

United States Bankruptcy Court  
Eastern District of Tennessee

In	Case	<i>Jointly Administered</i>
re	No.	<i>Under</i>
New Beginnings Care, LLC		1:16-bk-10272 NWW
Eastman Healthcare & Rehab, LLC		1:16-bk-10277 NWW
Edwards Redeemer Healthcare & Rehab, LLC		1:16-bk-10278 NWW
Pinewood Healthcare & Rehab, LLC		1:16-bk-10284 NWW
Woodlands Healthcare & Rehab, LLC		1:16-bk-10287 NWW

Chapter 11

Debtor(s)

EASTMAN HEALTHCARE & REHAB, LLC, EDWARDS REDEEMER HEALTHCARE & REHAB, LLC,  
PINEWOOD HEALTHCARE & REHAB, LLC,  
AND WOODLANDS HEALTHCARE & REHAB, LLC  
FIRST AMENDED DISCLOSURE STATEMENT, DATED OCTOBER 26, 2016

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Eastman Healthcare & Rehab, LLC, Edwards Redeemer Healthcare & Rehab, LLC, Pinewood Healthcare & Rehab, LLC, and Woodlands Healthcare & Rehab, LLC (the "Debtors"). This Disclosure Statement contains information about the Debtors and describes the Debtors' Plans (the "Plans") filed by Debtors. A full copy of each of the Amended Plans is attached to this Disclosure Statement as collective Exhibit A. Your rights may be affected. You should read the Plans and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plans are discussed at pages 4-10 of this Disclosure Statement. General unsecured creditors not otherwise classified are classified in Class 4, and will receive a distribution of 100% of their allowed claims, to be distributed in quarterly payments, over 60 months from the Effective Date.

A. Purpose of This Document

This Disclosure Statement describes:

- a) The Debtors and significant events during the Chapter 11 case,
- b) How the Plans propose to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the Plans are confirmed),
- c) Who can vote on or object to the Plans,
- d) What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plans,
- e) Why the Debtors believe the Plans are feasible, and how the treatment of your claim or equity interest under the Plans compares to what you would receive on your claim or equity interest in liquidation, and
- f) The effect of confirmation of the Plans.

Be sure to read the Plans as well as the Disclosure Statement. This Disclosure Statement describes the Plans, but it is the Plans themselves that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plans Confirmation Hearing

The Court has not yet confirmed the Plans described in this Disclosure Statement. This section describes the procedures pursuant to which the Plans will or will not be confirmed.

1. Time and Place of the Hearing to Approve This Disclosure Statement and Confirm the Plans

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plans will take place on December 6, 2016 at 1:00 p.m. (E.S.T.) at the U.S. Bankruptcy Courthouse, Chattanooga, Tennessee.

2. Deadline For Voting to Accept or Reject the Plans.

If you are entitled to vote to accept or reject the Plans, you will receive a ballot at a later date. See Section IV below for a discussion of voting eligibility requirements.

Your ballot must be received by the date set by the Court or it may not be counted.

3. Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plans

Objections to this Disclosure Statement or to the confirmation of the Plans must be filed with the Court and served upon entities identified by the Court at a later date set by the Court.

4. Identity of Person to Contact for More Information

If you want additional information about the Plans, you should contact David J. Fulton, Esq., 701 Market Street, Ste 1000, Chattanooga, TN 37402, 423-648-1880/fax: 423-648-1881, djf@sflegal.com, attorney for the Debtors.

C. Disclaimer; Deadline for Objecting to Adequacy of Disclosure Statement

The Court has not approved this Disclosure Statement as containing adequate information to enable parties affected by the Plans to make an informed judgment about its terms. The Court has not yet determined whether the Plans meet the legal requirements for confirmation and has not approved this Disclosure Statement. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on same. Objections to the adequacy of this Disclosure Statement may be filed by a later date set by the Court.

THE DEBTORS HAVE BEEN AUTHORIZED TO DISTRIBUTE THIS DISCLOSURE STATEMENT PRIOR TO ITS FINAL APPROVAL BY THE BANKRUPTCY COURT.

