

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF LOUISIANA
LAFAYETTE DIVISION**

In re:)	Chapter 11
)	
PROGRESSIVE ACUTE CARE, LLC, <i>et al.</i>)	Case No. 16-50740
)	
Debtors. ¹)	Jointly Administered
)	

**DISCLOSURE STATEMENT RELATING TO
JOINT CHAPTER 11 PLAN OF ORDERLY LIQUIDATION
FOR PROGRESSIVE ACUTE CARE, LLC, *ET AL.***

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

Dated: March 14, 2017

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¹ The Debtors in these jointly administered Chapter 11 cases, along with the last four digits of each Debtor's federal identification number are: Progressive Acute Care, LLC (1719); Progressive Acute Care Avoyelles, LLC (7245); Progressive Acute Care Oakdale, LLC (7332); and Progressive Acute Care Winn, LLC (7149).

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Chapter 11 Plan of Orderly Liquidation	Exhibit “A”
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SCHEDULES

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I. **INTRODUCTION**

All capitalized terms used in this Disclosure Statement and not otherwise defined herein shall have the meanings ascribed thereto in the Plan (see, e.g., Article I, Section 1.1 of the Plan). Unless otherwise stated, all references herein to “Schedules” and “Exhibits” are references to schedules and exhibits to this Disclosure Statement, respectively.

BY ORDER DATED _____, 2017 (THE “DISCLOSURE STATEMENT ORDER”), THE UNITED STATES BANKRUPTCY COURT FOR THE WESTERN DISTRICT OF LOUISIANA (THE “BANKRUPTCY COURT”) APPROVED THE DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) RELATING TO THE JOINT CHAPTER 11 PLAN OF ORDERLY LIQUIDATION FOR PROGRESSIVE ACUTE CARE, LLC, *ET AL.* (THE “PLAN”).

THIS DISCLOSURE STATEMENT INCLUDES AND DESCRIBES THE PLAN, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT “A”, FILED BY PROGRESSIVE ACUTE CARE, LLC (“PAC”) AND ITS AFFILIATED DEBTORS (COLLECTIVELY, THE “DEBTORS”). OTHER THAN CLASS 1 – PRIORITY NON-TAX CLAIMS AGAINST THE DEBTORS, WHICH IS UNIMPAIRED UNDER THE PLAN AND IS THEREFORE DEEMED TO HAVE ACCEPTED THE PLAN, AND CLASSES 5 AND 6, WHICH ARE NOT ENTITLED TO A DISTRIBUTION UNDER THE PLAN AND ARE THEREFORE DEEMED TO HAVE REJECTED THE PLAN, ALL CLASSES ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. ACCORDINGLY, THE DEBTORS ARE SOLICITING ACCEPTANCES OF THE PLAN FROM THE HOLDERS OF ALL CLAIMS IN CLASSES 2, 3 AND 4.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF CLAIMS AND EQUITY INTERESTS. ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN ARE URGED TO VOTE IN FAVOR OF THE PLAN.

TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND RECEIVED BY ____:____ **M., PREVAILING CENTRAL TIME, ON _____, 2017 (THE “VOTING DEADLINE”).** FOR THE AVOIDANCE OF DOUBT, THE DEBTORS RESERVE THE RIGHT TO OBJECT TO CLAIMS AFTER THE VOTING DEADLINE. MOREOVER, FOR THE AVOIDANCE OF DOUBT, IT IS POSSIBLE THAT HOLDERS OF CLAIMS, INCLUDING UNSECURED CLAIMS THAT DO NOT APPEAR ON THE DEBTORS’ SCHEDULES AND ARE NOT ALLOWED CLAIMS, WILL NOT RECEIVE A DISTRIBUTION ON ACCOUNT OF SUCH CLAIMS UNTIL THE EXPIRATION OF THE TIME PERIOD WITHIN WHICH CLAIM OBJECTIONS MUST BE FILED AS REFERENCED IN THE PLAN.

II.
NOTICE TO HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE
PLAN

The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim or Equity Interest is impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Plan.

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

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. DELIVERY OF THIS DISCLOSURE STATEMENT AFTER THE DATE HEREOF DOES NOT IMPLY THAT THERE HAS BEEN NO CHANGE IN INFORMATION SET FORTH HEREIN SINCE THAT DATE. THE DEBTORS HAVE NO DUTY TO, AND EXPRESSLY DISCLAIM ANY OBLIGATION TO, UPDATE OR ALTER ANY FORWARD-LOOKING STATEMENTS WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, UNLESS OTHERWISE ORDERED TO DO SO BY THE BANKRUPTCY COURT. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTIONS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(b) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING ANY FINANCIAL INFORMATION, ILLUSTRATIVE CREDITOR RECOVERIES AND OTHER FORWARD-LOOKING STATEMENTS, ARE BASED, AT LEAST IN PART, ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL

OUTCOMES. MOREOVER, THE DEBTORS RESERVE ALL OF THEIR RESPECTIVE RIGHTS TO ASSERT THAT THE ALLOCATION OF VALUE MAY BE DIFFERENT.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THE DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THE DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS IN THESE CHAPTER 11 CASES.

On _____, 2017, after notice and a hearing, the Bankruptcy Court entered the Disclosure Statement Order pursuant to section 1125 of the Bankruptcy Code, finding that the Disclosure Statement contains information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of holders of the solicited classes of Claims against the Debtors to make an informed judgment with respect to the acceptance or rejection of the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.**

Each holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtors and certain of the Professional Persons the Debtors have retained, no person has been authorized to use or promulgate any information concerning the Debtors, their businesses, or the Plan other than the information contained in this Disclosure Statement and if given or made, such information may not be relied upon as having been authorized by the Debtors. You should not rely on any information relating to the Debtors, their businesses, or the Plan other than that contained in this Disclosure Statement, the exhibits hereto, and the Plan itself.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot (the "Ballot") and return the same to the address set forth on the Ballot, in the enclosed, postage prepaid, return envelope so that it will be actually received by the Debtors' counsel, Steffes Vingiello & McKenzie, LLC, 13702 Coursey Blvd., Bldg. 3, Baton Rouge, Louisiana 70817, Attn: Barbara B. Parsons, no later than the Voting Deadline. All votes to accept or reject the Plan must be cast by using the appropriate ballot. Votes which are cast in any other manner will not be counted. **All ballots must be actually received by the Debtors' counsel no later than _____, 2017 at __:__ .m., prevailing Central Time. For detailed voting instructions and the name, address and phone number of the person you may contact if you have questions regarding the voting procedures, see the Disclosure Statement Order attached hereto as Exhibit "B".**

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT.

You may be bound by the Plan if it is accepted by the requisite holders of Claims even if you do not vote to accept the Plan, or if you are the holder of an unimpaired Claim.

THE PLAN CONTAINS BROAD RELEASES AND INJUNCTIONS THAT WILL AFFECT YOUR RIGHTS AS DESCRIBED IN SECTION VIII (D) OF THIS DISCLOSURE STATEMENT AND ARTICLE VIII OF THE PLAN. THESE RELEASES AND INJUNCTIONS INCLUDE, AMONG OTHERS: (I) A PERMANENT INJUNCTION OF THE COMMENCEMENT OF ACTIONS AND THE PERFECTION OR ENFORCEMENT OF JUDGMENTS AND ENCUMBRANCES AGAINST THE DEBTORS AND THEIR ESTATES BY ANY ENTITY; (II) A RELEASE AND EXCULPATION OF CERTAIN “EXCULPATED PARTIES” WITH RESPECT TO, AMONG OTHER THINGS, THE CHAPTER 11 CASES AND THE PLAN; AND (III) A PERMANENT INJUNCTION OF ANY ACTION AGAINST ANY “EXCULPATED PARTY” RELATED TO ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST, OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the “Confirmation Hearing”) for _____, 2017 at __: __.m., prevailing Central Time, before the Honorable Robert Summerhays, United States Bankruptcy Judge of the United States Bankruptcy Court for the Western District of Louisiana. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before _____, 2017 at __: __.m., prevailing Central Time, in the manner described in the Disclosure Statement Order attached hereto as Exhibit “B”.

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

**III.
EXPLANATION OF CHAPTER 11**

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code pursuant to which a debtor may reorganize its business for the benefit of its creditors, equity holders and other parties in interest. The Debtors commenced these chapter 11 cases, captioned In re Progressive Acute Care, LLC, et al., Case No. 16-50740 (the “Chapter 11 Cases”), with the filing of voluntary petitions (the “Petitions”) for relief under chapter 11 of the Bankruptcy Code on May 31, 2016 (the “Petition Date”).

The commencement of a chapter 11 case creates an estate comprised of all the legal and equitable interests of a debtor in property as of the date the petition is filed. Sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a “debtor in possession” unless the bankruptcy court

orders the appointment of a trustee. In the Chapter 11 Cases, the Debtors have remained in possession of their property and continued to operate their business as debtors in possession up to the September 1, 2016 closing on the sale of their assets to the Buyer.

The filing of a chapter 11 petition triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts by creditors or other third parties to collect prepetition claims from the debtor or otherwise interfere with its property or business. Exempted from the automatic stay are governmental authorities seeking to exercise regulatory or policing powers. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed chapter 11 plan.

The formulation of a chapter 11 plan is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying claims against and interests in a debtor's estate. Unless a trustee is appointed, only a debtor may file a plan during the first 120 days of a chapter 11 case (the "Filing Period"), and the debtor will have 180 days to solicit acceptance of such plan (the "Solicitation Period" and, collectively with the Filing Period, the "Exclusive Periods"). However, section 1121(d) of the Bankruptcy Code permits the bankruptcy court to extend or reduce the Exclusive Periods upon a showing of "cause." The Filing Period and Solicitation Period may not be extended beyond 18 months and 20 months, respectively, from a debtor's petition date. In these Chapter 11 Cases, the Debtors filed the Plan within the applicable Filing Period, as extended, and accordingly, no other creditor or party in interest may file a plan during the Exclusive Periods.

B. Chapter 11 Plan

A chapter 11 plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. In either event, upon confirmation of the plan, the plan becomes binding on a debtor and all of its creditors and equity holders, and the prior obligations owed by the debtor to such parties are compromised and exchanged for the obligations specified in the plan. For a description of key components of the Plan, see "Overview of the Plan," below.

After a chapter 11 plan has been filed, the holders of impaired claims against and equity interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. **This Disclosure Statement is presented to holders of impaired claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Debtors' solicitation of votes on the Plan.**

C. Confirmation of a Chapter 11 Plan

If all classes of claims and equity interests accept a chapter 11 plan, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. See "Confirmation and

Consummation Procedures – Confirmation of the Plan,” below. **The Debtors believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code.**

Chapter 11 of the Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a plan for the bankruptcy court to determine that the class has accepted the plan. See “Confirmation and Consummation Procedures.”

