

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

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:

**NEXION HEALTH AT LANCASTER,
INC., ET AL.**

DEBTORS.

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CASE NO. 17-34025-11

**JOINTLY ADMINISTERED UNDER
CASE No: 17-34025-11**

**DISCLOSURE STATEMENT PURSUANT TO 11 U.S.C. § 1125 IN SUPPORT OF
DEBTORS' CHAPTER 11 JOINT PLAN OF REORGANIZATION**

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Dated: February 26, 2018

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I. INTRODUCTION AND OVERVIEW

A. Overview

On October 30, 2017 (the “**Petition Date**”), Nexion Health at Lancaster, Inc., Nexion Health at Garland, Inc., Nexion Health at McKinney, Inc. and Nexion Health at Bogata, Inc. (each a “**Debtor**” and collectively, the “**Debtors**”) filed a voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “**Bankruptcy Court**”). The Debtors' cases are jointly administered under Case No. 17-34025 (the “**Chapter 11 Case**”).

The Debtors continue to operate and manage their estates (the “**Estates**”) as “debtors-in-possession” pursuant to §§ 1107 and 1108 of the Bankruptcy Code. No trustee, examiner or committee has been appointed in the Chapter 11 Case pursuant to § 1104 of the Bankruptcy Code.

The Debtors submit this disclosure statement (“**Disclosure Statement**”) pursuant to § 1125 of the Bankruptcy Code for use in the solicitation of votes on the Debtors' Chapter 11 Plan of Reorganization (the “**Plan**”). The Plan¹ was filed with the Bankruptcy Court on February 26, 2018. The following summary is a general overview only and is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information, and financial statements appearing elsewhere in this Disclosure Statement and the Plan. All capitalized terms not defined in this Disclosure Statement have the meaning given to them in the Plan. A copy of the Plan, separately filed in the Chapter 11 Case, is attached as **Exhibit “A.”**

This Disclosure Statement contains: (i) a brief history of the Debtors; (ii) a summary of the Chapter 11 Case; (iii) a summary of material provisions of the Plan, including provisions relating to the Plan’s treatment of Claims against and Interests in the Debtors; (iv) a discussion of the Plan’s feasibility, the administration of the Estates, the Debtors' Assets, and the means to implement the Plan; and (v) a liquidation analysis estimating what Holders of a Claim against or Interest in the Debtors would recover if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on the projected effective date of the Plan. The Disclosure Statement also summarizes certain financial information concerning the Debtors and the Claims asserted against the Debtors in the Chapter 11 Case. While the Debtors believe that the Disclosure Statement contains adequate information about the documents and information summarized, Holders of Claims and Holders of Interests should review the entire Plan and each document referenced therein and herein, and should seek the advice of their own counsel and other advisors before voting on the plan. Certain provisions of the Plan – and, therefore, descriptions and summaries contained in this Disclosure Statement – may be the subject of continuing negotiations among the Debtors and various parties, may not have been finally agreed, and may be modified. However, such modifications will not have a material effect on the distributions contemplated by the Plan.

¹ Capitalized terms contained herein shall have the meaning ascribed to them in the Plan and the definitions of the Plan are hereby incorporated. To the extent a conflict exists between a definition herein and a definition in the Plan, the definition in the Plan shall control.

The Debtors are proponents of the Plan within the meaning of § 1129 of the Bankruptcy Code. The Plan contains separate Classes and proposes recoveries for Holders of Claims against and Interests in the Debtors. After careful review of the Debtors' current business operations, estimated recoveries in a liquidation scenario, and the prospects of ongoing business, the Debtors have concluded that the recovery to Creditors will be maximized by the reorganization of the Debtors as contemplated by the Plan. Collectively, the Debtors believe that their businesses and assets have significant going-concern value that would not be realized through liquidation, either in whole or in substantial part.

EXCEPT FOR THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED, NO REPRESENTATIONS CONCERNING THE DEBTORS, THE DEBTORS' ASSETS AND LIABILITIES, THE PAST OR FUTURE OPERATIONS OF THE DEBTORS, THE PLAN AND ITS TERMS, OR ALTERNATIVES TO THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED ON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY INFORMATION REGARDING SUCH TOPIC AREAS THAT IS PROVIDED TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN AND THAT IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED IS UNAUTHORIZED AND SHOULD BE REPORTED IMMEDIATELY TO THE DEBTORS' COUNSEL.

STATEMENTS AND FINANCIAL INFORMATION HEREIN CONCERNING THE DEBTORS, INCLUDING, WITHOUT LIMITATION, HISTORICAL INFORMATION, INFORMATION REGARDING THE DEBTORS' ASSETS AND LIABILITIES, AND INFORMATION REGARDING CLAIMS AND INTERESTS ASSERTED OR OTHERWISE EVIDENCED IN THE DEBTORS' CHAPTER 11 CASE, HAVE BEEN DERIVED FROM NUMEROUS SOURCES, INCLUDING, WITHOUT LIMITATION, THE DEBTORS, THE DEBTORS' BOOKS AND RECORDS, THE DEBTORS' SCHEDULES AND STATEMENT OF FINANCIAL AFFAIRS, AND COURT RECORDS. ALTHOUGH THE DEBTORS REASONABLY BELIEVE THAT THE HISTORICAL AND FINANCIAL INFORMATION SET FORTH HEREIN IS ACCURATE, COMPLETE, AND RELIABLE, THE DEBTORS AND THEIR PROFESSIONALS HAVE NOT TAKEN ANY INDEPENDENT ACTION TO VERIFY THE ACCURACY, COMPLETENESS, OR RELIABILITY OF SUCH HISTORICAL INFORMATION, AND THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THEREFORE, NEITHER THE DEBTORS NOR THEIR PROFESSIONALS WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETE, ACCURATE, OR RELIABLE. HOWEVER, THE DEBTORS HAVE REVIEWED THE INFORMATION SET FORTH HEREIN AND, BASED ON THEIR SOURCES OF INFORMATION, GENERALLY BELIEVE SUCH INFORMATION TO BE COMPLETE.

THE PLAN IS THE GOVERNING DOCUMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN CONTROL.

UPON BANKRUPTCY COURT APPROVAL OF THE PLAN, THE PLAN WILL BE BINDING ON ALL HOLDERS OF CLAIMS – THAT IS, CREDITORS – AND HOLDERS OF EQUITY – THAT IS, INTERESTS.

B. Notice to Holders of Claims and Interests

The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim is impaired under the Plan, to make an informed decision when exercising your right to accept or reject the Plan. A list of Frequently Asked Questions (“FAQs”) and answers to those FAQs are attached to this Disclosure Statement as **Exhibit “C.”**

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR ON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THE 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 TO THE PLAN AND TO THE EXHIBITS AND SCHEDULES TO THIS DISCLOSURE STATEMENT. 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. IF A CONFLICT EXISTS BETWEEN THE DESCRIPTION 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 § 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE “BANKRUPTCY RULES”) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER 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.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT, EXPRESS OR IMPLIED, IS INTENDED TO GIVE RISE TO ANY COMMITMENT OR OBLIGATION OF THE DEBTORS, OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED AS CONFERRING ON ANY PERSON ANY RIGHTS, BENEFITS, OR REMEDIES OF ANY NATURE WHATSOEVER. THE DISCLOSURE STATEMENT IS INFORMATIONAL ONLY. ADDITIONALLY, HOLDERS OF CLAIMS AND HOLDERS OF INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH CLAIMANT AND INTEREST HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY MATTER CONCERNING THE PLAN, THE EFFECTS OF

IMPLEMENTATION OF THE PLAN, AND THE VOTING PROCEDURES APPLICABLE TO THE PLAN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT WILL 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 AND IS, THEREFORE, PROTECTED UNDER RULE 408 OF THE FEDERAL RULES OF EVIDENCE. THIS 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 INTERESTS IN THE DEBTOR.

On _____, 2018, after notice and a hearing, the Bankruptcy Court entered the Disclosure Statement Order pursuant to § 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 the solicited classes of Claims of the Debtors to make an informed judgment about whether to accept or reject 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 § 1125 of the Bankruptcy Code. Except for the Debtors and certain of the professionals they have retained, no person is 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 other information is given or made, such information may not be relied on 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 and the Schedules and Exhibits.