II. BACKGROUND

A. Description and History of the Debtors' Businesses

The Debtors provide nursing homes services to the residents of Georgia and Oklahoma through four traditional nursing care facilities. The Debtors play a vital economic role providing over 300 jobs and a quality of life for their employees. The Debtors play a vital role in providing quality care for over 300 nursing home residents.

B. Insiders of the Debtors

Insiders as defined in §101 in the Bankruptcy Code are Trent Tolbert who is a fifty per cent (50%) member of each of the Debtors and is the CEO of each of the Debtors. Compensation of Mr. Tolbert during the pendency of these Chapter 11 cases can be found in the attached operating statement for July, as well as, CFO, David Rawiszer and COO, Donna Magnuson, and said compensation will continue at the same rate after the confirmation of the Debtors' Plans.

C. Management of the Debtors During and After the Bankruptcy

Debtors' CEO, Trent Tolbert, CFO, David Rawiszer and COO, Donna Magnuson, who have been in these positions since the filing of the petitions in these Chapter 11 cases, will continue in the same role for the Reorganized Debtors.

After the Effective Date of the order confirming the Plans, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be: the same as those listed earlier, with the addition of Alan Zuccari as a new investor investing \$300,000 cash into the Debtors. Mr. Zuccari's company, Cadence Healthcare Solutions, LLC, will manage the Reorganized Debtors.

D. Events Leading to Chapter 11 Filing

All of the Debtors were acquired as operating nursing homes. This entailed the utilization of prior operators' Medicare and Medicaid provider number until a new number is issued to the Debtors. This mode of transfer of operation for the Debtors left the Debtors liable for the prior operators' recoupment liability and any bed tax liability. Unfortunately, these liabilities were not accurately furnished to the Debtors and therefore substantial liabilities were placed on the Debtors that were not anticipated or contained in Debtors' anticipated expense structure. Furthermore, many of the facilities that the Debtors acquired are decades old and require substantial, ongoing capital improvements which are the Debtors' responsibilities under the leases of the nursing homes. None of the nursing homes are owned by the Debtors as they are all leased. Furthermore, regulatory issues in Arkansas caused the closing of Debtor's facilities there at substantial cost which caused the Debtors to get behind in their FICA taxes, rent obligations and bed tax obligations in the remaining nursing homes. As a result of these occurrences, the owners of the Debtors decided to file Chapter 11 for the operating nursing homes.

E. Significant Events During the Bankruptcy Cases

The Debtors were able to use cash collateral of Gemino Healthcare Finance, LLC ("Gemino") to operate, to substantially reduce the secured claim of Gemino and to pay the substantial majority of administrative claims incurred in the case. With the assistance of Committee of Unsecured Creditors Counsel, Robert M. Hirsh, the Committee's advisor, Clifford Zucker, and the Debtors' advisor, 3MC Consulting, LLC, the Debtors were able to transfer or close several unprofitable facilities to the benefit of the Debtors' remaining four operating nursing homes. Pre- and post-petition regulatory issues that faced the Debtors' facilities in Georgia have been resolved as the Debtors' remaining four nursing homes have no pending violations by the State or Federal Regulatory Authorities. As a result of the closing of several of Debtors' nursing home facilities, residents in those nursing homes were transferred to the Debtors' four remaining facilities substantially increasing the patient day summary for those facilities and hence the revenue for those facilities. During the pendency of the case, New Beginnings reduced its home office overhead by approximately 65% to 70%.

F. Projected Recovery of Avoidable Transfers

The Debtors do not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plans.

H. Current and Historical Financial Conditions

The identity and book value of the estate's assets are listed in Exhibit B. Source and basis of valuation is Debtors' management and 3MC Consulting, LLC. The Debtor's most recent financial statements are set forth in collective Exhibit C.

The most recent post-petition consolidated monthly operating report for the four Debtors filed since the commencement of the Debtor's bankruptcy case is set forth in collective Exhibit D.