In addition, classes of claims or equity interests that are not “impaired” under a chapter 11 plan are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. See “Confirmation and Consummation Procedures.” Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. Class 1 is not impaired under the Plan, and the holders of Claims in Class 1 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan. Classes 2, 3 and 4 are impaired under the Plan, and the holders of Claims in such classes are entitled to vote to accept or reject the Plan. Classes 5 and 6 are impaired and will not receive or retain any property under the Plan, and the holders of Claims and Equity Interest in such classes are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

In general, a bankruptcy court also may confirm a chapter 11 plan even though fewer than all the classes of impaired claims against and equity interests in a debtor accept such plan. For a chapter 11 plan to be confirmed, despite its rejection by a class of impaired claims or equity interests, the plan must be accepted by at least one class of impaired claims (determined without counting the vote of insiders) and the proponent of the plan must show, among other things, that the plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each impaired class of claims or equity interests that has not accepted the plan. See “Confirmation and Consummation Procedures – Cramdown.” **The Plan has been structured so that it will satisfy the foregoing requirements as to any rejecting class of Claims and can therefore be confirmed, if necessary, over the objection of any (but not all) classes of Claims.**

IV. OVERVIEW OF THE PLAN

The Plan provides for the treatment of Claims against and Equity Interests in each of the four Debtors in the Chapter 11 Cases (PAC, PAC Winn, PAC Avoyelles and PAC Oakdale). As set forth below and in the Plan, the classes of Claims against and Equity Interests in each of the Debtors are treated as against a single consolidated Estate without regard to the separate legal existence of the Debtors. The Plan will not result in the merger or otherwise affect the separate legal existence of each Debtor, other than with respect to voting and distribution rights under the Plan. Allowed Claims held against one Debtor will be satisfied from the Assets of all Debtors and the Estates, and each Claim against a Debtor will be treated as a Claim against the consolidated Estate of all Debtors for all purposes including, but not limited to, voting and distribution; provided, however, that no Claim will receive value in excess of 100% of the Allowed amount of such Claim under the Plan.

A. Summary of the Terms of the Plan

The Plan implements and is built around the following key elements:

- **The Plan incorporates the Plan Term Sheet entered into by and among, the Debtors, the Committee and BFB and approved by the Settlement Agreement Approval Order [Docket No. 424]. The key elements of the Plan Term Sheet, as incorporated into the Plan, include:**
 - A \$1 million Priority Reserve to be established for payment of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims;
 - BFB Secured Claim to be allowed in the amount of \$10,137,410.25 of principal plus interest and attorneys' fees accrued through the date of confirmation of the Plan;
 - BFB to receive a maximum BFB Distribution Amount in the amount of \$10,300,000, of which amount \$9,500,000 has been disbursed to BFB as of the filing of this Disclosure Statement, leaving up to \$800,000 to be disbursed on account of the BFB Distribution Amount;
 - BFB to assign the BFB Secured Claim and BFB's claims against PAC Dauterive in PAC Dauterive's separately-administered bankruptcy case to the Liquidation Trust, which allows the Liquidation Trustee to recover the excess of payments received on account of the BFB Secured Claim and the BFB Dauterive Claim over the fixed BFB Distribution Amount for the benefit of the Liquidation Trust;
 - The first \$100,000 of FMP Payments received by the Estates to be disbursed on account of the BFB Distribution Amount, leaving the remainder of the FMP Payments to be administered by the Liquidation Trust pursuant to the terms of the Plan;
 - The remaining \$700,000 of the BFB Distribution Amount to be satisfied from a 50% share of any remainder of the Priority Reserve and each cash distribution from the Liquidation Trust;
 - Holders of General Unsecured Claims to be paid Pro Rata Share of (i) 50% of any remainder of the Priority Reserve and each cash distribution from the Liquidation Trust until the BFB Distribution Amount is paid and (ii) the Liquidation Trust Assets remaining available for distribution after Cash distributions from such Assets on account of the BFB Distribution Amount; and

- Any recovery by BFB against guarantors of the BFB Secured Claim shall reduce the Estates' obligation to pay the BFB Distribution Amount on a dollar-for-dollar basis.
- The Plan Term Sheet estimated that the Debtors would collect FMP Payments in the amount of \$666,509. However, after the Settlement Agreement Approval Order was entered, the Buyer asserted rights in the FMP Payments. The Debtors, the Buyer, and the Committee resolved the dispute over the FMP Payments by the FMP Payment Settlement Agreement, according to which the Debtor is now entitled to collect at least \$295,000 of the FMP Payments.
- On the Effective Date, the authority, power and incumbency of the Debtors shall terminate, and vest in the Liquidation Trustee and Debtor Representative, and all Assets of the Debtors not sold to the Buyer or otherwise distributed in accordance with the Plan, including, without limitation, the Avoidance Actions, shall become assets of the Liquidation Trust or revert in the Debtors for administration by the Debtor Representative. The Liquidation Trustee shall, among other things, (a) sell, lease, license, abandon or otherwise dispose of Liquidation Trust Assets; (b) prosecute through judgment and/or settling the Liquidation Trust Assets and any defense asserted by the Liquidation Trust in connection with any counterclaim or crossclaim asserted against the Liquidation Trust; (c) calculate and make distributions required under the Plan to be made from the Liquidation Trust Assets; (d) file all required tax returns, and paying obligations on behalf of the Liquidation Trust from the Liquidation Trust Assets; (e) otherwise administer the Liquidation Trust; (f) file quarterly reports with the Bankruptcy Court with respect to the expenditures, receipts, and distributions of the Liquidation Trust; and (g) perform such other responsibilities as may be vested in the Liquidation Trustee pursuant to the Liquidation Trust Agreement, the Confirmation Order, or as may be necessary and proper to carry out the provisions of the Plan relating to the Liquidation Trust.
- On the Effective Date, the Oversight Committee shall be formed. The Oversight Committee shall advise and assist the Liquidation Trustee in the implementation and administration of the Liquidation Trust pursuant to the Liquidation Trust Agreement and the Plan. A list of the proposed members of the Oversight Committee, whose appointment shall become effective as of the Effective Date of the Plan, shall be filed with the Bankruptcy Court as a Plan Document.
- Allowed Priority Non-Tax Claims against the Debtors are unimpaired under the Plan, and holders of such claims shall be paid in full.

- Allowed Non-Lender Secured Claims against the Debtors shall be treated in one of the following ways at the Liquidation Trustee's election: (i) the rights of the holder shall be reinstated, (ii) the holder shall retain a lien and receive deferred cash payments totaling at least the value of the claim as of the Effective Date, (iii) the collateral securing the claim shall be surrendered to the holder, or (iv) the holder shall be paid cash equal to the amount of the claim, as set forth more fully in Section 3.4(b) of the Plan.
- Holders of Allowed Intercompany Claims shall not receive or retain any property or rights under the Plan on account of such Claims.
- All Equity Interests shall be canceled effective as of the Effective Date, and no holder of an Equity Interest shall receive or retain any property or rights under the Plan on account of its Equity Interests.

B. Summary of Claim and Equity Interest Treatment Under the Plan

The following is a summary of the treatment of Claims and Equity Interests under the Plan. It is qualified in its entirety by reference to the full text of the Plan, which is attached to this Disclosure Statement as Exhibit "A". In addition, see "The Chapter 11 Plan" section of this Disclosure Statement. For estimates regarding potential claim amounts and amounts available for distribution under the Plan, see the Liquidation Analysis attached to this Disclosure Statement as Schedule 1.

The claim amounts set forth below are based on information contained in the Debtors' Schedules and filed proofs of claim, and reflect what the Debtors believe to be reasonable estimates of the likely resolution of outstanding disputed Claims. The amounts utilized may differ from the outstanding filed claims amounts.

The following chart summarizes treatment of unclassified and classified Claims and Equity Interests under the Plan:

Administrative Expense and Priority Tax Claims

Claims¹	Treatment
Administrative Expense Claims	Except to the extent any Person entitled to payment of an Allowed Administrative Expense Claim has received payment on account of such Claim prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Administrative Expense

¹ Administrative Claims and Tax Claims are treated in accordance with section 1129(a) (9) of the Bankruptcy Code. Pursuant to section 1123(a) (1) of the Bankruptcy Code, such Claims are not designated as classes of Claims for the purposes of the Plan.

	Claim shall receive, in full satisfaction if its Allowed Administrative Expense Claim, Cash in an amount equal to the amount of such Allowed Administrative Expense Claim on the later of (i) the Effective Date or (ii) the date of entry of a Final Order determining and allowing such Claim as an Allowed Administrative Expense Claim, or as soon thereafter as is practicable; provided, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Expense Claim.
Priority Tax Claims	At the election of the Liquidation Trustee, each holder of an Allowed Priority Tax Claim will receive in full satisfaction of such Allowed Priority Tax Claim (a) payments in Cash, in regular installments over a period ending not later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the amount of such Allowed Claim; (b) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (c) such other treatment as may be agreed upon in writing by such holder; provided, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Priority Tax Claim or that is less favorable than the treatment provided to the most favored General Unsecured Claims under the Plan.

Claims and Equity Interests

Classes	Treatment
Class 1 – Priority Non-Tax Claims Unimpaired	Each holder of an Allowed Priority Non-Tax Claim against the Debtors shall be unimpaired under the Plan and, pursuant to section 1124 of the Bankruptcy Code, all legal, equitable and contractual rights of each holder of an Allowed Priority Non-Tax Claim with respect

	to such Claim shall remain unaltered, except as provided in sections 1124(2)(A)-(E) of the Bankruptcy Code, and such holder of an Allowed Priority Non-Tax Claim shall be paid Cash in an amount equal to its Allowed Priority Non-Tax Claim on the Plan Distribution Date.
<p>Class 2 – Non-Lender Secured Claims</p> <p>Impaired</p>	<p>In the sole discretion of the Liquidation Trustee, each holder of an Allowed Non-Lender Secured Claim against the Debtors shall be treated in one of the following ways: (1) on the Effective Date, the legal, equitable, and contractual rights of each holder of an Allowed Non-Lender Secured Claim shall be reinstated in accordance with the provisions of section 1124(2); (2) on the Effective Date, the holder of an Allowed Non-Lender Secured Claim shall (i) retain a lien securing such Allowed Non-Lender Secured Claim and (ii) receive deferred Cash payments from the Liquidation Trust totaling at least the value of such Allowed Non-Lender Secured Claim as of the Effective Date; (3) on the Effective Date, the collateral securing such Allowed Non-Lender Secured Claim shall be surrendered to the holder of such Allowed Non-Lender Secured Claim in full satisfaction of such Allowed Non-Lender Secured Claim; or (4) the holder of an Allowed Non-Lender Secured Claim shall be paid Cash in an amount equal to the value of such holders Allowed Non-Lender Secured Claim, on or before the later of (i) the Plan Distribution Date and (ii) the date that is ten (10) Business Days after the entry of a Final Order allowing such Claim.</p>
<p>Class 3 – BFB Secured Claim: \$10,____, ____.</p> <p>Impaired</p>	<p>On the Effective Date, the BFB Secured Claim shall be Allowed in the amount of \$10,____,____.</p> <p>On the Effective Date, BFB shall fully and irrevocably assign the BFB Secured Claim</p>