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, and return the same to the address set forth on the ballot, in the enclosed, postage-prepaid return-requested envelope so that it will be actually received by counsel for the Debtors, no later than the Voting Deadline. All votes to accept or reject the Plan must be cast using the appropriate ballot. Votes that are cast in any other manner will not be counted. For more detail addressing how to cast your ballot if you are entitled to vote, please refer to Article III—titled Voting Procedures and Requirements—which is found on page 6 of this Disclosure Statement.

II. 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 commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of a debtor as of the date the petition is filed. §§ 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 Case, the Debtors each remain in possession of their property and continue to operate their businesses as debtors-in-possession.

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. Unless otherwise ordered by the bankruptcy court, the automatic stay will remain in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. A plan of reorganization typically 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**”). However, § 1121(d) of the Bankruptcy Code permits the bankruptcy court to extend or reduce the Filing Period and Solicitation Period after a showing of “cause.” The Filing Period and Solicitation Period may not be extended beyond 18 months and 20 months, respectively, from the Petition Date. Because the Debtor filed the Plan during the Filing Period, no other creditor or party in interest may file a plan until the expiration of the Solicitation Period.

B. Plan of Reorganization

Although referred to as a plan of reorganization, a 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 the Summary of the Plan found before Article I of the Plan.

After a plan of reorganization has been filed, the holders of impaired claims against, and interests in, a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, § 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 Claims against the Debtors to satisfy the requirements of § 1125 of the Bankruptcy Code in connection with the Debtors' solicitation of votes on the Plan.**

III.

VOTING PROCEDURES AND REQUIREMENTS

A. Ballots and Voting Deadline

Each Holder of a Claim in an impaired Class is entitled to vote on the Plan and shall be provided a Ballot along with this Disclosure Statement. If a Claimant holds Claims in more than one Impaired Class, such Claimant has been provided a separate Ballot for each such Class. The Ballot is to be used by the Claimant to accept or reject the Plan.

To ensure that its Ballot is deemed timely and considered by the Balloting Agent, each Claimant must (i) carefully review the Ballot and the instructions set forth thereon, (ii) provide all of the information requested on the Ballot, (iii) sign the Ballot, and (iv) return the completed and signed Ballot to the counsel for the Debtors by the Voting Deadline, as defined below.

By Order of the Bankruptcy Court, **all ballots must be actually received by counsel for the Debtors no later than _____, 2018, at 5:00 p.m., Prevailing Central Time (the "Voting Deadline").** For a Ballot to be counted, the completed and signed Ballot **must be received** at the address specified below by no later than the Voting Deadline:

NEXION BALLOTS
C/O KANE RUSSELL COLEMAN LOGAN PC
ATTN: THERESA GARCIA
3700 THANKSGIVING TOWER
1601 ELM STREET
DALLAS, TEXAS 75201

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT.

You will be bound by the Plan if it is accepted by the requisite Holders of Claims and confirmed by the Bankruptcy Court, even if you do not vote to accept the Plan or if you are the Holder of an Unimpaired Claim.

B. Claimants Solicited to Vote

Each Claimant holding a Claim in an impaired Class under the Plan is being solicited to vote on the Plan, other than those in Class 9 who are deemed to have rejected the Plan. However, unless otherwise provided in the Plan, as to any Claim for which a proof of Claim was filed and as to which an objection has been lodged, if such objection is still pending as of the Voting Deadline, the Claimant's vote associated with such Claim will not be counted to the extent of the objection to the Claim, unless the Claimant files a motion and obtains an Order of the Bankruptcy Court temporarily allowing the Claim in an amount that the Bankruptcy Court deems proper for the purpose of voting on the Plan. **Such motion must be heard and determined by the Bankruptcy Court at least**

ten (10) days prior to the Confirmation Hearing. In addition, a Claimant's vote may be disregarded if the Bankruptcy Court determines that the Claimant's acceptance or rejection of the Plan was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code, or that the Claimant is an insider of a Debtor within the meaning of § 101(31) of the Bankruptcy Code.

C. Definition of Impairment

Pursuant to § 1124 of the Bankruptcy Code, except to the extent that a Holder of a particular Claim or Interest within a class agrees to less-favorable treatment of the Holder's Claim or Interest, a Class of Claims or Interests is Impaired under a plan unless, with each Claim or Interest of Such class, the Plan does at least one of the following two (2) things:

1. The plan leaves unaltered the legal, equitable, and contractual rights to which such Claim or Interest entitles the Holder of such Claim or Interest or

2. Notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim or Interest to demand or receive accelerated payment of such Claim or Interest after the occurrence of a default, the plan:

- a. cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in § 365(b)(2) of the Bankruptcy Code or of a kind that § 365(b)(2) expressly does not require to be cured;
- b. reinstates the maturity of such Claim or Interest as such maturity existed before such default;
- c. compensates the Holder of such Claim or Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law;
- d. if such Claim or such Interest arises from a failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real-property lease subject to § 365(b)(1)(A) of the Bankruptcy Code, compensates the holder of such Claim or Interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure; and
- e. does not otherwise alter the legal, equitable, or contractual rights to which such Claim or Interest entitles the Holder of such Claim or Interest.

D. Classes Impaired Under the Plan

Impaired Classes of Claims are identified below, but consist solely of Insider Claims, whose votes do not count under § 1129(a)(10) of the Bankruptcy Code. All other Classes of Claims shall be paid in full and so are unimpaired under the Plan. Pursuant to § 1126(f) of the Bankruptcy Code,

Holders of Unimpaired Claims are conclusively presumed to accept the Plan. Accordingly, all Classes of Claims whose votes would be entitled to consideration under the Bankruptcy Code are deemed to have accepted the Plan.

With respect to the foregoing, the Debtors specifically reserve the right to determine and contest, if necessary, (a) the Impaired or Unimpaired status of a Class under the Plan, and (b) whether any Ballots cast by Claimants holding Claims within such a Class should be counted for purposes of confirmation of the Plan.

E. Vote Required for Impaired Class Acceptance

Pursuant to § 1126(c) of the Bankruptcy Code, a Class of Claims under the Plan shall be deemed to have accepted the Plan if the Plan is accepted by Claimants holding at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims within such Class that voted on the Plan.

Pursuant to § 1126(e) of the Bankruptcy Code, on request of a party in interest in the Chapter 11 Case, and after notice and a hearing, the Bankruptcy Court may designate the vote of any Claimant whose acceptance or rejection of the Plan was not: (i) in good faith; (ii) solicited or procured in good faith; or (iii) made in accordance with the provisions of the Bankruptcy Code.

IV. **CONFIRMATION OF THE PLAN**

A. Confirmation Hearing

If all classes of claims and equity interests accept a plan of reorganization, or are deemed to have accepted the plan of reorganization, 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. **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.

In addition, classes of claims or equity interests that are not “impaired” under a plan of reorganization 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. **The Lancaster Debtor, McKinney Debtor, Garland Debtor, and Bogata Debtor have no impaired classes of claims or Interests under the Plan, except Class 6 Management Fees (A6, B6, C6, and D6) and, accordingly, all such unimpaired classes are deemed to have accepted the Plan under Bankruptcy Code § 1126(f).**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of 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**”) on _____, 2018, at _____.m. (prevailing Central Time), before the Honorable Harlin D. Hale, United States Bankruptcy Judge for the Northern District of Texas, 1100 Commerce Street, 14th Floor, Dallas, Texas 75242. Any objection to confirmation of the Plan must be made in writing, and such written objection must be filed with the Bankruptcy Court and served on the following parties by not later than _____, 2018, at 5:00 p.m. (prevailing Central Time):

Debtors’ Counsel:

Joseph M. Coleman
John J. Kane
Kane Russell Coleman Logan PC
1601 Elm Street, Suite 3700
Dallas, Texas 75201

Debtors:

Nexion Health at Lancaster, Inc.
Nexion Health at Garland, Inc.
Nexion Health at McKinney, Inc.
Nexion Health at Bogata, Inc.
c/o Brian P. Lee
6937 Warfield Avenue
Sykesville, MD 21784

United States Trustee:

Nancy Sue Resnick
Office of United States Trustee
1100 Commerce Street, Room 976
Dallas, Texas 75242

**UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED,
IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

B. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements of § 1129(a) of the Bankruptcy Code have been satisfied. Only if all such requirements are satisfied, and all other conditions to confirmation set forth in the Plan are met, will the Bankruptcy Court enter an Order confirming the Plan under § 1129(a). The requirements of § 1129(a) applicable to a corporate debtor are as follows:

1. The Plan complies with the applicable provisions of the Bankruptcy Code.
2. The Debtors comply with the applicable provisions of the Bankruptcy Code.
3. The Plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made 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 case, or in connection with the Plan and incident to the case, has been approved by, or is subject to the approval of, the court as reasonable.