III. SUMMARY OF THE PLANS OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plans of Reorganization?

As required by the Code, the Plans place claims and equity interests in various classes and describe the treatment each class will receive. The Plans also state whether each class of claims or equity interests is impaired or unimpaired. If the Plans are confirmed, your recovery will be limited to the amount provided by the Plans.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plans. They may, however, object if, in their view, their treatment under the Plans does not comply with that required by the Code. As such, the Plans' Proponent has not placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtors' chapter 11 case which are allowed under § 507(a)(2) of the Code. The Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed as of December 6, 2016	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$550,000	Paid in full on the Effective Date of the Plan, or according to terms of obligation if later than the Effective Date, or by separate written agreement.
Estimated Professional Fees, as approved by the Court.	\$750,000	Paid in full on the Effective Date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the

		Court on the Effective Date of the Plan
Clerk's Office Fees	N/A	Paid in full on the Effective Date of the Plan
Other administrative expenses	N/A	Paid in full on the Effective Date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$19,500	Paid in full on the Effective Date of the Plan
<b>TOTAL</b>	<b>\$1,319,500</b>	

2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief, in addition to any statutory interest.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed as of December 6, 2016	Impairment	Treatment
<u>EASTMAN:</u>			
City of Eastman	\$242	Unimpaired  Impaired.	Class 1 is unimpaired by this Plan, and each holder of a Class 1 Priority Claim will be paid consistent with §1129(a)(9)(C) of the Code in addition to statutory interest. The first payment will begin the first Business Day that is thirty (30) days from the Effective Date.  Class 1(a)- Administrative and Priority Claims of Georgia Department of Community Health will be paid six (\$6,000) thousand dollars per month with payments beginning on the first Business Day that is 30 days from the Effective Date and continuing through the sixtieth (60 <sup>th</sup> ) month from the Petition Date.
Dodge County Commissioner Roads	\$3800		
Dodge County Tax Commissioner	\$240		
Georgia Department of Revenue	\$27,135		
Tennessee Department of Revenue	\$125		
Internal Revenue Service	\$217,735		
Georgia Department of Community Health	\$331,605		
Georgia Department of Community Health ("post-petition")	\$307,429		
<u>EDWARDS REDEEMER:</u>		Unimpaired	Class 1 is unimpaired by this Plan, and each holder of a Class 1

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Internal Revenue Service	\$185,349		Priority Claim will be paid consistent with §1129(a)(9)(C) of the Code in addition to statutory interest. The first payment will begin the first Business Day that is thirty (30) days from the Effective Date.
City of Oklahoma City	\$5266		
Oklahoma County Treasurer	\$5603		
Oklahoma Health Care Authority	\$202,129		
		Impaired.	Class 1(a)- Administrative and Priority Claims of Oklahoma Health Care Authority will be paid six (\$6,000) thousand dollars per month with payments beginning on the first Business Day that is 30 days from the Effective Date and continuing through the earlier to occur of (i) payment in full of such Priority Claim or (ii) the sixtieth (60 <sup>th</sup> ) month after the Petition Date.
<u>PINEWOOD:</u>		Unimpaired	Class 1 is unimpaired by this Plan, and each holder of a Class 1 Priority Claim will be paid consistent with §1129(a)(9)(C) of the Code in addition to statutory interest. The first payment will begin the first Business Day that is thirty (30) days from the Effective Date.
Internal Revenue Service	\$195,947	Impaired.	Class 1(a)- Administrative and Priority Claims of Georgia Department of Community Health will be paid six (\$6,000) thousand dollars per month with payments beginning on the first Business Day that is 30 days from the Effective Date and continuing through the sixtieth (60 <sup>th</sup> ) month from the Petition Date.
City of Wigham	\$35,669		
Georgia Department of Labor	\$1,037		
Tennessee Department of Revenue	\$125		
Georgia Department of Revenue	\$49,046		
Georgia Department of Community Health	\$362,602		
Georgia Department of Community Health ("post-petition")	\$262,250		
<u>WOODLANDS:</u>		Unimpaired	Class 1 is unimpaired by this Plan, and each holder of a Class 1 Priority Claim will be paid consistent with §1129(a)(9)(C) of the Code in addition to statutory interest. The first payment will begin the first Business Day that is thirty (30) days from the Effective Date.
Internal Revenue Service	\$270,765		
Liberty County Tax Commissioner	\$3829		
Georgia Department of Labor	\$3536		
Tennessee Department of Revenue	\$104		