	<p>and the BFB Dauterive Claim to the Liquidation Trust.</p> <p>BFB shall receive distributions pursuant to the Plan in the maximum amount of the BFB Distribution Amount according to the terms and conditions of the Plan, including the following:</p> <ul style="list-style-type: none"> - As of January 30, 2017, BFB has received payment of \$9,500,000 on account of the BFB Distribution Amount, and such payments shall not be subject to dispute, claim, contest or challenge, except to the extent of any reduction consistent with any net recovery based on any BFB Guarantor Claim (as defined in the Settlement Agreement) as set forth in the Settlement Agreement; - To the extent the BFB Distribution Amount remains unpaid, upon the Liquidation Trustee's receipt of the FMP Payments, the first \$100,000 of such funds received by the Liquidation Trustee will be distributed to BFB on account of the BFB Distribution Amount; - One half of the amount by which the Priority Reserve exceeds the amount necessary to satisfy all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims, shall be paid on account of the BFB Distribution Amount until the BFB Distribution Amount has been paid in full; and - One half of each distribution made from the Liquidation Trust shall be paid on account of the BFB Distribution Amount until the BFB Distribution Amount has been paid in full. <p>During the period between the Confirmation Date and the Effective Date, the BFB Adversary Proceeding will be stayed and held in abeyance. On the Effective Date, the BFB</p>
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	<p>Adversary Proceeding will be dismissed with prejudice.</p> <p>On the Effective Date, the Committee and the Debtors' Estates shall be deemed to have fully and irrevocably waived and released any right to seek recovery of payments made to BFB pursuant to the consent orders regarding conditional disbursements of funds, entered on December 7, 2016 [Docket No. 408] and January 5, 2017 [Docket No. 429].</p> <p>Maximum recovery for BFB is fixed at the BFB Distribution Amount (\$10,300,000).</p>
<p>Class 4 – Allowed General Unsecured Claims:</p> <p>Impaired</p>	<p>The holder of the Allowed General Unsecured Claim shall receive in satisfaction of its Allowed General Unsecured Claim on the Plan Distribution Date Cash in an amount equal to such holder's Pro Rata Share of the Liquidation Trust Assets remaining available for distribution after Cash distributions from such Assets on account of the BFB Distribution Amount.</p>
<p>Class 5 – Intercompany Claims</p> <p>Impaired - Deemed to reject</p>	<p>Holders of Allowed Intercompany Claims against the Debtors shall not receive or retain any property or rights under the Plan on account of such Claims.</p>
<p>Class 6 – Equity Interests</p> <p>Impaired - Deemed to reject</p>	<p>All Equity Interests in the Debtors shall be canceled effective as of the Effective Date.</p>

V. GENERAL INFORMATION

PAC was founded in 2008 to operate community-based hospitals within the state of Louisiana. Through an asset purchase in March 2009, three of PAC's wholly owned subsidiaries, PAC Winn, PAC Avoyelles, and PAC Oakdale, each acquired a hospital from Rapides Healthcare System, LLC, a wholly-owned subsidiary of Hospital Corporation of America ("HCA"). PAC Winn purchased Winn Parish Medical Center located in Winnfield, Louisiana. PAC Avoyelles purchased Avoyelles Hospital located in Marksville, Louisiana. PAC Oakdale purchased Oakdale Community Hospital located in Oakdale, Louisiana.

On April 30, 2013, PAC Dauterive, which is another of PAC's wholly owned subsidiaries and has filed for bankruptcy, but is not one of the Debtors, purchased Dauterive Hospital located in New Iberia, Louisiana from Hospital Corporation of America.

PAC operated the Hospitals and the Dauterive Hospital to provide inpatient, outpatient, and emergency care primarily for residents in the immediate regions of the three Hospitals.

In January 2016, PAC Dauterive sold the Dauterive Hospital to Iberia Medical Center. The transaction was structured as an asset sale in which PAC Dauterive conveyed its immovable property and equipment but retained the working capital assets and liabilities of the Dauterive Hospital along with the CMS provider number and certain other assets and liabilities.

A. Organizational Structure and Management

PAC is a South Carolina limited liability company. It is the sole member of PAC Winn, PAC Avoyelles, and PAC Oakdale, and PAC Dauterive, each of which is a Louisiana limited liability company. A list of the membership interests of PAC is set forth in Exhibit __ hereto.

B. Employees

The Debtors no longer have any employees following the Asset Sale.

C. Pre-petition Capital Structure

The April 30, 2013 purchase of the Dauterive Hospital was financed through a secured loan from BFB. The BFB loan proceeds, totaling \$23,700,000, were used (1) to pay off outstanding debt on the Debtor's line of credit with BFB (\$470,000), (2) to pay off existing secured debt on the Hospitals (\$4,550,000), (3) to finance PAC's purchase of a medical office building in Avoyelles Parish and PAC Dauterive's purchase of the Dauterive Hospital (\$16,150,000) and (4) to provide PAC with an additional \$2,530,000 line of credit for operations.

The loan is evidenced by a Business Loan Agreement, by and between the Debtors, PAC Dauterive, and BFB, dated April 30, 2013 (the "Loan Agreement"), a term promissory note in the amount of \$20,700,000, and a line of credit promissory note in the amount of \$3,000,000 (the "BFB Notes"). To secure the loan, the Debtors and PAC Dauterive granted mortgages and security interests in substantially all of Debtors' and PAC Dauterive's assets. As of the Petition Date, the purported outstanding balance under the Loan Agreement and Notes was \$_____ on account of the obligations under the BFB Loan Documents.

D. Factors That Precipitated the Debtors' Chapter 11 Filing And Purpose Thereof²

The Debtors' financial performance was hampered by a number of factors. Included among them are the following:

² The statements made in this section represent the views of the Debtors' management and do not represent the views of the Committee, the Debtor Representative or the Liquidation

In May 2013, PAC acquired Dauterive Hospital, a 100-bed hospital in New Iberia, Louisiana with six medical office buildings and a seven-physician, multi-specialty employed physician group, from HCA. Pursuant to the terms of that sale, Dauterive maintained HCA's billing and IT systems for several months before integrating into the PAC system; however, certain billing issues arose during this period which caused significant disruption in the collection of Dauterive's accounts receivable.

Not long after the 2013 acquisition, Dauterive along with the other three Hospitals, experienced losses in revenue due to adverse effects of the implementation of the Affordable Care Act ("ACA"):

- declining federal and state reimbursements for hospitals under the ACA;
- reduced payments to hospitals for the uninsured, a decision based on the assumption that states would expand their Medicaid programs;
- prior to 2016, almost two dozen states, including Louisiana, had refused expansion, thus accepting reduced payments for uninsured;
- increased deductibles under the newly implemented ACA which were unable to be paid by many individuals.

At the same time, the sharp drop in oil prices and resulting hit to the Louisiana economy negatively impacted employment in the State and thus cash collections for Dauterive and the other three Hospitals.

Due to a difficult transition away from the HCA system, declining payor mix and increased competition resulting from market consolidation, Dauterive Hospital experienced deteriorating operating performance during 2014 and 2015. The additional capital required to support Dauterive Hospital placed a significant financial burden on PAC and the three original Hospitals at a time when they were also experiencing challenges with cash flow..

In 2015, PAC engaged SOLIC Capital Advisors, LLC ("SOLIC") to explore strategic alternatives to address its strained financial condition, including merger, sale of stock, asset sale or recapitalization. And, in January 2016, PAC completed the sale of Dauterive Hospital to Iberia Medical Center. The liabilities retained by PAC and its remaining subsidiaries following the sale of Dauterive Hospital, coupled with reductions in subsidies and adverse payor reimbursement changes put severe financial strain on the Debtors. During the same period, the retirement of long-tenured physicians and the death of two other key physicians at certain of these community-based Hospitals also negatively impacted profitability of the Debtors. Also, several large judgments were obtained against PAC and its three remaining subsidiaries in early spring, 2016 and were recorded in parishes in which PAC's subsidiaries owned real estate.

Trustee. Nothing herein shall be deemed an admission by the Committee, the Debtor Representative or the Liquidation Trustee or operate to limit, modify, estop, preclude or otherwise impair any of such parties' rights, claims or defenses of any kind or nature.

Based on the foregoing circumstances, the Debtor commenced their respective chapter 11 proceedings, in part to assure that liens arising from the recorded judgments could be avoided but more importantly to stay costly additional pending and threatened litigation while SOLIC continued its efforts to market the operating hospitals.

VI.

THE CHAPTER 11 CASES

A. Filing of the Petitions and Debtor in Possession Status

On May 31, 2016, the Debtors filed the Petitions. Pursuant to sections 1101, 1107 and 1108 of the Bankruptcy Code, the Debtors operated their businesses and remain in possession of their property as “debtors in possession.” The debtors in possession operated the three hospitals, until the closing on the sale of their assets to the Buyer effective September 1, 2016.

B. First Day Pleadings and Orders

On or about the Petition Date, the Debtors filed the following motions with the Bankruptcy Court: motion for entry of an order authorizing the Debtors to use cash collateral; motion establishing procedures for utility companies to request adequate assurance of payment; motion authorizing payment of employee wages; motion authorizing continued use of existing bank accounts; motion to pay pre-Petition claims of critical vendors; and a motion for joint administration of the Chapter 11 Cases. A hearing was held in the Bankruptcy Court on June 2, 2016 on the above-referenced motions and interim and final Orders granting such motions were entered by the Bankruptcy Court shortly thereafter, as set forth more fully below.

C. Employment of Professionals for the Debtors

Pursuant to employment applications filed with the Bankruptcy Court and subsequent orders entered by the Bankruptcy Court, the Debtors have employed the following professionals to assist them with the administration of the Chapter 11 Cases: (i) Steffes, Vingiello & McKenzie, LLC as counsel; and (ii) SOLIC Capital Advisors, LLC and SOLIC Capital, LLC as financial advisor. The Debtors have also engaged Garden City Group, LLC as their Noticing Agent. All professionals retained by the Debtors have been, or will be, paid their allowed fees and expenses incurred on behalf of the Debtors pursuant to Orders entered by the Bankruptcy Court subject to final approval by the Bankruptcy Court.

D. Appointment of the Committee.

On June 21, 2016, the Office of the United States Trustee appointed the Committee, which originally consisted of the following members: (i) Cardinal Health, (ii) Lifeshare Blood Centers, and (iii) Omega Diagnostics. On December 20, 2016, the Office of the United States Trustee amended its appointment of the Committee with the following members: (i) Cardinal Health, (ii) Lifeshare Blood Centers, (iii) Omega Diagnostics, (iv) Louisiana Healthcare Quality Forum, and (v) The Schumacher Group of Louisiana. The Committee employed the law firms of Sills Cummis & Gross P.C. and Kean Miller LLP to serve as its bankruptcy counsel. These professionals have been, or will be, paid their allowed fees and expenses incurred in the

provision of their services to the Committee pursuant to Orders entered by the Bankruptcy Court subject to final approval of the Bankruptcy Court.

E. Use of Cash Collateral.

On June 13, 2016, the Bankruptcy Court entered a Consent Order Authorizing the Interim Use of Cash Collateral and Granting Related Relief [Docket No. 89] (the “Initial Cash Collateral Order”), which provided for the Debtors to use cash otherwise subject to BFB’s security interests for operating costs pursuant to a stipulated budget. To provide adequate protection, BFB retained post-Petition lien rights in property acquired during the Chapter 11 Cases, and the Debtors were required to make stipulated adequate protection payments on BFB’s Notes. The Initial Cash Collateral Order provided a carve out from BFB’s post-Petition lien rights for the payment fees payable to the Clerk of Court for the Bankruptcy Court, the Office of the United States Trustee, up to \$10,000 in fees payable to a patient care ombudsman, and the Estates’ professional fees. The Initial Cash Collateral Order provided for a final hearing date of June 28, 2016.