5. The Debtors have disclosed:

- a. the identity of any individual proposed to serve, after confirmation of the plan, as a director, officer or voting trustee of the debtor, an affiliate of the Debtors participating in a joint plan with 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 Interest Holders and with public policy; and
- b. the identity of any insider that will be employed or retained by the Reorganized Debtors.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.

7. With respect to each impaired class of claims or interests:

- a. each Holder of a Claim or Equity Interest of such Class has accepted the Plan or will receive or retain under the Plan on account of such Claim or Equity Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount that such Holder would so receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date; or
- b. if § 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, each Holder of a Claim of such Class will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the value of such Holder's interest in the estate's interest in the property that secures such claims.

8. With respect to each Class of Claims or Interests, such Class has accepted the Plan or such Class is not impaired under the Plan.

9. Except to the extent that the Holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that:

- a. with respect to a Claim of a kind specified in § 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the Plan, the Holder of such Claim will receive on account of such Claim cash equal to the allowed amount of such Claim;
- b. with respect to a Class of Claims of a kind specified in § 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each Holder of a Claim of such Class will receive (i) if such Class has accepted the Plan, deferred cash payments of a value, as of the Effective Date of the Plan, equal to the allowed amount of such

Claim, or (ii) if such Class has not accepted the Plan, cash on the Effective Date of the Plan equal to the allowed amount of such Claim;

- c. with respect to a Claim of a kind specified in § 507(a)(8) of the Bankruptcy Code, the Holder of such Claim will receive on account of such Claim regular installment payments in cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim, (ii) over a period ending not later than 5 years after the date of the order for relief under § 301, 302, or 303 of the Bankruptcy Code, and (iii) in a manner not less favorable than the most favored nonpriority unsecured Claim provided for by the plan (other than cash payments made to a class of creditors under § 1122(b) of the Bankruptcy Code); and
- d. with respect to a secured Claim which would otherwise meet the description of an unsecured Claim of a governmental unit under § 507(a)(8) of the Bankruptcy Code, but for the secured status of that Claim, the Holder of that Claim will receive on account of that Claim, cash payments, in the same manner and over the same period, as prescribed in paragraph 9(c) above.

10. If a Class of Claims is impaired under the Plan, at least one class of Claims that is impaired under the Plan has accepted the Plan, determined without including any acceptance of the plan by any insider.

11. 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 successor to the debtors under the plan, unless such liquidation or reorganization is proposed in the Plan.

12. All fees payable under section 1930 of Title 28, as determined by the court at the hearing on confirmation of the Plan, have been paid or the Plan provides for the payment of all such fees on the effective date of the Plan.

13. The Plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in § 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of § 1114 of the Bankruptcy Code, at any time prior to confirmation of the Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits.

14. All transfers of property under the Plan shall be made in accordance with any applicable provisions of non-bankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

If a sufficient number of Claimants and amounts of Claims in Impaired Classes under the Plan vote to accept the Plan, the Debtors believe that the Plan will satisfy all of the applicable statutory requirements of § 1129(a) of the Bankruptcy Code. However, as discussed below, the Debtors believe that the Plan may otherwise be confirmed under the “cramdown” provisions of § 1129(b) of the Bankruptcy Code, which are summarized below.

C. Cramdown

Pursuant to § 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm the Plan at the request of the Debtors if: (i) all requirements of § 1129(a) of the Bankruptcy Code, with the exception of § 1129(a)(8) (set out in paragraph 8 above), are met with respect to the Plan; (ii) at least one Class of Claims that is impaired under the Plan has accepted the Plan (excluding the votes of insiders); and (iii) with respect to each impaired Class that has not accepted the Plan, the Plan does not “discriminate unfairly” and is “fair and equitable.”

A plan does not “discriminate unfairly” within the meaning of the Bankruptcy Code if the classification of claims under the plan complies with the Bankruptcy Code and no particular class will receive more than it is legally entitled to receive for its claims or interests.

On the other hand, “fair and equitable” has a different meaning for classes of secured claims, classes of unsecured claims, and classes of equity interests, as described below:

1. With respect to a class of secured claims that rejects the Plan, to be “fair and equitable” the Plan must, among other things, provide:
 - a. that the Holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and that each Holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such Holder’s interest in the estate’s interest in such property;
 - b. for the realization of such Holders of the indubitable equivalent of such claims; or
 - c. for the sale, subject to § 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under (a) or (b) above.
2. With respect to a class of unsecured claims that rejects the Plan, to be “fair and equitable” the Plan must, among other things, provide:
 - a. that each Holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or
 - b. that the Holder of any claim or equity interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or equity interest any property.
3. With respect to a class of equity interests that rejects the Plan, to be “fair and equitable” the Plan must, among other things, provide:

- a. that each Holder of an equity interest of such class receive or retain on account of such equity interest property of a value, as of the effective date of the Plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled, or the value of such equity interest; or
- b. that the Holder of any equity interest that is junior to the interests of such class will not receive or retain under the Plan on account of such junior equity interest any property.

If at least one impaired Class of Claims under the Plan accepts the Plan, the Debtors may request the Bankruptcy Court confirm the Plan in accordance with the cramdown provisions of § 1129(b) of the Bankruptcy Code. The Debtors believe that all of the requirements of § 1129(a) of the Bankruptcy Code are satisfied under the Plan, however, and that cramdown is unnecessary. In any event, the Debtors assert that the Plan does not unfairly discriminate against and is fair and equitable in relation to each of the Classes, regardless of whether they may vote to accept or reject the Plan.

V. PLAN OVERVIEW

On October 30, 2017, the Debtors filed their voluntary petitions under chapter 11 of the Bankruptcy Code. The Plan is designed to accomplish the further restructuring of the Debtors' businesses and balance sheets and provide a mechanism for distributions to creditors.

This Section provides a summary of the Plan and of how Claims against and Interests in the Debtors are classified and treated under the Plan. THE DESCRIPTIONS SET FORTH BELOW ARE MERELY SUMMARIES AND, IF INCONSISTENT WITH THE PLAN, THE PLAN'S TERMS WILL GOVERN. ACCORDINGLY, PLEASE READ THE PLAN CAREFULLY. The information set forth within the tables of treatments below is qualified in its entirety by the more detailed information regarding the Plan set forth in this Disclosure Statement, the attached exhibits (including the Plan itself) and the additional disclosures that follow the tables.

Summary of the Terms of the Plan.

The Debtors' proposed Plan seeks to successfully reorganize the Lancaster, Garland, and McKinney Debtors, while winding up the operations of the Bogata Debtor following the Bogata Transition. The Debtors' successful operations have generated sufficient cash to implement the proposed Plan. Moreover, to ensure distributions are timely delivered, Nexion Health Management, Inc. has committed to advance up to \$250,000 on an as-needed basis. As detailed in the Plan, aside from the Bogata Debtor, the remaining Debtors intend to maintain operations, assume pertinent executory contracts, and pay substantially all pre-petition debts.

The Plan is built around the following key elements:

- a) Reorganized Lancaster, Reorganized Garland, and Reorganized McKinney will each continue to operate its respective business, retain its operating assets and causes of action, and assume all

executory contracts necessary for the continued operation of the respective Debtor businesses.

- b) Reorganized Bogata will undergo the Bogata Transition, and begin to wind up operations and issue distributions due and owing under the terms of the Plan.
- c) The Reorganized Debtors will retain all officers and directors currently serving in that capacity on behalf of the Debtors. Their compensation shall remain consistent.
- d) The Reorganized Debtors will use Available Cash and, as needed, up to \$250,000 provided by Nexion Health Management, Inc. in order to make distributions in accordance with the terms of the Plan.
- e) Allowed Administrative Expenses will be paid at or before the Effective Date.
- f) General Unsecured Creditors will be paid in full on the later of the Effective Date of the Plan, or the date on which the claim in question is deemed Allowed.
- g) After the Effective Date, all Employee Benefit Plans of the Lancaster Reorganized Debtor, the McKinney Reorganized Debtor and the Garland Reorganized Debtor shall remain in full force and effect without change of any kind or character. The Bogata Reorganized Debtor's Employment Benefit Plan shall terminate for all purposes on the Effective Date or as otherwise treated as part of the Bogata Transition.
- h) The Reorganized Debtors will retain all claims and causes of action, but do not intend to pursue causes of action arising under Chapter 5 of the Bankruptcy Code.