City of Midway	\$8632	Impaired.	Class 1(a)- Administrative and Priority Claims of Georgia Department of Community Health will be paid six (\$6,000) thousand dollars per month with payments beginning on the first Business Day that is 30 days from the Effective Date and continuing through the sixtieth (60 <sup>th</sup> ) month from the Petition Date.
Georgia Department of Revenue	\$241		
Georgia Department of Community Health	\$367,101		
Georgia Department of Community Health (“post-petition”)	\$370,753		

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class #	Description	Insider?	Impairment	Treatment
		(Yes or No)		

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
Class-2	<p>Secured claim of: Gemino Healthcare Finance, LLC</p> <p>Collateral Description = accounts receivable, inventory, furnishings, fixtures, furniture, equipment, general intangibles, and all other collateral securing the Debtors' pre-petition obligations.</p> <p>Allowed Secured Amount = \$1,420,000 in principal amount, less adequate protection payments received hereafter, plus any allowed legal fees, interest, expenses, costs and other fees</p> <p>Priority of lien = First</p> <p>Principal owed = \$1,420,000 more or less</p>	No	Impaired	<p>To be agreed by the Debtors and Gemino, who are discussing a secured exit financing facility (an "Exit Facility") by which the Gemino secured claim may be refinanced. While no agreement has yet been reached, the discussions have included (i) the Debtors executing and delivering new loan documentation for a first priority revolving secured credit facility between the Debtors and Gemino through which the allowed Gemino secured claim would be refinanced, with Gemino being granted liens and security interests upon substantially all of each Debtor's property; (ii) releases of claims by each Debtor in favor of Gemino as of the effective date of the confirmed chapter 11 plans, (iii) final allowance of Gemino's secured claims (including, without limitation, interest, legal fees and expenses), and (iv) preservation of Gemino's liens and security interests as to property of the Debtors and the pre-petition borrowers whose cases have converted to chapter 7. <u>The Court may consider approval of such an Exit Facility, to the extent agreed by Gemino and the Debtors, at the Confirmation Hearing.</u></p>

2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The following chart lists all classes containing claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan: N/A

3. Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.



The following chart identifies the Plan's proposed treatment of Classes 3 through 4, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
Class 3 -	<p>General Unsecured Creditors</p> <p>Eastman: Estimated to be \$472,605 in the aggregate as of _ December 6,2016</p> <p>Edwards Redeemer: Estimated to be \$802,333 in the aggregate as of December 6, 2016</p> <p>Pinewood: Estimated to be \$404,424 in the aggregate as of December 6, 2016</p> <p>Woodlands: Estimated to be \$803,471 in the aggregate as of December 6, 2016</p>	Unimpaired.	<p>All Allowed Unsecured Claims not separately classified shall be paid 100% of each Allowed Claim with regular monthly payments beginning the first Business Day of the month, 30 days following the Effective Date. Holders of Allowed Unsecured Claims not separately classified under the Plan shall receive payments in cash in an amount equal to one hundred (100%) percent of each holder's Allowed Unsecured Claim plus interest accruing at the rate of 2% APR payable in quarterly payments beginning the first Business Day of the month thirty (30) days following the Effective Date until the earlier of (a) five (5) years after the Effective Date, or (b) until the Allowed Unsecured Claims is paid in full plus interest at the rate of 2% APR.</p>
Class 4-	<p>Unsecured Convenience Claims</p> <p>Eastman: Estimated to be \$9695 in the aggregate as of _ December 6,2016</p> <p>Edwards Redeemer: Estimated to be \$9300 in the aggregate as of December 6, 2016</p> <p>Pinewood: Estimated to be \$9806 in the aggregate as of December 6, 2016</p> <p>Woodlands: Estimated to be \$8162 in the aggregate as of December 6, 2016</p>	Unimpaired.	<p>Class 5 consists of the unsecured claims held by unsecured creditors that are in an amount up to \$500 and any unsecured claims held by unsecured creditors that elect on the ballot to reduce their claim to \$500 to be treated as Class 4 claimant instead of treatment as a general unsecured creditor under Class 3. Holders of Allowed Convenience Claims shall receive payment in full in Cash on account of each holder's Allowed Convenience Claim on or before the first Business Day that is ninety (90) days following the Effective Date.</p>