Subsequent to the entry of the Initial Cash Collateral Order, the Debtors, BFB, and the Committee have entered into six subsequent consent orders [Docket Nos. 146, 241, 304, 404, 424, and 439] to establish a stipulated budget for the Debtors’ use of cash collateral and interim adequate protection payments to BFB. The Sixth Consent Order Authorizing the Interim use of Cash Collateral, Approving Payments Pursuant to a Plan Term Sheet and Granting Related Relief [Docket No. 424] approved the Plan Term Sheet and conditional disbursements on account of the BFB Distribution Amount.

F. Exclusivity

Pursuant to sections 1121(b) and (c)(3) of the Bankruptcy Code, the Debtors have a certain amount of time within which (a) to file their Plan; and (b) to solicit acceptances of their timely filed Plan before other parties in interest are permitted to file plans. The Court has entered Orders extending the Debtors’ Exclusive Periods within which to file a plan and solicit acceptances thereto to March 14, 2017, and May 15, 2017, respectively [Docket No. ____]. Accordingly, no other party may file a plan.

G. Claims Bar Date

The Bankruptcy Court established the following bar dates: (i) **December 5, 2016** as the deadline for each person or entity (other than governmental units, as defined in Section 101(27) of the Bankruptcy Code) to file proofs of claim for prepetition claims against the Debtors; and (ii) **January 5, 2017** as the deadline for governmental units to file proofs of claim.

H. Administrative Claim Bar Date

On October 26, 2016, the Bankruptcy Court entered an Order (I) Establishing Bar Date for Filing Administrative Expense Claims Pursuant to 11 U.S.C. §§ 105(a) and 503, Including Claims Under 11 U.S.C. § 503(b)(9); (II) Approving the Form, Manner, and Sufficiency of Notice Thereof; and, (III) Approving Proof of Administrative Expense Claim Forms [Docket No.

377], which established **December 5, 2016 at 4:00 p.m. (prevailing Central Time)** as the deadline for each person or entity to file an Administrative Expense Claim, including a 20 Day Claim.

I. Payment of Administrative Expense Claims

Section 1129(a)(9) of the Bankruptcy Code states that unless the holder of an administrative expense claim agrees to a different treatment of such claim, the plan will provide that the holder of an administrative expense claim will receive on account of such claim cash equal to the allowed amount of such claim. 11 U.S.C. § 1129(a) (9).

Except to the extent that any entity entitled to payment of an Allowed Administrative Expense Claim agrees to a different treatment, each holder of an Allowed Administrative Expense Claim, shall be paid in full in Cash on the later of (i) the Effective Date, or (ii) the date of entry of a Final Order determining and allowing such Claim as an Allowed Administrative Expense Claim, or as soon thereafter as is practicable; provided, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Expense Claim. If the Debtors' records reflect that the holder of an Administrative Expense Claim received payments from the Debtors during the ninety (90) days (or in the case of insiders, one (1) year) before the Petition Date, that holder's Claim will not become an Allowed Administrative Expense Claim until the holder's potential preference liability under 11 U.S.C. §547 has been resolved.

J. Sale of the Debtors' Business to the Buyer

On August 31, 2016, the Bankruptcy Court entered a *Final Order Granting Motion and Supplemental Motion Under 11 U.S.C. §§ 363(b) and (f) and 365 Approving Sale of Assets and Assumption and Assignment of Certain Contracts and Leases and Amounts of Cure, If Any, Relating Thereto* [Docket No. 290] (the "Sale Order"). The Sale Order authorized the sale of substantially all of the Debtors' assets to the Buyer pursuant to that certain Asset Purchase Agreement, dated as of July 14, 2016, by and between the Debtors and the Buyer, as amended by the Amendment to Asset Purchase Agreement, dated as of August 24, 2016, by and among the Debtors and Buyer (as amended, the "Asset Purchase Agreement").

Effective September 1, 2016, the Debtors closed on the sale of their assets to Buyer in accordance with the Asset Purchase Agreement and the Sale Order.

VII.
POTENTIAL LITIGATION

A. Retained Estate Causes of Action.

Except as otherwise provided in the Plan, each Cause of Action of any Debtor shall be preserved and, along with the exclusive right to commence, pursue, and enforce such Cause of Action in any appropriate court or tribunal, shall vest exclusively in the Debtor Representative and Liquidation Trust/Liquidation Trustee (as applicable) as of the Effective Date.

Unless a claim or Cause of Action against a creditor or other Person is expressly waived, relinquished, released, compromised, settled or transferred in the Plan or any other Final Order, the Debtors, Debtor Representative, and Liquidation Trustee, as applicable, expressly reserve such claim or Cause of Action for later pursuit by the Debtor or Liquidation Trustee, as applicable, and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such claims or Causes of Action upon, after, or as a result of the Confirmation Date or Effective Date of the Plan, the Disclosure Statement, the Plan or the Confirmation Order. In addition, the Debtors, Liquidation Trustee, and Debtor Representative, as applicable, expressly reserve the right to pursue or adopt any claims (and any defenses) or Causes of Action of the Debtors, as trustees or representatives for or on behalf of the creditors, not so specifically and expressly waived, relinquished, released, compromised, settled or transferred that are alleged in any lawsuit in which the Debtors are a defendant or an interested party, against any Person, including, without limitation, the plaintiffs or codefendants in such lawsuits.

Any Person to whom the Debtors have incurred an obligation (whether on account of services, purchase or sale of goods, tort, breach of contract or otherwise), or who has received services from the Debtors or a transfer of money or property of the Debtors, or who has transacted business with the Debtors, should assume that such obligation, transfer, or transaction may be reviewed by the Debtor Representative or the Liquidation Trustee subsequent to the Effective Date and may, to the extent not theretofore waived, relinquished, released, compromised, settled or transferred, be the subject of an action or claim or demand after the Effective Date, whether or not (a) such Person has filed a proof of claim against the Debtors in the Chapter 11 Cases, (b) such Person's proof of claim has been objected to, (c) such Person's Claim was included in the Debtors' Schedules, or (d) such Person's scheduled Claim has been objected to by the Debtor Representative or the Liquidation Trustee or has been identified by the Debtors as disputed, contingent, or unliquidated.

No Person may rely on the absence of a specific reference in the Plan or this Disclosure Statement to any Cause of Action against them as any indication that the Debtors, the Liquidation Trustee or another applicable party will not pursue any and all available Causes of Action against them. The Debtors, the Liquidation Trustee, the Estates and the Debtor Representative expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise explicitly provided in the Plan.

The retained claims and Causes of Action, include, without limitation:

- Causes of Action, including Avoidance Actions, as defined in the Plan;
- Objections to Claims and Equity Interests under the Plan;
- Any and all litigation, claims, or Causes of Action of the Debtors and any rights, suits, damages, remedies, or obligations, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity, or otherwise, relating to or arising from the acts, omissions, activities, conduct, claims, or Causes of Action listed or described in the Plan, Disclosure Statement, or the Confirmation Order;

- Any other litigation, claims or Causes of Action, whether legal, equitable or statutory in nature, arising out of, or in connection with the Debtors' businesses, assets or operations or otherwise affecting the Debtors.

- Possible claims against vendors, customers or suppliers for warranty, indemnity, back charge, set-off issues, overpayment or duplicate payment issues and collections and accounts receivables matters;

- Possible claims against utilities or other Persons or parties for wrongful or improper termination of services to the Debtors;

- Possible claims for any breaches or defaults arising from the failure of any Persons or parties to fully perform under contracts with the Debtors before the assumption or rejection of the subject contracts;

- Possible claims for deposits or other amounts owed by any creditor, lessor, utility, supplier, vendor, factor or other Person;

- Possible claims for damages or other relief against any party arising out of environmental, asbestos and product liability matters;

- Actions against insurance carriers relating to coverage, indemnity or other matters;

- Counterclaims and defenses relating to notes or other obligations;

- Possible claims against local, state and federal taxing authorities (including, without limitation, any claims for refunds of overpayments);

- Contract, tort, or equitable claims which may exist or subsequently arise;

- Any claims of the Debtors arising under Section 362 of the Bankruptcy Code;

- Equitable subordination claims arising under Section 510 of the Bankruptcy Code or other applicable law;

- Any and all claims arising under chapter 5 of the Bankruptcy Code and all similar actions under applicable law, including, but not limited to, preferences under Section 547 of the Bankruptcy Code, turnover Claims arising under Sections 542 or 543 of the Bankruptcy Code, and fraudulent transfers under Section 548 of the Bankruptcy Code, including but not limited, to any transfers listed the Debtors' Statements of Financial Affairs;

- Any derivative Causes of Action, of the Debtors pursuant to the Bankruptcy Code or any other statute or legal theory or theory under equity.

- Any and all claims arising from underpayments or other payments owed to any of the Debtors by any debtor, payor, or obligor, including any such Medicare or Medicaid amounts (including any payments due for the Hospitals' 2015 CMS Medicare cost reports) or FMP Payment amounts.

Without limiting, and in addition to, the foregoing reservations of claims and Causes of Actions, the Debtors, Debtor Representative, and Liquidating Trust/Liquidating Trustee expressly reserve and retain any and all past, present and future legal and equitable claims and Causes of Action (including any derivative Causes of Action) against any former or current director or officer of one or more of the Debtors, as well as direct action or other claims against their liability insurers, arising under state or other non-bankruptcy law or arising under the Bankruptcy Code, in these Bankruptcy Cases, or in any way related to these Bankruptcy Cases, or under and/or pursuant to any statute or legal or equitable theory that is in any manner arising from, connected with or related to any act or omission of such director or officer that occurred prior to the Effective Date, including but not limited to, claims and Causes of Action for breach of fiduciary duty, violations of applicable federal or state securities law, negligence, gross negligence, willful misconduct, misrepresentation, omission, mismanagement, waste, fraud, bad faith, tortious interference with contract, detrimental reliance, including but not limited to, any damages allowed by law or equity, including compensatory, punitive and anticipated future damages, plus all costs including attorney's fees, court costs, and expert witness fees. Such claims and Causes of action include those arising in connection with or relating to any of the following³:

- Facts and circumstances surrounding the purchase and financing of the Dauterive Hospital and incurring of debt and granting of mortgages on behalf of the Debtors to finance the purchase, including:
 - Acquiring Dauterive Hospital from Hospital Corporation of America in April 2013.
 - Causing the Debtors to become jointly and severally liable for the repayment of debt of \$23 million used by PAC (1) to pay off outstanding debt on the Debtor's line of credit with BFB (\$470,000), (2) to pay off existing secured debt on the Hospitals (\$4,550,000), (3) to finance PAC's purchase of a medical office building in Avoyelles Parish and PAC Dauterive's purchase of the Dauterive Hospital (\$16,150,000) and (4) to provide PAC with an additional \$2,530,000 line of credit for operations. without a concomitant reasonably equivalent benefit to the Debtors in exchange for assuming such obligations.
- Breaches of fiduciary duties of loyalty, care and/or good faith, negligence, gross negligence, mismanagement, waste, and others, as well as for violations of state and federal securities laws including but not limited to Section 10(b) of the Securities Exchange Act of 1934.
- Failure to operate the Debtors in the best interests of the Debtors' creditors while the Debtors were insolvent.