Factors and Assumptions Applied in Arriving at Estimates

The estimated Claims per Class provided below were derived from the Debtors' books and records and other information available to them. The deadline to file a proof of claim in the Chapter 11 Cases is March 14, 2018. Considering that the proof of claim deadline has not yet passed, the information provided did not take into account filed claims. While some of the information included in the numbers below may be superseded by a later-filed proof of claim, the numbers below reflect the Debtors' best estimate of claims against each respective estate:

- Unsecured Claims in the approximate amount of \$1,914,261.00, consisting of: \$558,258.70, Lancaster; \$500,539.06, McKinney; \$563,180.56, Garland; \$292,282.68, Bogata.

- Unsecured Pre-Petition Management Fees² in the approximate amount of \$1,446,385.48 consisting of: \$398,923.03, Lancaster; \$401,378.60, McKinney; \$430,799.55, Garland; and \$215,284.30, Bogata.
- Secured Claims in the approximate amount of \$0.00, though Office Business Solutions, LLC and certain landlord entities assert security interest in certain equipment and personal property of the Debtors.
- Priority Claims in the approximate amount of: \$1,007.88, Lancaster; \$566.14, McKinney; \$0.00, Garland; \$0.00 Bogata.
- Administrative Claims in the approximate amount of \$300,000,³ excluding Post-Petition Management Fees;
- Administrative Claims for Post-Petition Management Fees in the approximate amount of \$1,000,000 through May, 2018; and
- § 503(b)(9) Claims total unknown amount.⁴

The information provided in the bullet points above are estimates, and do not take into account the potential disallowance of claims following the claims bar date, analysis, and claim objection process. Moreover, the Debtor acknowledges that certain scheduled claims may be superseded by filed claims. Even so, the Debtors estimate that they will have sufficient funds to implement the Plan even if the total claim amount exceeds the scheduled amount provided above. Even so, the ultimate resolution of Claims is inherently uncertain. Moreover, the Debtors have not completed their evaluation of all Claims and cannot presume the validity of merit-based disputes or objections. Any Claim that is a Disputed Claim may be Disallowed or reduced in amount if an objection has been or is timely hereafter filed and sustained by the Bankruptcy Court. Because the resolution of Disputed Claims involves many factual and legal issues that may or may not be resolved as anticipated, no assurance can be given that the anticipated amount of Allowable Claims in each Class would be achieved were these assumptions included in the foregoing estimates. The foregoing estimates contained herein shall not, therefore, be deemed as admissions on the part of

² Each of the Debtors relies on Nexion Health Management, Inc. for management services necessary for ongoing operations. Nexion Health Management, Inc. provides each Debtor with all major accounting functions, including the preparation of profit and loss statements, balance sheets, cash flow analyses, and accounts receivable and payable management. In addition, Nexion Health Management, Inc. provides each Debtor with treasury services, payroll services, technology services, including all IT hosting and support services. It also provides each Debtor with human resources consulting; benefits consulting (obtaining plans, managing, offering to employees), legal support (contract review, litigation management), risk management services, compliance support, and licensing support. Nexion Health Management, Inc.'s management services are critical to the continued operations of the Debtors' business. In consideration for such services, each Debtor pays Nexion Health Management, Inc. approximately 6% of all gross revenues generated from the Debtor's operations.

³ The Debtors have incurred and paid certain professional fee claims throughout this bankruptcy case. The amount of Administrative Claims referenced above is the approximate amount of fees and other claims likely to remain due and owing as of the estimated Effective Date of the Plan.

⁴ As the Plan proposes to pay all non-insider/affiliate unsecured claims in full, the Plan already anticipates distributions of an amount to satisfy all outstanding 503(b)(9) claims.

the Debtors, the Estates, or any other party, to the validity of any Claim. Similarly, the projected recovery levels reflected in this Disclosure Statement are estimates only, and there is no guaranty that such levels of recovery will be achieved. Such estimates shall not constitute an admission on the Debtors' part to the validity of any Disputed Claims. Any Claim that is not Allowed by an Order of the Bankruptcy Court or pursuant to a settlement approved by an Order of the Bankruptcy Court may be Disallowed or reduced in amount if an objection has been, or is timely hereafter, filed and sustained by the Bankruptcy Court.

VI. HISTORICAL AND BACKGROUND INFORMATION

A. Organizational Information

Each Debtor is a corporation, 100% owned by Nexion Health of Texas, Inc. Accordingly, the Debtors are Affiliates as that term is defined in section 101(2)(B) of the Bankruptcy Code.

B. The Debtor's Business and Operations

Each of the Debtors provides Skilled Nursing Care and Rehabilitation Services at its respective North Texas facility. Collectively, the Debtors provide quality care to approximately 340-350 residents across their four locations. Following the Bogata Transition, the Lancaster, McKinney, and Garland Debtors will provide quality care to approximately 290-300 residents. In recognition of the care provided to their residents, the Debtors have been awarded Quality Awards from the American Health Care Association. The Lancaster, McKinney, and Garland Debtors remain committed to providing their residents high-quality care, and have the financial wherewithal and expertise to continue doing so during these bankruptcy cases. Likewise, the Bogata Debtor remains capable of providing its residents high-quality care, and will do so through the Bogata Transition.

Each of the Debtors is financially stable and free of bank debt and other financing related encumbrances with the exception of certain purported security interests in the Debtors' personal property and intangibles⁵ asserted by the Landlords. The Debtors are capable of operating from revenue generated by the high quality Skilled Nursing Care and Rehabilitation Services provided to residents at the Debtors' facilities. The Debtors commenced their bankruptcy cases in order to protect the well-being of their residents and to preclude potential operational interruptions and damages stemming from a dispute with the Landlords over the interpretation of certain Master Leases and related amendments and stand-alone agreements. The Debtors are seeking to assume the Lancaster, McKinney, and Garland Leases, but will not assume or renew the Bogata Lease. The Debtors assert that they do not owe any outstanding rent on the Legacy Facilities, and do not anticipate any cure obligations. The Lancaster, McKinney, and Garland Debtors anticipate assuming other executory contracts critical to continued operations.

C. Certain Affiliate and Insider Transactions - Affiliate Insiders

Prior to the Petition Date, the Debtors engaged in certain inter-company transfers. As a result, the Debtors possess claims against one another and, in some cases, liabilities to one or more

⁵ The REIT Landlords do not assert a security interest against the Debtors' accounts receivable.

other Debtors. Under the proposed Plan, however, the Debtors propose to cancel their respective intercompany claims. Cancelling those claims will not affect distributions to non-Debtor entities, as the Plan proposes to pay all non-insider/affiliates in full.

D. Events Leading to Chapter 11 Filing

The Debtors filed their respective bankruptcy cases in an effort to protect the well-being of their residents and the going-concern value of their businesses, and as a result of a dispute⁶ with the Debtors' four Landlords. That dispute arose following the expiration of terms applicable to 11 skilled nursing facilities under the Master Lease 2001 and Master Lease 2002 (collectively the "Master Leases"). Following the expiration of the terms of the 11 "Legacy Facilities," the Debtors and Landlords failed to agree on the amount of rent due and owing on a monthly basis beginning on January 1, 2017. In summary, the Landlords sought approximately \$7 million in annual rent more than the amount the Debtors believed was due and owing under the terms of the Master Leases. If enforced, the Landlords' rent demands would have bankrupted the Debtors' operations. The Debtors commenced these bankruptcy cases in order to protect their respective business from undue interference—and to ensure uninterrupted quality care to their residents—by the Landlords, to clarify and resolve the outstanding Master Lease disputes, and to assume the Lancaster, Garland, and McKinney Leases.

E. Management of the Debtors

The Debtors' management, officers, and directors will remain unchanged following confirmation of the Plan. The Confirmation Order shall ratify and approve all actions taken by the Debtors' board of directors and officers from the Petition Date through and until the Effective Date.

VII.