Class #	Description	Impairment	Treatment
Class 5 -	Equity Security Holders of the Debtor	Impaired.	On the Effective Date all equity and membership interests in the Debtors will be automatically canceled and voided. Holders of Class 5 Interests will receive nothing on account of those interests.

4. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plans' proposed treatment of the class of equity interest holders:

Class #	Description	Impairment	Treatment
5	Equity interest holders: Trent Tolbert	Impaired	Class will receive no payments under the Plan

D. Means of Implementing the Plans

1. Source of Payments

Payments and distributions under the Plans will be funded by the following:

Funding on the Effective Date. All payments under the Plans which are due on the Effective Date will be funded from the Cash on hand, the New Equity Investment, and an exit financing loan from Gemino if and to the extent that the Debtors and Gemino are able to agree upon exit financing.

Funding after the Effective Date. The funds necessary to ensure continuing performance under the Plans after the Effective Date will be (or may be) obtained from:

- (a) any and all remaining Cash retained by the Reorganized Debtors after the Effective Date;
- (b) Cash generated from the post-Effective Date operations of the reorganized Debtors;
- (c) loan proceeds from Gemino; and
- (d) any other contributions or financing (if any) which the Reorganized Debtors may obtain on or after the Effective Date.

2. Post-confirmation Management

The Post-Confirmation Managers of the Debtors, and their compensation, shall be as follows:

From and after the Effective Date, the reorganized Debtors will be managed by Trent Tolbert and Alan Zuccari in accordance with the operating agreements of the Reorganized Debtors, as such may be amended as necessary or appropriate to comply with applicable state law, the Plans, and the issuance of the New Equity Interest to Mr. Zuccari or his designee in accordance with the terms of the Plans and the capital infusion three hundred thousand dollars (\$300,000) to the Reorganized Debtors. New Beginnings Care, LLC will cease to manage the Debtors by the terms of these Plans on the Effective Date. On the Effective Date, Cadence Healthcare Solution, LLC will become the Debtors' management company for the Reorganized Debtors.

3. Creditor Representative.

E. Risk Factors

There are various factors that may adversely affect the viability of the Plans over which the Debtors have little control and which may not be predicted with any degree of certainty. Debtors operate in a highly and tightly regulated business environment that is overseen by CMS and the Oklahoma and Georgia state long-term care regulatory agencies. These agencies can require the Debtors to incur substantial capital improvement costs to the Debtors' nursing homes. There is no practical administrative review of these regulatory functions and thus the Debtors are forced to incur costs on an unpredictable basis. Debtors have attempted to limit this exposure by limiting their capital cost exposure quarterly through language in the Debtors' leases with its landlords. In addition, there is no assurance that the Debtors and Gemino will be able to reach agreement on an Exit Facility.

Furthermore, the Debtors' facilities can be closed by the regulators, if the regulators determine that cause exists therefore. There is no practical review of these regulatory decisions. The Debtors have attempted to ameliorate this risk by strengthening their operational management to pay as close attention as possible to the condition of the facilities and the treatment and care being afforded to the residents of the facilities.