³ The statements made in this section represent the views of the Committee and do not represent the views of the Debtors. Nothing herein shall be deemed an admission by any Debtor or operate to limit, modify, estop, preclude or otherwise impair any of such parties' rights, claims or defenses of any kind or nature.

- Failure to maintain corporate separateness of each of the Debtors and causing the commingling of the assets and liabilities of the Debtors.
- Wasting the Debtors' assets.

Due to the size and scope of the Debtors' business operations and the multitude of business transactions therein, there may be numerous other claims and Causes of Action that currently exist or may subsequently arise, in addition to the claims and Causes of Action identified above. The Debtors and Committee are also continuing to investigate and assess which claims and Causes of Action may be pursued. The Debtors, Liquidation Trustee, and Debtor Representative do not intend, and it should not be assumed that because any existing or potential claims or Causes of Action have not yet been pursued or do not fall within the list above, that any such claims or Causes of Action have been waived.

B. Pending Litigation.

As of the date hereof, the only known related, material actions pending are as follows:

Official Committee of Unsecured Creditors v. Business First Bancshares, Inc., et al. (In re Progressive Acute Care, LLC), Adv. Proc. No. 16-05023, before the Bankruptcy Court (the "BFB Adversary Proceeding").

Business First Bancshares, Inc. d/b/a Business First Bank v. Hulburt, et al., Case No. 16-CV-13871, before the United States District Court for the Eastern District of Louisiana.

Jensen, et al. v. Thompson, et al., Case No. 17-CV-4014, before the United States District Court for the District of South Dakota.

In addition, multiple lawsuits had been filed against the four Debtors prior to the commencement of the cases. A listing of those lawsuits is provided as Exhibit "___."

**VIII.
THE CHAPTER 11 PLAN**

As a result of the Chapter 11 Cases and through the Plan, the Debtors and the Committee submit that creditors will obtain a greater recovery under the Plan than any recovery that would be available if the Debtors' Assets were liquidated under chapter 7 of the Bankruptcy Code. The Plan is annexed hereto as Exhibit "A" and forms part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by the more detailed provisions set forth in the Plan.

A. Treatment of Claims Against and Equity Interests in the Debtors.

The classes of Claims against and Equity Interests in the Debtors shall be treated under the Plan as follows:

1 Class 1 – Priority Non-Tax Claims

Each holder of an Allowed Priority Non-Tax Claim shall be unimpaired under the Plan and, pursuant to section 1124 of the Bankruptcy Code, all legal, equitable and contractual rights of each holder of an Allowed Priority Non-Tax Claim with respect to such Claim shall remain unaltered, except as provided in sections 1124(2)(A)-(E) of the Bankruptcy Code, and such holder of an Allowed Priority Non-Tax Claim shall be paid Cash in an amount equal to its Allowed Priority Non-Tax Claim on the Plan Distribution Date.

2 Class 2 – Non-Lender Secured Claims

In the sole discretion of the Liquidation Trustee, each holder of an Allowed Non-Lender Secured Claim shall be treated in one of the following ways (for the avoidance of doubt, all holders of Allowed Non-Lender Secured Claims need not be treated in the same way as long as each is treated in one of the following ways):

(a) on the Effective Date, the legal, equitable, and contractual rights of each holder of an Allowed Non-Lender Secured Claim shall be reinstated in accordance with the provisions of section 1124(2) of the Bankruptcy Code notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of an Allowed Non-Lender Secured Claim to demand or receive payment of such Allowed Non-Lender Secured Claim before the stated maturity of such Allowed Non-Lender Secured Claim from and after the occurrence of a default; provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation, covenants regarding corporate existence, or covenants prohibiting certain transactions or actions contemplated by the Plan or conditioning such transactions or actions on certain factors, shall not be enforceable as to any breach that occurred on or prior to the Effective Date or any breach determined by reference back to a date preceding the Effective Date;

(b) on the Effective Date, the holder of an Allowed Non-Lender Secured Claim shall (i) retain a lien securing such Allowed Non-Lender Secured Claim and (ii) receive deferred Cash payments from the Liquidation Trust totaling at least the value of such Allowed Non-Lender Secured Claim as of the Effective Date;

(c) on the Effective Date, the collateral securing such Allowed Non-Lender Secured Claim shall be surrendered to the holder of such Allowed Non-Lender Secured Claim in full satisfaction of such Allowed Non-Lender Secured Claim; or

(d) the holder of an Allowed Non-Lender Secured Claim shall be paid Cash in an amount equal to the value of such holder's Allowed Non-Lender Secured Claim, on or before the later of (i) the Plan Distribution Date and (ii) the date that is ten (10) Business Days after the entry of a Final Order allowing such Claim as a Non-Lender Secured Claim, or as soon thereafter as practicable. To the extent the collateral securing an Allowed Non-Lender Secured Claim has been or is sold pursuant to an Order of the Bankruptcy Court, the amount paid to the holder of such Allowed Non-Lender Secured Claim pursuant to the preceding sentence shall be net of the

costs of sale of such collateral and otherwise subject to the rights of the Debtors or the Liquidation Trustee pursuant to section 506(c) of the Bankruptcy Code.

The failure of any party to object to any Non-Lender Secured Claim in the Chapter 11 Cases shall be without prejudice to the rights of the Debtors or the Liquidation Trustee to contest or otherwise defend against such Claim in the Bankruptcy Court when and if such Claim is sought to be enforced by the holder of such Claim.

Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, all pre-petition liens on property of the Debtors held with respect to an Allowed Non-Lender Secured Claim shall survive the Effective Date and continue in accordance with the contractual terms or statutory provisions governing such Claim until such Claim is satisfied, at which time such lien shall be released, shall be deemed null and void, and shall be unenforceable for all purposes; provided, however, that the Debtors or the Liquidation Trustee, as the case may be, may condition delivery of any final payment upon receipt of an executed release of the lien. Any and all liens securing any Non-Lender Secured Claim that is not Allowed shall be released, shall be deemed null and void, and shall be unenforceable for all purposes. Upon satisfaction or disallowance of a Non-Lender Secured Claim, the holder of a Non-Lender Secured Claim hereby authorizes the Liquidation Trustee to file any UCC termination statements necessary to effect termination of any lien securing a Non-Lender Secured Claim. Nothing in the Plan shall preclude the Debtors or the Liquidation Trustee from challenging the validity of any alleged lien on any asset of the Debtors or the value of the property that secures any alleged lien.

Treatment of an Allowed Non-Lender Secured Claim in accordance with the foregoing shall not affect any Allowed General Unsecured Claim held by the same claimant that is a deficiency claim under section 506 of the Bankruptcy Code.

(e) No lien with respect to any Non-Lender Secured Claim shall attach to any property sold free and clear pursuant to the Asset Purchase Agreement or any other applicable purchase agreement.

3 Class 3 – BFB Secured Claim

The holder of the BFB Secured Claim shall be treated as follows:

(a) on the Effective Date, the BFB Secured Claim shall be Allowed in the amount of \$10,____,____ (principal plus interest and attorneys' fees through the Confirmation Date);

(b) on the Effective Date, BFB shall fully and irrevocably assign the BFB Secured Claim and the BFB Dauterive Claim to the Liquidation Trust;

(c) BFB shall receive distributions pursuant to the Plan in the maximum amount of the BFB Distribution Amount according to the terms and conditions of the Plan, including the following:

- a) as of January 30, 2017, BFB has received payment of \$9,500,000 on account of the BFB Distribution Amount, and such payments shall not be subject to dispute, claim, contest or challenge, except to the extent of any reduction consistent with any net recovery based on any BFB Guarantor Claim (as defined in the Settlement Agreement) as set forth in the Settlement Agreement;
- b) to the extent the BFB Distribution Amount remains unpaid, upon the Liquidation Trustee's receipt of the FMP Payments, the first \$100,000 of such funds received by the Liquidation Trustee will be distributed to BFB on account of the BFB Distribution Amount;
- c) one half of the amount by which the Priority Reserve exceeds the amount necessary to satisfy all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims, shall be paid on account of the BFB Distribution Amount until the BFB Distribution Amount has been paid in full; and
- d) one half of each distribution made from the Liquidation Trust shall be paid on account of the BFB Distribution Amount until the BFB Distribution Amount has been paid in full;

(d) During the period between the Confirmation Date and the Effective Date, the BFB Adversary Proceeding will be stayed and held in abeyance. On the Effective Date, the BFB Adversary Proceeding will be dismissed with prejudice;

(e) On the Effective Date, the Committee and the Debtors' Estates shall be deemed to have fully and irrevocably waived and released any right to seek recovery of payments made to BFB pursuant to the consent orders regarding conditional disbursements of funds, entered on December 7, 2016 [Docket No. 408] and January 5, 2017 [Docket No. 429].

4 Class 4 –General Unsecured Claims

The holder of an Allowed General Unsecured Claim shall receive in satisfaction of its Allowed General Unsecured Claim on the Plan Distribution Date Cash in an amount equal to such holder's Pro Rata Share of the Liquidation Trust Assets remaining available for distribution after Cash distributions from such Assets on account of the BFB Distribution Amount.

5 Class 5 – Intercompany Claims

On the Effective Date, all Intercompany Claims will be extinguished, and no holder of an Intercompany Claim will receive or retain any property or rights under the Plan on account of such Claim.

6 Class 6 – Equity Interests

All Equity Interests shall be canceled effective as of the Effective Date, and no holder of an Equity Interest shall receive or retain any property or rights under the Plan on account of its Equity Interests.

B. Sources of Cash for Plan Distributions.

All Cash necessary to make payments and Plan Distributions under the Plan shall be obtained from the Priority Reserve and the liquidation of Liquidation Trust Assets (including the proceeds of any Tort Claims and related Insurance Policies).

C. The Liquidation Trust

1 Execution of the Liquidation Trust Agreement

The Liquidation Trust Agreement, in a form reasonably acceptable to the Debtors and the Committee, shall be executed on or before the Effective Date, and all other necessary steps shall be taken to establish the Liquidation Trust and the beneficial interests therein, which shall be for the benefit of holders of Allowed Claims as set forth in the Plan. Article VII of the Plan sets forth certain of the rights, duties and obligations of the Liquidation Trustee. In the event of any conflict between the terms of Article VII of the Plan and the terms of the Liquidation Trust Agreement, the terms of the Liquidation Trust Agreement shall govern.

2 Establishment and Purpose of Liquidation Trust

On the Effective Date, the Liquidation Trust shall be established pursuant to the Liquidation Trust Agreement for the purposes of administering the Liquidation Trust Assets and making all distributions to Liquidation Trust Beneficiaries as provided for under the Plan. The Liquidation Trust Agreement shall be substantially in the form provided in the Plan Documents. The beneficial interests in the Liquidation Trust shall not be certificated, unless otherwise provided in the Liquidation Trust Agreement.