FINANCIAL INFORMATION, PROJECTIONS, AND ASSUMPTIONS

A. Financial Information and Projections

As of February 14, 2018, the Debtors collectively possessed \$2,910,584.98 in Cash. As detailed above, pre-petition unsecured claims total approximately \$1,914,216.00. Moreover, the Lancaster, Garland, and McKinney Debtors are generating monthly revenue that exceeds monthly expenses (above EBITDA) by approximately \$164,500 based on a trailing 3 month analysis. Even accounting for other expenses and costs associated with the Debtors' reorganization, the Debtors' anticipate generating almost \$96,000 in monthly profit. A table detailing the Lancaster, Garland, and McKinney Debtors' projections through May, 2018 is provided below.

For the Plan to meet the feasibility test of § 1129(a)(11) of the Bankruptcy Code, the Bankruptcy Court must conclude that confirmation of the Plan is not reasonably likely to lead to the liquidation or further reorganization of the Debtors. Here, the Debtors do not anticipate any feasibility concerns. The Debtors estimate that their cash-on-hand is sufficient to satisfy all Allowed Claims under the Plan. Moreover, as detailed in the Plan, Nexion Health Management, Inc. will

⁶ *Nexion Health at Baytown, Inc., et al. v. CCP Green Acres Baytown 1661 LLC, et al.*, No. DC-17-00164 (134th Dist. Ct., Dallas County, Tex. filed Jan. 6, 2017).

provide up to \$250,000 in cash to ensure the Debtors are capable of making all distributions due under the terms of the Plan. The Debtors believe that these assumptions are reasonable under the circumstances and that achieving the projections in this Disclosure Statement will maximize the value of the Debtors' business and ensure the feasibility of the Plan.

B. Projected Financial Statements

The Debtors have prepared the projected operating and financial results (the “**Projections**”) for the Debtors through the period ending May, 2018 based on the Debtors' trailing three month performances (the “**Projection Period**”). The Projections may be found below:

Monthly Cash and Expenses (based on trailing 3 months thru May 2018)					
Facility	Avg Monthly Cash Collections	Avg Monthly Expenses	Other	Avg Monthly Total	
Garland	\$ 705,208.91	\$ 654,587.06	\$ 22,854.17	\$ 27,767.68	
Lancaster	\$ 676,131.94	\$ 619,841.75	\$ 22,854.17	\$ 33,436.02	
McKinney	\$ 650,557.16	\$ 658,241.06	\$ 22,854.17	\$ (30,538.07)	
Total	\$ 2,031,898.01	\$ 1,932,669.87	\$ 68,562.51	\$ 30,665.63	
Monthly Revenue and Expenses (based on trailing 3 months thru May 2018)					
Facility	Avg Monthly Revenue	Avg Monthly Expenses	Other	Avg Monthly Total	
Garland	\$ 690,251.33	\$ 654,587.06	\$ 22,854.17	\$ 12,810.10	
Lancaster	\$ 703,592.67	\$ 619,841.75	\$ 22,854.17	\$ 60,896.75	
McKinney	\$ 703,318.00	\$ 658,241.06	\$ 22,854.17	\$ 22,222.77	
Total	\$ 2,097,162.00	\$ 1,932,669.87	\$ 68,562.51	\$ 95,929.62	

The Projections should be read in conjunction with the assumptions, qualifications, and risk factors set forth in this Disclosure Statement.

THE PROJECTIONS ARE PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING “ADEQUATE INFORMATION” UNDER § 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED ON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OF CLAIMS AGAINST OR EQUITY INTERESTS IN, THE DEBTORS.

THE ASSUMPTIONS AND RESULTANT PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE PROJECTIONS HAVE BEEN PREPARED BY THE DEBTORS' MANAGEMENT AND PROFESSIONALS. THESE PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED OR MAY BE UNDERSTATED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE

BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTIONS THAT NO ASSURANCES CAN BE MADE AS TO THE ACCURACY OF THE ASSUMPTIONS AND RESULTANT PROJECTIONS OR THE DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS FOLLOWING THE EFFECTIVE DATE. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR MAY BE UNANTICIPATED; THUS, THEY MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THEREFORE, THE PROJECTIONS MAY NOT BE RELIED ON AS GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS NOR IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS; ACCORDINGLY, THEY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO SUCH PROJECTIONS.

AS A MATTER OF COURSE, THE DEBTORS DO NOT PUBLISH ITS BUSINESS PLANS AND STRATEGY OR PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. ACCORDINGLY, THE DEBTORS DO NOT INTEND, AND DISCLAIM ANY OBLIGATION, TO FURNISH UPDATED BUSINESS PLANS OR PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS PRIOR TO THE EFFECTIVE DATE, OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE. HOWEVER, FROM TIME TO TIME, THE DEBTORS MAY PREPARE UPDATED PROJECTIONS IN CONNECTION WITH OTHER BUSINESS OPPORTUNITIES OR NEEDS, CREDIT RATINGS, AND OTHER PURPOSES. SUCH PROJECTIONS MAY DIFFER MATERIALLY FROM THE PROJECTIONS PRESENTED HEREIN.

VIII.

SIGNIFICANT PLEADINGS FILED IN THE CHAPTER 11 CASE

During the course of the Chapter 11 Case, various pleadings have been filed with the Bankruptcy Court. The following is a description of the more significant pleadings filed during the pendency of the Chapter 11 Case to the extent not discussed elsewhere in this Disclosure Statement. For a comprehensive listing of the pleadings that have been filed in the Chapter 11 Case, the docket for the Chapter 11 Case should be reviewed, and relevant pleadings referenced therein may be obtained from the Clerk's Office of the Bankruptcy Court or via the online PACER system at <https://pacer.login.uscourts.gov/csologin/login.jsf>

A. Employment of Professionals

1. Debtor's Counsel

On October 30, 2017, the Debtors filed its *Application for Approval of Employment of Kane Russell Coleman Logan PC as Counsel for the Debtors Pursuant to 11 U.S.C §§ 327 and 329* [Docket No. 14], pursuant to which the Debtors sought authority to employ Kane Russell Coleman Logan PC as its general bankruptcy counsel, effective as of the Petition Date. This application was approved by Order of the Bankruptcy Court [Docket No. 78] entered on December 8, 2017.

B. Administration of the Estate

1. Commencement of the Chapter 11 Case

On October 30, 2017, each of the Debtors filed a *Voluntary Petition* for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, the Honorable Harlin D. Hale presiding. Also on October 30, 2017, the Debtors filed their *Motion for Order Directing Joint Administration of the Debtors' Chapter 11 Cases* [Docket No. 3], which was granted on November 1, 2017 by the Court's *Order Directing Joint Administration of the Debtors' Chapter 11 Cases* [Docket No. 21].

2. Interim Compensation and Reimbursement of Professional Persons

On December 8, 2017, the Debtors file their *Motion for Administrative Order under Bankruptcy Code Sections 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket No. 77]. That motion sought to establish procedures by which the Debtors' professionals would be required to file monthly statements of fees and expenses, subject to objections, before receiving a portion of the amounts requested. Those procedures enable all parties to monitor the costs of administration, and promote more efficient cash management among the Debtors. On January 8, 2018, the Bankruptcy Court issued its order [Docket No. 95] approving the aforementioned motion and procedures.

3. Employee Compensation and Benefits

On October 30, 2017, the Debtors filed their *Motion to Approve Payment of Pre-Petition Wages, Taxes, and Benefits, and to Continue Employee Programs in the Ordinary Course of the Debtors' Businesses* [Docket No. 6], pursuant to which the Debtors sought authority to, among other things, pay certain prepetition wages and benefits and to continue prepetition health insurance and vacation benefits through the pendency of the Chapter 11 Case. This motion was granted by Order of the Bankruptcy Court [Docket No. 22] entered on November 1, 2017.

4. Cash Management

Prior to the Petition Date, each of the Debtors utilized certain cash management systems in the ordinary course of their business operations. Following discussions with the Office of the United States Trustee, the Debtors filed their *Amended Motion for Order Authorizing Continued use of Cash Management System, Existing Bank Accounts, Existing Business Forms, and Maintenance of Existing Investment Practices* [Docket No. 18] which, in essence sought court approval for the Debtors' continued use of cash management systems, with minor modifications. On November 1, 2017, the Bankruptcy Court entered its order approving the Debtors' requests [Docket No. 23].