F. Executory Contracts and Unexpired Leases

The Plans list all executory contracts and unexpired leases that the Debtors will assume under the Plans. Assumption means that the Debtors have elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plans within the deadline for objecting to the confirmation of the Plans, unless the Court has set a different time.

All executory contracts and unexpired leases that are not listed in the Plans as accepted will be rejected under the Plans. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plans within the deadline for objecting to the confirmation of the Plans.

The deadline for filing a Proof of Claim based on a Claim arising from the rejection of a lease or contract will be set by the Court. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plans

Creditors and Equity Interest Holders concerned with how the Plan may affect their tax liability should consult with their own accountants, attorneys, and/or Advisors.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plans must meet the requirements listed in §§ 1129(a) or (b) of the Code. These generally include the requirement that: the Plans must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plans must distribute to each Creditor and Equity Interest Holder at least as much as the Creditor or Equity Interest Holder would receive in a chapter 7 liquidation case, unless the Creditor or Equity Interest Holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plans if the party believes that the requirements for confirmation are not met.

Certain parties in interest, however, are not entitled to vote to accept or reject the Plans. A Creditor or Equity Interest Holder has a right to vote for or against the Plan only if that Creditor or Equity Interest Holder has a Claim or Equity Interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plans' Proponent believes that Class 2 is impaired and that holders of claims in that class are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1, 3, 4 are unimpaired and that holders of Claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plans.

1. What Is an Allowed Claim or an Allowed Equity Interest?

Only a Creditor or Equity Interest Holder with an Allowed Claim or an Allowed Equity Interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtors have scheduled the claim on the Debtors' schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the Creditor has filed a proof of claim or Equity Interest, unless an objection has been filed to such proof of claim or Equity Interest. When a Claim or Equity Interest is not allowed, the Creditor or Equity Interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the Claim or Equity Interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an Allowed Claim or Equity Interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is Not Entitled to Vote

The holders of the following five types of Claims and Equity Interests are not entitled to vote:

holders of Claims and Equity Interests that have been disallowed by an order of the Court;

holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.

holders of Claims or Equity Interests in unimpaired classes;

holders of Claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and

holders of Claims or Equity Interests in classes that do not receive or retain any value under the Plan;

administrative expenses.

Even if you are not entitled to vote on the Plans, you have a right to object to the confirmation of the plans and to the adequacy of the disclosure statement.

#### 4. Who Can Vote in More Than One Class

A creditor whose Claim has been allowed in part as a Secured Claim and in part as an Unsecured Claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject the Plans in each capacity, and should cast one ballot for each claim.

##### B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plans unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section B.2.

##### 1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plans if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plans, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plans.

A class of equity interests accepts the Plans if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plans.

##### 2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plans, the Court may nonetheless confirm the Plans if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plans to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plans.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

##### C. Liquidation Analysis

To confirm the Plans, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation.

Under Bankruptcy Code § 1129(a)(7), each holder of a Claim or Interest in an impaired class must either (i) vote to accept the Plans or (ii) receive or retain under the Plans cash or property of a value, as of the Effective Date of the Plans, 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. In a Chapter 7 case, a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Under the priority scheme set forth in the Bankruptcy Code, Secured Creditors are generally paid from the proceeds of sale of the properties securing their liens. If any assets are remaining after the satisfaction of secured claims, the holders of administrative Claims are generally next to receive payments. Unsecured Claims are thereafter paid from any remaining sales proceeds, according to their legal rights of priority. Unsecured Claims with the same priority share in proportion to the amount of their allowed claim in relation to the amount of total allowed Unsecured Claims with the same priority. Finally, Interest Holders receive the balance that remains, if any, after all creditors are paid. Thus, to confirm the Plans, the Court must find that all creditors and interest holders that do not accept the Plan will receive at least as much under the Plans as they would receive under a hypothetical Chapter 7 liquidation of the Debtors.