3 Vesting of Assets in the Liquidation Trust.

On the Effective Date, in accordance with section 1141 of the Bankruptcy Code, all of the Liquidation Trust Assets (except the Tort Claims and the Debtors' interests in related Insurance Policies, which shall revert in the Debtors), as well as the rights, privileges (including, but not limited to, the attorney-client privilege), and powers of the Debtors and their Estates applicable to the Liquidation Trust Assets (except those applicable to the Tort Claims and related Insurance Policies), shall automatically vest in the Liquidation Trust, free and clear of all Claims and Equity Interests for the benefit of the Liquidation Trust Beneficiaries. For the avoidance of doubt, (i) in no event shall the term "Liquidation Trust Assets" be deemed to include any released claims against any Released Parties, and (ii) the Liquidation Trust shall not have the right to assert any released claims against any Released Parties. Upon the transfer of Liquidation Trust Assets to the Liquidation Trust, the Liquidation Trust shall succeed to all of the applicable

Debtors' and Estates' rights, title and interest in such Liquidation Trust Assets, and the Debtors shall have no further interest in or with respect to such Liquidation Trust Assets.

4 Governance of Liquidation Trust.

The Liquidation Trust shall be governed and administered by the Liquidation Trustee, with the advice and assistance of the Oversight Committee, as provided under the Plan and the Liquidation Trust Agreement. Notwithstanding anything to the contrary herein, the Oversight Committee shall act in furtherance of, and consistent with, the purpose of the Liquidation Trust and shall act in the best interests of the beneficiaries of the Liquidation Trust.

5 Role of the Liquidation Trustee.

The Liquidation Trustee shall be authorized to exercise and perform the rights, powers, and duties held by the Debtors and the Estates with respect to the Liquidation Trust Assets upon their transfer to the Liquidation Trust, including, without limitation, the authority under section 1123(b)(3) of the Bankruptcy Code, and shall be deemed to be acting in the capacity of a bankruptcy trustee, receiver, liquidator, conservator, rehabilitator, creditors' committee or any similar official who has been appointed to take control of, supervise, manage or liquidate the Debtors and their Estates, to provide for the prosecution, settlement, adjustment, retention, and enforcement of the Liquidation Trust Assets.

The responsibilities of the Liquidation Trustee shall include, but shall not be limited to: (a) prosecuting through judgment and/or settling the Liquidation Trust Assets and any defense asserted by the Liquidation Trust in connection with any counterclaim or crossclaim asserted against the Liquidation Trust; (b) calculating and making distributions required under the Plan to be made from the Liquidation Trust Assets; (c) filing all required tax returns, and paying obligations on behalf of the Liquidation Trust from the Liquidation Trust Assets; (d) otherwise administering the Liquidation Trust; (e) filing quarterly reports with the Bankruptcy Court with respect to the expenditures, receipts, and distributions of the Liquidation Trust; and (f) such other responsibilities as may be vested in the Liquidation Trustee pursuant to the Liquidation Trust Agreement, the Confirmation Order, or as may be necessary and proper to carry out the provisions of the Plan relating to the Liquidation Trust.

The powers of the Liquidation Trustee are set forth in full in the Liquidation Trust Agreement and shall include, among other things, the right, without any further approval from the Bankruptcy Court, to: (a) sell, lease, license, abandon or otherwise dispose of all Liquidation Trust Assets subject to the terms of the Plan; (b) invest the Liquidation Trust Assets in short term certificates of deposit, in banks or other savings institutions, or other temporary, liquid investments, such as treasury bills, and withdraw funds of the Liquidation Trust for that purpose; (c) employ Persons to assist the Liquidation Trustee or the Debtor Representative in carrying out his duties under the Plan and Liquidation Trust Agreement; (d) pay from the Liquidation Trust Assets all obligations of the Liquidation Trust and all costs and expenses of administering the Liquidation Trust and Liquidation Trust Assets, including fees and expenses of the Liquidation Trustee, the Debtor Representative, and Persons employed by the Liquidation Trustee or the Debtor Representative in carrying out his duties under the Plan and Liquidation Trust Agreement, taxes, and other obligations of the Liquidation Trust; (e) implement the Plan,

including by making distributions pursuant to the Plan; (f) evaluate and determine strategy with respect to the Liquidation Trust Assets, and prosecute, compromise, release, abandon and/or settle or otherwise resolve any Liquidation Trust Assets, including any and all Avoidance Actions, Causes of Action, or other claims of the Debtors or their Estates except Tort Claims, which shall revert in the Debtors; (g) liquidate any Liquidation Trust Assets and provide for distributions therefrom in accordance with the provisions of the Plan; (h) otherwise administer the Liquidation Trust; (i) participate in any post-Effective Date motions to amend or modify the Plan or the Liquidation Trust Agreement, or appeals from the Confirmation Order; (j) participate in actions to enforce or interpret the Plan; (k) bind the Liquidation Trust; (l) administer the Wind-Down Amounts Reserve in order to pay any remaining Wind-Down Amounts pursuant to the terms of the Plan; (m) continue any motions, defenses, or appeals initiated by the Debtors or the Committee prior to the Effective Date relating to any Liquidation Trust Asset; (n) exercise such other powers and authority as may be vested in or assumed by the Liquidation Trustee by any Final Order, or as may be necessary and proper to carry out the provisions of the Plan relating to the Liquidation Trust; (o) dissolve the Liquidation Trust in accordance with Section 7.9 of the Plan; and (p) administer the closure of the Chapter 11 Cases.

6 Compensation of the Liquidation Trustee

In addition to reimbursement for actual out-of-pocket expenses incurred by the Liquidation Trustee, the Liquidation Trustee shall be entitled to receive reasonable compensation for services rendered on behalf of the Liquidation Trust on terms to be set forth in the Liquidation Trust Agreement. All such compensation and reimbursement shall be paid from the Liquidation Trust using Liquidation Trust Assets and their proceeds. Like terms shall apply to the fees and expenses of the Debtor Representative.

7 Retention of Professionals by the Liquidation Trustee

As set forth in the Plan and the Liquidation Trust Agreement, the Liquidation Trustee may, without further order of the Bankruptcy Court, employ various Persons on behalf of the Liquidation Trust and Debtor Representative, including, but not limited to, attorneys, consultants and financial advisors, as needed to assist him/her in fulfilling his/her obligations under the Liquidation Trust Agreement and the Plan, and on whatever fee arrangement he/she deems appropriate, including, without limitation, contingency fee arrangements. For the avoidance of doubt, the Liquidation Trustee may retain professionals who represented parties in interest in the Chapter 11 Cases. Professionals engaged by the Liquidation Trustee shall not be required to file applications with the Bankruptcy Court in order to receive compensation for services rendered and reimbursement of actual out-of-pocket expenses incurred. All such compensation and reimbursement shall be paid from the Liquidation Trust with Liquidation Trust Assets.

8 Non-certificated Liquidation Trust Interests.

The beneficial interests in the Liquidation Trust shall not be certificated, except as otherwise provided in the Liquidation Trust Agreement.

9 Dissolution of the Liquidation Trust.

The Liquidation Trustee and the Liquidation Trust shall be discharged or dissolved, as the case may be, at such time as (i) all assets of the Liquidation Trust have been liquidated and (ii) all distributions required to be made by the Liquidation Trustee under the Plan have been made, but in no event shall the Liquidation Trust be dissolved later than five (5) years from the Effective Date; provided, however, that the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Liquidation Trust for a finite period if (i) such extension is necessary to the purpose of the Liquidation Trust, (ii) the Liquidation Trustee receives an opinion of counsel or a ruling from the IRS stating that such extension would not adversely affect the status of the Liquidation Trust as a liquidating trust for federal income tax purposes, and (iii) such extension is obtained within the six (6) month period prior to the Liquidation Trust's fifth (5th) anniversary or the end of the immediately preceding extension period, as applicable. Upon dissolution of the Liquidation Trust, any remaining Cash on hand and other assets, with the exception of any Causes of Action will be distributed to the Liquidation Trust Beneficiaries in accordance with the Liquidation Trust Agreement. Upon the dissolution of the Liquidation Trust, all remaining Causes of Action shall be deemed void and abandoned and no Liquidation Trust Beneficiary shall have any right, title or interest in or to any such Cause of Action.

10 Securities Exempt

The issuance of any beneficial interests of the Liquidation Trust satisfies the requirements of section 1145 of the Bankruptcy Code and, therefore, such issuance is exempt from registration under the Securities Act of 1933, as amended, and any state or local law requiring registration.

D. Exculpation, Injunction and Limitation of Liability

1 Exculpation

No Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from any claim, obligation, Cause of Action or liability for any claim in connection with or arising out of, the administration of the Chapter 11 Cases, entry into the Liquidation Trust Agreement, entry into the Settlement Agreement, the Debtors' entry into any asset purchase agreement during the Chapter 11 Cases, the consummation of any transactions contemplated therein, the negotiation and pursuit of the Plan, or the solicitation of votes for, or confirmation of, the Plan, the funding of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, and the issuance of securities under or in connection with the Plan or the transactions contemplated by the foregoing, except for willful misconduct, gross negligence, or intentional fraud as determined by Final Order of the Bankruptcy Court, but in all respects such Exculpated Party shall be entitled to reasonably rely upon the advice of counsel with respect to its duties and responsibilities pursuant to the Plan. The Exculpated Parties have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of any securities pursuant to the Plan, and are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of

acceptances or rejections of the Plan or such distributions made pursuant to the Plan, including the issuance of securities thereunder.

2 Injunction

All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Except as otherwise provided in the Plan or the Confirmation Order, or to the extent necessary to enforce the terms and conditions of the Plan, the Confirmation Order, or a separate Order of the Bankruptcy Court, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Persons who have held, hold or may hold Claims against or Equity Interests in the Debtors or the Estates are, with respect to any such Claims or Equity Interests, permanently enjoined after the Confirmation Date from: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtors, the Estates or any of their Assets, the Liquidation Trust, or any successor to any of the foregoing Persons or any property of any such successor; (ii) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Debtors, the Estates or any of their Assets, the Liquidation Trust, or any successor to any of the foregoing Persons or any property of any such successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Estates or any of their Assets, the Liquidation Trust, or any successor to any of the foregoing Persons or any property of any such successor; (iv) commencing or continuing in any manner or in any place, any suit, action or other proceeding on account of or respecting any Claim, demand, liability, obligation, debt, right, Cause of Action, interest or remedy released or to be released, satisfied, or otherwise addressed pursuant to the Plan or the Confirmation Order, including, but not limited to, through the releases and exculpations provided under the Plan; (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan to the fullest extent permitted by applicable law; and (vi) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, that nothing contained herein shall preclude such persons from exercising their rights pursuant to and consistent with the terms of the Plan. Each holder of an Allowed Claim or Allowed Equity Interest shall be deemed to have specifically consented to the injunctions set forth herein.

The foregoing injunctions shall extend for the benefit of the Debtor Representative, the Liquidating Trustee, and any successors of the Debtors, and to any property and interest in property subject to the Plan.