C. Assumption and Rejection of Unexpired Leases

On November 17, 2017, the Debtors filed their *Motion to Assume or Reject Non-Residential Real Property Leases* [Docket No. 52], pursuant to which the Lancaster, Garland, and McKinney Debtors seek to assume the Lancaster Lease, Garland Lease, and McKinney Lease, respectively. The Bogata Debtor seeks to reject the Bogata Lease. The final hearing is to be held on March 14, 2018 at 9:00 a.m. in Judge Hale's courtroom. The Bogata Lease is set to expire by its terms on April 1, 2018. The Bogata Debtor reserves the right to simply allow the Bogata Lease to expire and to engage in the Bogata Transition, rather than seeking rejection of the Bogata Lease at the hearing set on March 14, 2018.

D. Bar Dates

On November 16, 2017, the Bankruptcy Court filed the *Notice of Chapter 11 Bankruptcy Filing* [Docket No. 50], which advised parties, among other things, that the last date on which Claimants and Holders of Interests could timely file proofs of Claims or Interests in the Chapter 11 Case was March 14, 2018 (the “**Bar Date**”). The Bar Date applies to all Holders of Claims and Holders of Interests, but does NOT include Governmental Units. On December 4, 2017, the Debtors' counsel served the Notice on the service list and Debtors' Creditors Matrices.

E. Material Claims and Litigation

On January 6, 2017, the Debtors commenced litigation against REIT Landlords, the lawsuit styled, No. DC11-00164 Nexion Health at Baytown, Inc. et al. vs. CCP Green Acres Baytown 1661 LLC et al in the 134th Judicial District Court (“State Court”), Dallas County, Texas (“Lawsuit”), which is pending in the Dallas County State Court. Relief requested by the Debtors in the Lawsuit has largely been granted by the Bankruptcy Court in these Chapter 11 Cases.

Further detail regarding the material claims and litigation of Nexion commenced prior to the Bankruptcy Case are identified on **Exhibit 7** to the Debtors' Statements of Financial Affairs filed in the Bankruptcy Cases [Docket Nos. 47, 22, 22, 20].

IX. SUMMARY OF THE CLAIMS, CLASSIFICATION AND TREATMENT UNDER THE PLAN

A. Introduction

A summary of the principal provisions of the Plan relating to the treatment of Classes of Claims and Interests is set out herein. The summary is qualified in its entirety by the Plan itself, which is controlling in the event of any conflict.

B. Classification of Claims and Interests

The Plan provides for the division of Claims against and Interests in the Debtors (except Administrative Claims and Priority Tax Claims) into Classes. A Claim is classified within a particular Class only to the extent that the Claim qualifies under the description of that Class. A proof of Claim asserting a Claim that is properly includable in more than one Class is only entitled to

inclusion within a particular Class if qualifies under the description of such Class, and shall be included within a different Class(es) if it qualifies under the description of such different Class(es). The Plan classifies Claims and Interests on a Debtor by Debtor basis, and proposes to treat each class of Claims and Interests as follows:

LANCASTER DEBTOR PLAN

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
A1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
A2	Lancaster Landlord Secured Claim	See 3.02 of the Plan	Unimpaired	No, deemed to accept this Plan
A3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date or otherwise treated as set forth in Section 3.03 of the Plan	Unimpaired	No, deemed to accept this Plan
A4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan
A5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote
A6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes A1-A4 are paid in full.	Impaired	Not entitled to vote
A7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

MCKINNEY DEBTOR PLAN

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
B1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
B2	McKinney Landlord Secured Claims	See 3.02 of the Plan	Unimpaired	No, deemed to accept this Plan
B3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date or treated as otherwise set forth in Section 3.03 of the Plan	Unimpaired	No, deemed to accept this Plan
B4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan.
B5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote
B6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes A1-A4 are paid in full.	Impaired	Not entitled to vote
B7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

GARLAND DEBTOR PLAN

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote
C1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
C2	Garland Landlord Secured Claims	See 3.02 of the Plan	Unimpaired	No, deemed to accept this Plan
C3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date or treated as otherwise set forth in Section 3.03 of the Plan	Unimpaired	No, deemed to accept this Plan

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
C4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan.
C5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote
C6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes A1-A4 are paid in full.	Impaired	Not entitled to vote
C7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

BOGATA DEBTOR PLAN

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
D1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
D2	Landlord Secured Claims	See 3.02 of the Plan	Unimpaired	No, deemed to accept this Plan
D3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
D4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan
D5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
D6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes A1-A4 are paid in full.	Impaired	Not entitled to vote
D7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

C. Treatment of Unclassified Claims Under the Plan

As provided by § 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Tax Claims shall not be classified under the Plan, and shall instead be treated separately as unclassified Claims and in accordance with §§ 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such claims are not designated as classes of Claims for the purposes of the Plan or for the purposes of §§ 1123, 1124, 1125, 1126, or 1129 of the Bankruptcy Code.

1. Treatment of Allowed Administrative Claims

All Administrative Claims shall be treated as follows:

Each Holder of an Allowed Administrative Claim shall, in full satisfaction, release, settlement, and discharge of such Allowed Administrative Claim: (a) to the extent such claim is due and owing on the Effective Date, be paid in full, in Cash, on the Effective Date; (b) to the extent such claim is not due and owing on the Effective Date, be paid in full, in Cash (i) when such claim becomes due and payable under applicable non-bankruptcy law, or (ii) in the ordinary course of business; or (c) receive such other treatment as to which such Holder may agree with the Liquidating Trustee and the Pre-Petition Agents. Cash payments of Allowed Administrative Claims shall be paid from the Claims Reserve, or if the Claims Reserve is insufficient to pay all Allowed Administrative Claims, any shortfall shall be paid from the Gift Reserve or from the Avoidance Actions Proceeds Reserve.

All Administrative Claims—other than Professional Fee Claims, Administrative Ordinary Course Liabilities, and Administrative Tax Claims—must be filed by the Administrative Claims Bar Date established by the Plan, which shall be 30 days following the Confirmation Date unless otherwise amended.

Holders of Administrative Claims that are based on liabilities incurred and paid by any Debtor in the ordinary course of the applicable Debtor's business (other than Claims of governmental units for taxes and for interest and/or penalties related to such taxes) on and after the Petition Date shall not be required to File any request for payment of such Administrative Claims. For the avoidance of doubt, Holders of Administrative Claims pursuant to Bankruptcy Code §

503(b)(9) shall be required to File a proof of Administrative Claim on or before the Administrative Claims Bar Date.

All final requests for compensation or reimbursement of professional fees pursuant to Bankruptcy Code §§ 327, 328, 330, 331, 363, 503(b) or 1103 for services rendered to or on behalf of the applicable Debtors before the Confirmation Date (other than substantial contribution claims under Bankruptcy Code § 503(b)(4)) must be Filed and served on the Reorganized Debtors and their respective counsel no later than thirty days (30) after the Effective Date, unless otherwise ordered by the Bankruptcy Court.

All requests for payment of Administrative Claims by a governmental unit for taxes (and for interest and/or penalties related to such taxes) for any tax year or period, all or any portion of which occurs or falls within the period from and including the Petition Date through and including the Effective Date, and for which no bar date has otherwise been previously established, must be Filed and served on the Reorganized Debtors, counsel for the Debtors and any other party specifically requesting a copy in writing on or before sixty (60) days following the Effective Date.

Post-Confirmation Date Fees and Expenses shall be paid in the ordinary course of business.

2. Treatment of Allowed Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim shall, in full satisfaction, release, and discharge thereof, receive (i) such treatment as to which such Holder may agree with the applicable Reorganized Debtor or (ii) at the sole option of the applicable Reorganized Debtor, (a) payment in full, in Cash, of such Allowed Priority Tax Claim on the Effective Date; or (b) treatment in accordance with Bankruptcy Code §§ 1129(a)(9)(C) or 1129(a)(9)(D), as the case may be. Cash payments of Allowed Priority Tax Claims shall be paid on the Effective Date or as soon thereafter as practicable

3. Treatment of Statutory Fee Obligations

On or before the Effective Date (or as soon as reasonably practicable after such fees become due), the Debtors shall have paid in full, in Cash (including by check or wire transfer), in U.S. dollars, all fees payable pursuant to section 1930 of title 28 of the United States Code, in the amount determined by the Bankruptcy Court at the Confirmation Hearing.

D. Treatment of Classified Claims and Interests Under the Plan

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

1. Allowed Priority Non-Tax Claims

Classification: Classes A1, B1, C1 and D1 consist of the Allowed Priority Non-Tax Claims against the respective Debtors.

