, cause of action, objection, settlement or other act of, or on behalf of, the Debtors gives rise to a conflict on behalf of the Creditor Custodian, the Creditor Custodian shall inform the Oversight Committee of the conflict not later than two (2) Business Days from discovery of the conflict by the Creditor Custodian. Immediately upon discovery of the conflict by the Creditor Custodian, the Creditor Custodian shall withdraw from any and all involvement concerning the matter or issue giving rise to the conflict. Within thirty days of being informed of the conflict, the Oversight Committee shall seek the entry of an order from the Bankruptcy Court, upon not less than ten days written notice, approving the appointment of a supplemental Creditor Custodian only to the extent necessary to avoid such a conflict. Any supplemental Creditor Custodian so appointed shall have the rights, powers, privileges and duties of the Creditor Custodian hereunder solely in connection with the matters on which it has been appointed and shall be subject to the conditions and limitations of the Plan. The Bankruptcy Court may remove such supplemental Creditor Custodian for cause, upon the motion of the Oversight Committee on not less than ten days written notice to all parties, and such

supplemental Creditor Custodian shall resign upon completion of its duties in connection with the matter on which it was appointed.

Upon the Effective Date, three members of the Committee selected by the Committee shall become the Oversight Committee. The Oversight Committee shall be representative of all Holders of Allowed Unsecured Claims, and shall oversee the post-Effective Date activities of the Creditor Custodian in accordance with the Plan.

The powers and duties of the Oversight Committee shall be limited to the following: (a) monitoring the activities of the Creditor Custodian in accordance with the terms of the Plan and the Creditor Custodian Agreement, (b) participating in the removal of the Creditor Custodian for cause and the appointment of any successor Creditor Custodian.

The Oversight Committee may retain counsel to represent the Oversight Committee with respect to any claim or action asserted against the Oversight Committee and to advise the Oversight Committee on matters concerning the Litigation Claims, and the Creditor Custodian and the Oversight Committee's fiduciary duties. The reasonable and necessary expenses of the Oversight Committee, including attorneys' fees and expenses, that may be incurred in the performance of the Oversight Committee's fiduciary duties, shall be paid from the \$10,000.00 initial fund described above and from any Litigation Claims Proceeds.

An Oversight Committee member shall be recused from any discussions or deliberations of the Oversight Committee or the Creditor Custodian concerning any claim which directly or indirectly relates to any claim or cause of action which may be considered or brought by the Debtors against such Oversight Committee member.

Those Oversight Committee members that are required to be recused shall not have access to any non-publicly available information that may be the subject of litigation concerning any such claim.

Members of the Oversight Committee shall not be liable to the Debtors, the Debtors' Creditors or any other Entity or party in interest for any error of judgment made in good faith, but only for gross negligence, willful misconduct, or fraud. Members of the Oversight Committee shall not be liable for any action taken or omitted in good faith and reasonably believed by them to be authorized within the discretion or rights or powers conferred upon them by the Plan. In performing its duties under the Plan, the Oversight Committee may retain and consult with counsel selected by it, and shall have no liability for any reasonable action taken upon the advice of such counsel. None of the provisions of the Plan shall require or be construed as requiring the members of the Oversight Committee to expend or risk their own funds or otherwise incur or expose them to personal financial liability in the performance of any of their duties under the Plan or in the exercise of any of their rights and powers. The Oversight Committee may rely without inquiry upon any writing delivered to it pursuant to the Plan which it believes in good faith to be genuine and to have been given by a proper person.

The Creditor Custodian and the Oversight Committee will terminate upon the completion of all payments to Allowed Claims classified in Class 6 pursuant to the Plan.