Notwithstanding the foregoing injunctions, any Person holding a professional liability claim that is subject to Section 9.10(c) of the Plan shall be entitled to name any

applicable Debtor as a defendant or potential defendant in any proceeding before the Louisiana Patient's Compensation Fund Medical Review Panel or in any lawsuit concerning such professional liability claim. For avoidance of doubt, although such Persons shall be entitled to maintain a legal action against a Debtor as set forth in this paragraph, pursuant to Section 9.10(c) of the Plan, such Persons shall be barred from receiving any distribution under the Plan or otherwise from the Debtors, the Liquidating Trust, the Debtors' Estates, or the Liquidating Trust Assets.

FROM AND AFTER THE EFFECTIVE DATE, TO THE EXTENT OF THE RELEASES AND EXCULPATIONS GRANTED IN THE PLAN, THE DEBTORS AND ALL PARTIES IN INTEREST SHALL BE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE EXCULPATED PARTIES AND THEIR ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION, OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST, OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN.

3 Limitation on Liability on Liquidation Trustee and Debtor Representative

Neither the Liquidation Trustee or the Debtor Representative will be liable for any act he may do or omit to do as Liquidation Trustee or Debtor Representative under the Plan and the Liquidation Trust Agreement, as applicable, while acting in good faith and in the exercise of his reasonable business judgment; nor will the Liquidation Trustee or the Debtor Representative be liable in any event, except for willful misconduct, gross negligence, or intentional fraud. The foregoing limitation on liability will also apply to any Person (including any professional) employed by the Liquidation Trustee or the Debtor Representative and acting on behalf of the Liquidation Trustee or Debtor Representative in the fulfillment of their respective duties hereunder or under the Liquidation Trust Agreement.

4 D&O Claims and D&O Policies

For the avoidance of doubt, and notwithstanding anything to the contrary set forth in the Plan, including Article VIII thereof, no release, exculpation, injunction, or waiver set forth in the Plan shall apply to any D&O Claims (or claims relating to any D&O Policies) belonging to or pursuable by the Debtors, the Debtor Representative, or the Liquidation Trust or Liquidation Trustee, and all such claims and related Causes of Action are expressly reserved and preserved as set forth in Section 6.3 of the Plan.

IX.
CONFIRMATION AND CONSUMMATION PROCEDURES

A. Overview

A chapter 11 plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a liquidation of the debtor's assets. In either event, upon confirmation of the plan, it becomes binding on the debtor and all of its creditors and equity holders, and the obligations owed by the debtor to such parties are compromised and exchanged for the obligations specified in the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. **This Disclosure Statement is presented to holders of impaired Claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Debtors' solicitation of votes on the Plan.**

If all classes of claims and equity interests accept a chapter 11 plan, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. Section 1129(a) sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests of creditors" test and be "feasible." The "best interests of creditors" test generally requires that the value of the consideration to be distributed to the holders of claims or equity interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the bankruptcy court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization. **The Debtors believe that the Plan satisfies all applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the best interests of creditors' test and the feasibility requirement.**

The Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a chapter 11 plan for the bankruptcy court to determine that the class has accepted the plan. Rather, a class of creditors will be determined to have accepted the plan if the bankruptcy court determines that the plan has been accepted by a majority in number and two-thirds in amount of those claims actually voting in such class. Similarly, a class of equity security holders will have accepted the plan if the bankruptcy court determines that the plan has been accepted by holders of two-thirds of the number of shares actually voting in such class.

In addition, classes of claims or equity interests that are not "impaired" under a chapter 11 plan are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. A class is "impaired" if the legal, equitable or contractual rights associated with the claims or equity interests of that class are modified in any way under the plan. Modification for purposes of determining

impairment, however, does not include curing defaults and reinstating maturity on the effective date of the plan. **Class 1 is not impaired under the Plan, and the holders of Claims in such class are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan. Classes 2, 3 and 4 are impaired under the Plan, and the holders of Claims in such classes are entitled to vote to accept or reject the Plan. Classes 5 and 6 are impaired and will not receive or retain any property under the Plan, and the holders of Claims and Equity Interests in such classes are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.**

The bankruptcy court also may confirm a chapter 11 plan even though fewer than all of the classes of impaired claims and equity interests accept such plan. For a chapter 11 plan to be confirmed despite its rejection by a class of impaired claims or equity interests, the plan must be accepted by at least one class of impaired claims (determined without counting the vote of insiders) and the proponent of the plan must show, among other things, that the plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each impaired class of claims or equity interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is “fair and equitable” as to a rejecting class of claims or equity interests if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to unsecured claims and equity interests, that the holder of any claim or equity interest that is junior to the claims or equity interests of such class will not receive or retain on account of such junior claim or equity interest any property from the estate, unless the senior class receives property having a value equal to the full amount of its allowed claims.

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

The Plan has been structured so that it will satisfy the foregoing requirements as to any rejecting classes of Claims and Equity Interests.

B. Confirmation of the Plan

1 Elements of Section 1129 of the Bankruptcy Code

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the conditions to confirmation under section 1129 of the Bankruptcy Code are satisfied.

Such conditions include the following:

- a. The Plan complies with the applicable provisions of the Bankruptcy Code.

b. The Debtors have complied with the applicable provisions of the Bankruptcy Code.

c. The Plan has been proposed in good faith and not by any means proscribed by law.

d. Any payment made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

e. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtors or a successor to the Debtors under the Plan and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation for such insider.

f. With respect to each impaired class of Claims or Equity Interests, each holder of an impaired Claim or impaired Equity Interest either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Equity Interests held by such entity, property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code.

g. In the event that the Debtors do not seek to confirm the Plan non-consensually, each class of Claims or Equity Interests entitled to vote has either accepted the Plan or is not impaired under the Plan.

h. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims and Priority Claims will be paid in full, in Cash, on the Effective Date and Tax Claims will be paid in regular installments over a period ending not later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the allowed amount of such Tax Claims.

i. At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.

j. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any other successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

k. All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

The Debtors and the Committee believe that the Plan will satisfy all the statutory provisions of chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all of the provisions of the Bankruptcy Code, and that the Plan is being proposed and submitted to the Bankruptcy Court in good faith.

2 Acceptance

A class of Claims will have accepted the Plan if the Plan is accepted, with reference to a class of Claims, by at least two-thirds in amount and more than one-half in number of the Allowed Claims of each such class of Claims actually voting. Each class of Equity Interests will have accepted the Plan if the Plan is accepted with reference to a class of Equity Interests, by at least two-thirds in amount of the Allowed Equity Interests of each class of Equity Interests actually voting.

3 Best Interests of Creditors Test

With respect to each impaired class of holders of Claims and Equity Interests, confirmation of the Plan requires that each such holder either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the applicable consummation date under the Plan, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

To determine what holders of Claims and Equity Interests of each impaired class would receive if the Debtors were liquidated, the Bankruptcy Court must determine the proceeds that would be generated from the liquidation of the properties and interests in property of the Debtors in a chapter 7 liquidation case. The proceeds that would be available for satisfaction of impaired Claims against and Equity Interests in the Debtors would consist of the proceeds generated by disposition of the unencumbered equity in the properties and interests in property of the Debtors and the cash held by the Debtors at the time of the commencement of the liquidation case. Such proceeds would be reduced by the costs and expenses of the liquidation and by such additional administration and priority claims that may result from the use of chapter 7 for the purposes of liquidation.

The costs of liquidation under chapter 7 of the Bankruptcy Code would include the fees payable to a trustee in bankruptcy, and the fees that would be payable to additional attorneys and other professionals that such a trustee may engage, plus any unpaid expenses incurred by the Debtors during the Chapter 11 Cases, such as compensation for attorneys, financial advisors, accountants and costs that are allowed in the chapter 7 cases. Whereas the Liquidation Trustee and its counsel has the background and familiarity with the remaining assets to be liquidated to realize the most money for the costs to be incurred to complete the process, a chapter 7 trustee and the persons it employs would need time to develop the necessary industry and debtor specific knowledge necessary to assist the chapter 7 trustee examine and distribute the Debtors' assets. In addition, Claims would arise by reason of the breach or rejection of obligations

incurred and executory contracts entered into or assumed by the Debtors during the pendency of the Chapter 11 Cases.

The foregoing types of Claims and such other Claims which may arise in the liquidation cases or result from the pending Chapter 11 Cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay impaired Claims arising on or in addition to the foregoing, it is expected that the liquidation of remaining assets, under chapter 7 of the Bankruptcy Code would yield less value due to the expeditious liquidation as required by chapter 7 than they are expected to yield under the Plan.

To determine if the Plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the liquidation of the properties and interests in property of the Debtors (net of the amounts attributable to the aforesaid claims) is then compared with the present value offered to such classes of Claims and Equity Interests under the Plan.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including (i) the additional costs associated with the appointment of the chapter 7 trustee and (ii) the erosion in value of assets in chapter 7 cases, in the context of the expeditious liquidation required under chapter 7, the Debtors and the Committee have determined that confirmation of the Plan will provide each holder of an impaired Claim with a greater recovery than it would receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

4 Feasibility

The Bankruptcy Code conditions confirmation of a chapter 11 plan on, among other things, a finding that it is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. For purposes of determining whether the Plan satisfies this condition, the Debtors have analyzed the Liquidation Trustee's capacity to service its obligations under the Plan. Based upon their analysis, the Debtors submit that the Liquidation Trustee will be able to make all payments required to be made under the Plan.

C. Cramdown

In the event that any impaired class does not accept the Plan, the Debtors nevertheless may move for confirmation of the Plan. To obtain such confirmation, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such classes and any other classes of Claims that vote to reject the Plan.

1 No Unfair Discrimination

A chapter 11 plan "does not discriminate unfairly" if (a) the legal rights of a non-accepting class are treated in a manner that is consistent with the treatment of other classes whose legal rights are similar to those of the non-accepting class, and (b) no class receives payments in excess of that which it is legally entitled to receive for its Claims or Equity Interests. The Debtors and the Committee believe that under the Plan all impaired classes of Claims and Equity Interests are treated in a manner that is consistent with the treatment of other classes of

Claims and Equity Interests that are similarly situated, if any, and no class of Claims or Equity Interests will receive payments or property with an aggregate value greater than the aggregate value of the Allowed Claims and Allowed Equity Interests in such class. Accordingly, the Debtors believe the Plan does not discriminate unfairly as to any impaired class of Claims or Equity Interests.

2 Fair and Equitable Test

The Bankruptcy Code establishes different “fair and equitable” tests for classes of secured claims, unsecured claims and equity interests as follows:

- (a) ***Secured Claims.*** Either (i) each holder of a claim in an impaired class of secured claims retains its liens securing its secured claim and it receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each holder of a claim in an impaired class of secured claims realizes the indubitable equivalent of its allowed secured claim or (iii) the property securing the claim is sold free and clear of liens, with such liens to attach to the proceeds and the treatment of such liens on proceeds as provided in clause (i) or (ii) of this subparagraph.
- (b) ***Unsecured Claims.*** Either (i) each holder of a claim in an impaired class of unsecured claims receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the chapter 11 plan, subject to the applicability of the judicial doctrine of contributing new value.
- (c) ***Equity Interests.*** Either (i) each holder of an equity interest in an impaired class of interests will receive or retain under the chapter 11 plan property of a value equal to the greater of (A) the fixed liquidation preference or redemption price, if any, of such stock or (B) the value of the stock or (ii) the holders of interests that are junior to the stock will not receive any property under the chapter 11 plan, subject to the applicability of the judicial doctrine of contributing new value.