Treatment: Except to the extent that a Holder of an Allowed Claim in Classes A1, B1, C1 and D1 has agreed in writing with the applicable Debtor to a different treatment (in which event

such other writing will govern), each Holder of an Allowed Claim in Classes A1, B1, C1 and D1 shall receive, on account of, and in full and complete satisfaction, settlement, release and discharge of and in exchange for such Claim, at the election of the Respective Reorganized Debtors, (i) Cash equal to the amount of such Allowed Claims in Classes A1, B1, C1 and D1 in accordance with Bankruptcy Code § 1129(a)(9), on the later of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date such Claim in Classes A1, B1, C1 and D1 becomes an Allowed Claim in Classes A1, B1, C1 and D1 (or as soon as reasonably practicable thereafter); or (ii) such other treatment agreed to by the applicable Debtor Holder of A1, B1, C1 or D2, as the case may be, required to render such Allowed Claims in Classes A1, B1, C1 and D1 Unimpaired pursuant to Bankruptcy Code § 1124.

Voting: Claims in Classes A1, B1, C1 and D1 are Unimpaired. Each Holder of an Allowed Claim in Classes A1, B1, C1 and D1 shall be conclusively deemed to have accepted the Plan pursuant to Bankruptcy Code § 1126(f), and, therefore, shall not be entitled to vote to accept or reject the Plan.

2. Landlord Secured Claims

Classification: Classes A2, B2, C2 and D2 consist of the Lancaster, McKinney, Garland and Bogata Landlord Secured Claims.

Allowance: The Landlord Secured Claims against the Debtors are hereby Allowed as Secured Claims in Classes A2, B2, C2 and D2 in the amount of the respective Debtor's monthly rent obligations.

Treatment: In full satisfaction of the Allowed Landlord Secured Claims (A2, B2, C2 and D2), the Lancaster Landlord, McKinney Landlord, Garland Landlord and Bogata Landlord shall retain their respective security interests against the respective Debtor's personal property as more fully set forth in paragraphs 8.2.1 and 8.2.2 of the Master Lease 2001 (as to the Lancaster Landlord and the Garland Landlord) or the Master Lease 2002 (as to the McKinney Landlord and the Bogata Landlord).. Further, the Lancaster Landlord, McKinney Landlord and Garland Landlord (Classes A2, B2 and C2) shall retain all rights and benefits, respectively, of the Lancaster Lease, McKinney Lease and Garland Lease, consistent with the Lift Stay Ruling and the Assumption Ruling, including the receipt of the applicable monthly rent amount. The Bogata Landlord (Class D2) shall receive (i) rent through and including March, 2018 and shall have a General Unsecured Claim for the April, 2018 rent amount, which shall be paid in full pursuant to the treatment of class, and (ii) receive its personal property collateral as part of the Bogata Transition.

Voting: Claims in Classes A2, B2, C2 and D2 are Unimpaired. Each Holder of an Allowed Landlord Secured Claim in Classes A2, B2, C2 and D2 shall be conclusively deemed to have accepted the Plan pursuant to Bankruptcy Code § 1126(f), and, therefore, shall not be entitled to vote to accept or reject the Plan.

3. Miscellaneous Secured Claims

Classification: Classes A3, B3, C3 and D3 consist of all Miscellaneous Secured Claims against the Debtors.

Treatment: On or as soon as reasonably practicable after the latest to occur of (i) the Effective Date or (ii) the date on which each such Class A3, B3, C3 and D3 Claim becomes an Allowed Claim, each Holder of such an Allowed Claim, if any, shall receive, on account of, and in full and complete satisfaction, settlement, release and discharge of and in exchange for such Allowed Class A3, B3, C3 and D3 Claim, at the election of the respective Reorganized Debtor (a) such treatment in accordance with Bankruptcy Code § 1124 as may be determined by the Bankruptcy Court; (b) payment in full, in Cash, of such Allowed Class A3, B3, C3 and D3, Claim amount on the Effective Date (or as soon as practicable thereafter); (c) satisfaction of any such Allowed Class A3, B3, C3 and D3 Claim by delivering the personal property collateral securing any such Claims; (d) providing such Holder with such treatment in accordance with Bankruptcy Code § 1129(b) as may be determined by the Bankruptcy Court or (e) as to the Bogata Reorganized Debtor only, by implementation of the Bogata Transition. Cash payments, if any, of Allowed Claims in Classes A3, B3, C3 and D3 shall be paid from the respective Reorganized Debtor.

Voting: Claims in Classes A3, B3, C3 and D3 are Unimpaired. Each Holder of an Allowed Claim in Classes A3, B3, C3 and D3 shall be conclusively deemed to have accepted the Plan pursuant to Bankruptcy Code § 1126(f), and, therefore, shall not be entitled to vote to accept or reject the Plan.

4. General Unsecured Claims

Classification: Classes A4, B4, C4 and D4 consist of all General Unsecured Claims against the respective Debtors.

Treatment: On or as soon as reasonably practicable after the latest to occur of (i) the Effective Date and (ii) the date on which each such Class A4, B4, C4 and D4 Claim becomes an Allowed Claim, each Holder of such an Allowed Claim, if any, shall receive, on account of and in full and complete satisfaction, settlement, release and discharge of and in exchange for such Allowed Class A4, B4, C4 and D4 Claim, cash equal to the Allowed amount of such Class A4, B4, C4 and D4 General Unsecured Claims.

Voting: Claims in Classes A4, B4, C4 and D4 are Unimpaired. Each Holder of an Allowed Claim in Classes A4, B4, C4 and D4 shall be conclusively deemed to have accepted the Plan pursuant to Bankruptcy Code § 1126(f), and, therefore, shall not be entitled to vote to accept or reject the Plan.

5. Intercompany Claims

Classification: Classes A5, B5, C5 and D5 consists of all Intercompany Claims, excluding Claims for Management Fees, between or among the respective Debtors and/or their respective Affiliates.

Treatment: On the Effective Date, all of the Intercompany Claims as of the Effective Date shall be eliminated, extinguished, cancelled, and discharged (save and accept Claims for Management Fees) for the Lancaster Debtor, McKinney Debtor and the Garland Debtor. Fees shall not be paid until all Class A4, B4 and C4 Claims are both determined to be Allowed or not Allowed by Final Order of the Bankruptcy Court and all such Allowed Claims are paid in full. Pursuant to Bankruptcy Code § 1129(b)(2)(C), Holders of Intercompany Claims shall not be entitled to, nor shall

they receive, any distribution or retain any property or interest in property on account of such Intercompany Claims.

Voting: Claims in Classes A5, B5, C5 and D5 are Impaired but are Insiders whose votes cannot be counted under § 1129(a)(10) and so are not entitled to vote.

6. Management Fees

Classification: All Claims for unpaid prepetition and postpetition Management Fees shall be classified as Class A6, B6, C6 and D6 of the respective Debtors.

Treatment: No payments or other Distribution of any kind or character shall be made to any Holder of an Allowed Management Fee Claim until all Allowed Administrative Claims, Priority Tax Claims, Priority Non-Tax Claims (A1, B1, C1 and D1), Landlord Secured Claims due as of the Effective Date (A2, B2, C2 and D2), Miscellaneous Secured Claims (A3, B3, C3 and D3), General Unsecured Claims (A4, B4, C4 and D4), have been paid in full. Thereafter, Allowed Management Fees shall be paid to the extent Cash is available.

Voting: Class A6, B6, C6 and D6 are Impaired but are Insiders whose votes cannot be counted under § 1129(a)(10) and so are not entitled to vote.

7. Interests

Classification: Classes A7, B7, C7 and D7 shall consist of the ownership Interests in Lancaster, McKinney, Garland and Bogata, respectively.

Treatment: On the Effective Date, all of the Classes A7, B7, C7 and D7 Interests outstanding as of the Effective Date shall be retained for all purposes the same as prior to the Petition Date without modification or amendment to the respective Debtor's instruments evidencing Interests in the Debtors or Governance Documents or related corporate documentation.

Voting: Interests in Classes A7, B7, C7 and D7 are Unimpaired. The Holders of Allowed Interests in Classes A7, B7, C7 and D7 are deemed to have accepted the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

X.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Plan Funding

The execution and consummation of the Plan will be facilitated by the use of the Debtors' collective cash on hand, and back-stopped by a \$250,000 cash commitment from Nexion Health Management, Inc. to fund any potential shortfall of distributions due under the Plan.

B. Plan-Distribution Provisions

1. Plan Distributions

Distributions will only be made to Holders of Allowed Claims in accordance with the Plan provisions and as detailed above. No payment or Distribution provided under the Plan shall be made on account of a Claim unless and until (and only to the extent that) such Claim becomes an Allowed Claim. For more information regarding specifics of distributions, see Article 6 of the Plan.