The Debtors have estimated the liquidation value of the Debtors' assets based upon the consideration paid for the transfer of Debtors' Mt. Pleasant and Savannah Beach facilities for \$300,000 and \$150,000 respectively. Therefore, the transfer of the four Debtors to new operators would each likely generate between \$1,200,000 and \$600,000. Since Gemino is secured by the Debtors' receivables, and is owed more than \$1,420,000, the sale of Debtors' four facilities would likely not result in any payment to Debtors' Creditors after Gemino is paid. This liquidation analysis is not a guarantee as to the amounts and sources of recovery that could be realized in a hypothetical liquidation of the Debtors. Rather, the liquidation analysis is only an estimate.

As demonstrated by the above liquidation analysis, the prospects for recovery that may be realized by creditors on account of their Claims and Equity Holders on account of their Interests are greater under the terms embodied in the Plans than they would be in a Chapter 7 liquidation of the Debtors. Consequently, the Debtors do not believe that holders of Claims and Interests would receive more in a Chapter 7 liquidation of the Debtors than they would receive under the Plans.

#### D. Feasibility

The Court must find that confirmation of the Plans is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors, unless such liquidation or reorganization is proposed in the Plans.

##### 1. Ability to Initially Fund Plan

The Plans' Proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plans to pay all the claims and expenses that are required to be paid on that date. Debtor estimates cash on hand on the Effective Date of the Plans, will be \$400,000.

##### 2. Ability to Make Future Plans' Payments And Operate Without Further Reorganization

The Plans' Proponent must also show that Debtors will have enough cash over the life of the Plans to make the required Plans' payments.

The Plans' Proponent has provided projected financial information for twelve months following the Effective Date. Those projections are listed in Exhibit E.

The Plans' Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$1,228,412. The final Plans' payment is expected to be paid sixty (60) months after the Effective Date.

You should consult with your accountant or other financial advisor if you have any questions pertaining to these projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtors

On the Effective Date of the Plans, the Debtors shall be discharged from any debt that arose before confirmation of the Plans, subject to the occurrence of the Effective Date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtors shall not be discharged of any debt (i) imposed by the Plans, including pursuant to any Exit Facility, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the Effective Date of the Plans your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

B. Modification of Plan

The Plans' Proponent may modify the Plans at any time before confirmation of the Plans. However, the Court may require a new disclosure statement and/or revoting on the Plans.

Upon request of the Debtors, the United States trustee, or the holder of an allowed unsecured claim, the Plans may be modified at any time after confirmation of the Plans but before the completion of payments under the Plans, to (1) increase or reduce the amount of payments under the Plans on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose Claim is provided for by the Plans to the extent necessary to take account of any payment of the claim made other than under the Plans.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plans' Proponent, or such other party as the Court shall designate in the Plans confirmation order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

VI. RECOMMENDATION AND CONCLUSION

Debtors recommend that all creditors vote to accept the Plans. The Debtors believe that the Plans provide the best possible return to Creditors under the circumstances and a much greater return than if the Chapter 11 cases are dismissed or converted to Chapter 7.

/s/ Trent Tolbert

Trent Tolbert, Member  
Eastman Healthcare & Rehab, LLC  
Edwards Redeemer Healthcare & Rehab, LLC  
Pinewood Healthcare & Rehab, LLC  
Woodlands Healthcare & Rehab, LLC  
[Signature of Plan Proponent]

/s/David J. Fulton

David J. Fulton 6102  
[Signature of the Attorney for the Plan Proponent]

COLLECTIVE

EXHIBIT "A"

PLANS



**EXHIBIT "B"**

**BOOK VALUE OF DEBTORS' ASSETS**

**EXHIBIT "C"**  
**FINANCIAL STATEMENTS**

**EXHIBIT "D"**  
**OPERATING REPORT**

EXHIBIT "E"  
LIQUATION ANALYSIS

**EXHIBIT "F"**

**CASH ON HAND ON EFFECTIVE DATE**

**EXHIBIT "G"**  
**PROJECTIONS**