D. Effect of Confirmation

Under section 1141 of the Bankruptcy Code, the provisions of a confirmed plan bind the debtor, any entity issuing securities under the plan, any entity acquiring property under the plan, and any creditor or equity security holder, whether or not the claim or interest of such creditor or equity security holder is impaired under the plan and whether or not such creditor or equity security holder voted to accept the plan. Further, after confirmation of a plan, the property dealt with by the plan is free and clear of all claims and interests of creditors and equity security holders, except as otherwise provided in the plan or the confirmation order.

X. TAX ISSUES

For federal income tax purposes, (i) all parties (including, without limitation, the Debtors, the Liquidation Trustee, and the Liquidation Trust Beneficiaries) shall treat the Liquidation Trust as a liquidating trust within the meaning of Treasury Regulation section 301.7701-4(d) and IRS Revenue Procedure 94-45, 1994-2 C.B. 684, (ii) the transfer of Assets of the Debtors to the Liquidation Trust under the Plan shall be treated as a deemed transfer to the Liquidation Trust Beneficiaries in satisfaction of their Claims followed by a deemed transfer of the Assets by the Liquidation Trust Beneficiaries to the Liquidation Trust, (iii) the Liquidation Trust Beneficiaries will be deemed to be the grantors and owners of the Liquidation Trust and its assets, and (iv) the Liquidation Trust will be taxed as a grantor trust within the meaning of sections 671-677 of the Internal Revenue Code owned by the Liquidation Trust Beneficiaries. The Liquidation Trust will file federal income tax returns as a grantor trust under Internal Revenue Code section 671 and Treasury Regulation section 1.671-4 and report, but not pay tax on, the Liquidation Trust's tax items of income, gain, loss deductions and credits ("Tax Items"). The Liquidation Trust Beneficiaries will report such Tax Items on their federal income tax returns and pay any resulting federal income tax liability. All parties will use consistent valuations of the Assets transferred to the Liquidation Trust for all federal income tax purposes. The Assets shall be valued based on the Liquidation Trustee's good faith determination of their fair market value.

The Liquidation Trustee may, for U.S. federal income tax purposes (and, to the extent permitted by law, for state and local income tax purposes), (i) make an election pursuant to Treasury Regulation section 1.468B-9 to treat the LT Reserve(s) as a "disputed ownership fund" within the meaning of that section, (ii) allocate taxable income or loss to the LT Reserve(s), with respect to any given taxable year (but only for the portion of the taxable year with respect to which such Claims are Disputed Claims), and (iii) distribute assets from the LT Reserve(s) as, when, and to the extent, such Disputed Claims either become Allowed or are otherwise resolved. The Liquidation Trust Beneficiaries shall be bound by such election, if made by the Liquidation Trustee, in consultation with the Oversight Committee, and as such shall, for U.S. federal income tax purposes (and, to the extent permitted by law, for state and local income tax purposes), report consistently therewith.

For federal and applicable state income tax purposes, all parties (including, without limitation, the Debtors, the Liquidation Trustee, and the Liquidation Trust Beneficiaries) shall treat the transfers of Assets to the Liquidation Trust in accordance with the terms of the Plan as a sale by the Debtors and/or their Estates of such Assets to the Liquidation Trust at a selling price equal to the fair market value of such Assets on the date of transfer. The Liquidation Trust shall be treated as the owner of all Assets that it holds.

For federal income tax purposes, except to the extent a Plan Distribution is made in connection with reinstatement of an obligation pursuant to section 1124 of the Bankruptcy Code, a Plan Distribution will be allocated first to the principal amount of a Claim and then, to the extent the Plan Distribution exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest and other fees, premiums and charges, as applicable.

In connection with the Plan, the Debtors and the Liquidation Trustee, as applicable, shall comply with all withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities and all Plan Distributions hereunder shall be subject to such withholding and reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a Plan Distribution shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any government unit, including income, withholding and other tax obligations, on account of such Plan Distribution. The Liquidation Trustee has the right to withhold a Plan Distribution until such holder has made arrangements satisfactory to the Liquidation Trustee for payment of any such tax obligations. The Liquidation Trustee has the right to withhold a Plan distribution until the holder of the Claim upon which distribution is to be made provides the Liquidation Trustee with IRS Form W-9 and any other information determined by the Liquidation Trustee to be necessary or appropriate to effect information reporting and the withholding of taxes. If the Liquidation Trustee has not received IRS Form W-9 or other requested tax reporting information from the holder of a Claim before the relevant Plan Distribution Date, any property or Cash to be distributed pursuant to the Plan shall, pending receipt of IRS Form W-9 or such other requested information, be treated as an unclaimed distribution under the Plan, as set forth in Section 9.3.2 of the Plan.

THE FOREGOING HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF ALLOWED CLAIMS AND EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN.

XI.

RISK FACTORS

There are many risks and uncertainties in respect of the Plan and its implementation. The holders of Claims against the Debtors should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement, before deciding whether to vote to accept or reject the Plan. The risk factors identified below they should not be regarded as the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Certain Bankruptcy Considerations

1 Parties in Interest May Object to the Plan's Classification of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors and the Committee believe that the classification of Claims against and Equity Interests in the Debtors under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially

similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2 Failure to Satisfy Vote Requirements

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors and the Committee intend to seek, as promptly as practicable thereafter, confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the holders of Allowed Claims or Allowed Equity Interests as those proposed in the Plan.

3 The Debtors and the Committee May Not Be Able Secure Confirmation or Consummation of the Plan

The Plan requires the acceptance of a requisite number of holders of Claims that are entitled to vote on the Plan, and the approval of the Bankruptcy Court, as described in the section of this Disclosure Statement entitled “Confirmation and Consummation Procedures – Overview.” There can be no assurance that such acceptances and approvals will be obtained and therefore, that the Plan will be confirmed. In addition, confirmation of the Plan and the occurrence of the Effective Date of the Plan are subject to the satisfaction of certain conditions precedent. Although the Debtors and the Committee believe that the conditions precedent to the confirmation of the Plan and to the occurrence of the Effective Date of the Plan will be met, there can be no assurance that all such conditions precedent will be satisfied. If any condition precedent is not satisfied or waived pursuant to the Plan, the Plan may not be confirmed or the Effective Date may not occur.

Furthermore, although the Debtors and the Committee believe that the Plan will be confirmed and the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to the timing or as to whether the Effective Date will occur. Further, and notwithstanding the foregoing or anything in the Plan to the contrary, the Debtors have reserved their rights pursuant to the Plan to (in consultation with the Committee) delay the occurrence of the Effective Date with respect to one or more of the Debtors’ Estates to a later date; provided, however, that any such election by the Debtors to delay the occurrence of the Effective Date with respect to one Estate shall not prevent the occurrence of the Effective Date with respect to any of the other Estates. If the Plan is not confirmed or the Effective Date does not occur, there can be no assurance that any alternative chapter 11 plan would be on terms as favorable to the holders of Claims and Equity Interests as the terms of the Plan. In addition, if a protracted reorganization or liquidation were to occur, there is a substantial risk that holders of Claims and Equity Interests would receive less than they would receive under the Plan. A liquidation analysis prepared by the Debtors with the assistance of their advisors is attached hereto as Schedule 1.

If the Plan is not confirmed and does not go effective for any reason and the Debtors or some other party in interest decide to prosecute a different plan, recoveries to holders of Claims against or Equity Interests in the Debtors may be negatively impacted. If the Plan is confirmed but the Effective Date does not occur, it may become necessary to amend the Plan to provide for

alternative treatment of Claims and Equity Interests. There can be no assurance that any such alternative treatment would be on terms as favorable to the holders of Claims and Equity Interests as the treatment provided under the Plan. If any modifications to the Plan are materially adverse to any holders of Claims or Equity Interests, it would be necessary to resolicit votes from holders of such Claims or Equity Interests, which would, at the very least, further delay confirmation and consummation of the Plan, and could jeopardize the consummation of the Plan.

4 Actual Plan Distributions May Be Less than Estimated for the Purposes of this Disclosure Statement

The Debtors and the Committee project that the Claims and Equity Interests asserted against the Debtors may be resolved in and reduced to an amount that approximates the estimates set forth in the Liquidation Analysis attached hereto as Schedule 1. However, there can be no assurance that such estimates will prove accurate. In the event the allowed amounts of such Claims and/or Equity Interests are materially higher than the projected estimates, actual distributions to holders of Allowed Claims could be materially less than estimated herein.

B. Certain Tax Considerations

There are a number of material income tax considerations, risks and uncertainties associated with consummation of the Plan. Holders of Claims and Equity Interests, and other interested parties, should read carefully the discussion set forth in the article of this Disclosure Statement entitled "Certain U.S. Federal Income Tax Consequences" for a discussion of certain U.S. federal income tax consequences of the transactions contemplated under the Plan.

XII. **ALTERNATIVES TO CONFIRMATION AND** **CONSUMMATION OF THE PLAN**

The Debtors and the Committee have concluded that the Plan will maximize recoveries to holders of Claims and Equity Interests. If no plan of reorganization can be confirmed, the Chapter 11 Cases of the Debtors may be converted to cases under chapter 7, in which event a trustee would be elected or appointed to liquidate the properties and interests in property of the Debtors for distribution to their creditors in accordance with the priorities established by the Bankruptcy Code. The Debtors and the Committee believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for under the Plan because (i) the chapter 7 trustee's unfamiliarity with the Debtor and its industry would lead to additional costs for the Estates and (ii) in a liquidation of the Debtors under chapter 11, the Causes of Action retained by the Estates likely will be pursued in a more orderly fashion and over a more extended period of time than in a liquidation under chapter 7, potentially resulting in greater recoveries. Accordingly, the Debtors and the Committee have determined that confirmation of the Plan will likely provide each holder of a Claim or Equity Interest with a greater recovery than it would receive pursuant to liquidation of the Debtors under chapter 7.

XIII.
CONCLUSION

The Debtors and the Committee believe that the Plan is in the best interest of all holders of Claims and Equity Interests, and urge all holders of impaired Claims in the Debtors to vote to accept the Plan and to evidence such acceptance by returning their Ballots in accordance with the instructions accompanying the Disclosure Statement.

Dated: March 14, 2017

Respectfully submitted,

PROGRESSIVE ACUTE CARE, LLC, on behalf of
itself and each of the other Debtors

By: _____

Name: _____

Title: _____

-and-

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF PROGRESSIVE ACUTE CARE,
LLC, *ET AL.*

By: /s/ Christopher Lehmann

Name: Christopher Lehmann, Cardinal Health

Title: Chairperson

EXHIBIT A
THE PLAN

March 14, 2017

EXHIBIT B
DISCLOSURE STATEMENT ORDER

March 14, 2017

SCHEDULE 1
LIQUIDATION ANALYSIS

March 14, 2017