On the Effective Date, the Creditor Custodian shall be empowered to examine and pursue the Litigation Claims on behalf of the Debtors for the sole and exclusive benefit of the Allowed Claims in Class 6, while the Debtors shall retain actual ownership of all pre-petition claims, causes of action and rights of the Debtors and the Debtors'

estates, including, without limitation, the Litigation Claims, and the right to seek the subordination of Claims under Bankruptcy Code section 510. Any recovery on the Litigation Claims shall become Litigation Claims Proceeds. Other than the \$10,000.00 initial amount paid by the Debtors on the Effective Date, all fees, expenses, and costs of pursuing the Litigation Claims shall be paid from the Litigation Claims Proceeds, and the Reorganized Debtors shall not be responsible for any such fees, expenses and costs of pursuing the Litigation Claims. The Creditor Custodian cannot settle any Litigation Claims unless the Bankruptcy Court enters an order approving such settlement pursuant to Bankruptcy Rule 9019. To the extent that any action has been taken to prosecute or otherwise resolve any Litigation Claims prior to the Effective Date by the Debtors and/or the Committee, the Creditor Custodian shall be substituted for the Debtors and/or the Committee in connection therewith.

The Creditor Custodian shall, after payment of all reasonable fees and expenses incurred by the Creditor Custodian and his professionals, and after retaining such amounts as the Creditor Custodian deems reasonable and necessary under the circumstances, transfer the net Litigation Claims Proceeds to the Class 6 Creditor Escrow Account. Reorganized Debtors, upon reasonable request by the Creditor Custodian, shall be required to provide documents and other information, to the extent Reorganized Debtors have such information, to the Creditor Custodian sufficient to enable the Creditor Custodian to perform its duties hereunder, including, but not limited to, (i) all bank account statements and related documents concerning the Class 6 Creditor Escrow Account, (ii) documents concerning the receipt and disbursement of the

Insider Loan Proceeds, the Capital Contribution Proceeds, and the Net Proceeds of Sale, and (iii) documents concerning any Material Asset Disposition.

VII. RECOMMENDATION TO ACCEPT THE PLAN

FOR ALL THE REASONS SET FORTH IN THIS DISCLOSURE STATEMENT, THE DEBTORS BELIEVE THAT THE CONFIRMATION AND CONSUMMATION OF THE PLAN IS PREFERABLE TO ALL OTHER ALTERNATIVES.

VIII. TAX CONSEQUENCES

The Debtors have not researched the Federal Income Tax consequences of the Plan to holders of claims and interests, based upon the Internal Revenue Code. The Debtors have not requested a ruling from the Internal Revenue Service with respect to these matters. Accordingly, no assurance can be given as to the interpretation of the Internal Revenue Service. Further, the Federal Income Tax Consequences to any particular creditor or interest holder may be affected by matters not discussed herein. There also may be state, local or foreign tax considerations applicable to each creditor or holder of an interest. **EACH CREDITOR AND HOLDER-IN-INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN AND THE FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.**

IX. CONCLUSION

THE DEBTORS URGE ALL VOTING CLASSES TO ACCEPT THE PLAN AND TO EVIDENCE SUCH ACCEPTANCE BY RETURNING THEIR BALLOTS SO THAT THEY WILL BE RECEIVED BY _____, 2017.

Dated at Bridgeport, Connecticut this 31st day of March, 2017.

Hebrew Healthcare, LLC

By: /s/Gary Jones
Gary Jones
Its Interim President and CEO

Hebrew Life Choices, Inc.

By: /s/Gary Jones
Gary Jones
Its Interim President and CEO

Hebrew Community Services, Inc.

By: /s/Gary Jones
Gary Jones
Its Interim President and CEO

Hebrew Home and Hospital, Incorporated

By: /s/Gary Jones
Gary Jones
Its Interim President and CEO

CT Geriatric Specialty Group, PC

By: /s/Gary Jones
Gary Jones
Its Interim President and CEO

Pullman & Comley, LLC

Attorneys for the Debtors

By: /s/ Elizabeth J. Austin
Elizabeth J, Austin (ct04383)
Jessica Grossarth (ct23975)
Pullman & Comley, LLC
850 Main Street, P.O. Box 7006
Bridgeport, CT 06601-7006
(203) 330-2000 Fax: (203) 576-8888
eaustin@pullcom.com
jgrossarth@pullcom.com