2. No Post-Petition Interest on Claims

Except as otherwise specifically provided in the Plan or Confirmation Order, post-petition interest shall not accrue or be paid on any Claim, and no Holder of a Claim shall be entitled to interest accruing on such Claim on or after Petition Date.

3. Setoffs

The applicable Reorganized Debtor may, but shall not be required to, set off against any Claims and the payments or distributions to be made pursuant to the Plan in respect of such Claims, any and all debts, liabilities and claims of every type and nature whatsoever that the Estate or a Debtor may have against the Holder of any Claim, but neither the failure to do so nor the Allowance of any such Claims, whether pursuant to the Plan or otherwise, shall constitute a waiver or release by any Debtor of any such claims the Debtor may have against such Holder of any Claim, and all such claims shall be reserved for and retained by the applicable Reorganized Debtor. Notwithstanding any term or provision of the Plan, the Reorganized Debtors by the Plan: (i) shall step into the shoes of and shall otherwise be the Debtors for purposes of determining mutuality, and (ii) preserve all rights to setoff any amounts due by the Debtors and/or the Reorganized Debtors.

4. De Minimis Plan Distributions

No Cash payment of less than twenty-five (\$25.00) dollars shall be made to the Holder of any Claim on account of its Allowed Claim.

5. Objections to Claims

The Debtors and the Reorganized Debtors shall have the exclusive authority to File objections to the Claims. The Debtor and the Reorganized Debtors, as applicable, shall have the exclusive authority to settle, compromise, or litigate to judgment any objections to Disputed Claims.

The Claims Objection Deadline shall be the first Business Day, which is at least 90 days after the Effective Date, or such later date as may be established by the Bankruptcy Court in accordance with 8.01(b) of the Plan. As soon as practicable, but no later than the Claims Objection Deadline, the Reorganized Debtors may File objections with the Bankruptcy Court and serve such objections on the Creditors holding the Claims to which such objections are made. Nothing contained herein or in the Plan, however, shall limit the right of the Reorganized Debtors to file any adversary proceeding or otherwise pursue and Cause of Action post-Confirmation in the Bankruptcy Court. The Claims Objection Deadline may be extended by the Bankruptcy Court upon motion by the applicable Debtor or Reorganized Debtor, as the case may be.

Until a Claim becomes an Allowed Claim or is Disallowed, the Claim will be treated as a Disputed Claim. The Holder of a Claim will be entitled to a Distribution under the Plan only when the Claim becomes an Allowed Claim. Notwithstanding any other provision of the Plan, no

payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim. The Reorganized Debtors may reserve for the payment of any Disputed Claim in a segregated account and commence payments of Class A6, B6, C6 and D6 Claims

The Debtors or Reorganized Debtors at any time request that the Bankruptcy Court estimate any such Disputed Claim pursuant to Bankruptcy Code § 502(c), regardless of whether any Debtor or Reorganized Debtor have previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute the maximum limitation on such Claim, as determined by the Bankruptcy Court and the Debtors or Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another.

XI.

PRESERVED CAUSES OF ACTION

Pursuant to § 1123(b) of the Bankruptcy Code, all Causes of Action (including Chapter 5 Causes of Action and any claims or causes of action the Debtors may have against the Landlords and their affiliates) are hereby preserved by the Plan, notwithstanding the occurrence of the Effective Date. The Reorganized Debtors shall retain the exclusive authority and all rights to enforce, commence, and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved. For the avoidance of doubt, the preservation of Causes of Action herein includes, without limitation, the Debtors' and Reorganized Debtors' right to object to all Secured Claims, Administrative Claims, Priority Claims, and General Unsecured Claims. The Reorganized Debtors may pursue such Causes of Action as appropriate, in accordance with the Reorganized Debtors' best interests in its discretion. No entity 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 or the Reorganized Debtors will not pursue any and all available Causes of Action against them. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action. For the avoidance of doubt, the Reorganized Debtors reserve and shall retain all Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during the Chapter 11 Case or pursuant to the Plan. The Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

On the Effective Date, all Causes of Action shall remain with the Debtors or Reorganized Debtors, which shall hold all rights on behalf of the Debtors or their Estates, to commence and

pursue any and all Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal). The failure to list or describe any unknown Cause of Action herein is not intended to limit the rights of the Reorganized Debtors to pursue any unknown Cause of Action. Unless Causes of Action against a person or entity are expressly waived, relinquished, released, compromised or settled herein or any Final Order, the Debtors or its Estates (before the Effective Date) and the Reorganized Debtors (post-Effective Date), expressly reserve all Causes of Action (including the unknown Causes of Action) for later adjudication and therefore, no preclusion doctrine or other rule of law, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after, or as a result of the confirmation or Effective Date of the Plan, or the Confirmation Order. In addition, the Debtors or their Estates and the Reorganized Debtors expressly reserve the right to pursue or adopt any Claims not so waived, relinquished, released, compromised or settled that are alleged in any lawsuit in which the Debtors or their Estates are defendants or interested parties, against any person or entity, including, without limitation, the plaintiffs and co-defendants in such lawsuits. Such retained potential causes of action include, without limitation, (i) any potential Cause of Action arising from or related to any transfer or other actions or omissions referenced in the Debtors' Schedules or Statement of Financial Affairs, which were filed in Case No. 17-34025 (Docket No. 47), Case No. 17-34028 (Docket No. 22), Case No. 17-34031 (Docket No. 20), and Case No. 17-34034 (Docket No. 22) on November 14, 2017, respectively, (ii) any potential Causes of Action against any Landlord or its affiliate(s), (iii) any causes of action related to the extent, validity and priority of any liens, (iv) any actions for breach of contract, and (v) any actions arising in tort. The Reorganized Debtors shall have the right to identify any additional Causes of Action prior to the Effective Date of the Plan.

The Reorganized Debtors shall also retain and may prosecute and enforce all defenses, counterclaims, and rights that have been asserted or could be on behalf of the Debtors against or with respect to all Claims asserted against the Debtors or property of the Estates. No claim, right, Cause of Action, or other asset shall be deemed waived or otherwise forfeited by virtue of the Debtors failure to identify such property in the Debtors' Schedules or the Disclosure Statements accompanying the Plan unless otherwise ordered by the Bankruptcy Court.

PLEASE TAKE NOTICE: EXCEPT AS OTHERWISE ORDERED BY THE BANKRUPTCY COURT OR AS SPECIFICALLY AND EXPLICITLY PROVIDED IN THE PLAN, ALL CAUSES OF ACTION SHALL BE PRESERVED BY THE DEBTORS UNDER THE PLAN.

XII.

OTHER SIGNIFICANT PLAN PROVISIONS

A. Treatment of Executory Contracts and Unexpired Leases

Executory Contracts and Unexpired Leases: On the Effective Date, and to the extent permitted by applicable law, all of the Debtors' executory contracts and unexpired leases will be rejected unless such executory contract or unexpired lease: (a) is a Desired 365 Contract and is being assumed pursuant to the Plan; (b) is the subject of a motion to assume Filed on or before the Confirmation Date; or (c) has been previously rejected or assumed.

Cure Costs: All Cure Costs shall be paid within thirty (30) days after the Effective Date.

Assumed Executory Contracts and Unexpired Leases: Each Contract or unexpired lease the Debtors intend to assume will include (a) all amendments, modifications, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease; and (b) with respect to any executory contract or unexpired lease that relates to the use, ability to acquire, or occupancy of real property, all executory contracts or unexpired leases and other rights appurtenant to the property, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vaults, tunnel or bridge agreements or franchises, and any other equity interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements have been rejected pursuant to an order of the Bankruptcy Court or are the subject of a motion to reject Filed on or before the Confirmation Date.

Amendments, modifications, supplements, and restatements to executory contracts and unexpired leases that have been executed by the Debtors during their Chapter 11 Cases shall not be deemed to alter the pre-petition nature of the executory contract or unexpired lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

The Debtors shall file and serve via ECF a list of all executory contracts and unexpired leases to be assumed under Bankruptcy Code § 365 no later than ten (10) days prior to the commencement of the Confirmation Hearing ("Assumed Contracts"). All executory contracts and unexpired leases not constituting Assumed Contracts shall be rejected pursuant to Bankruptcy Code § 365 as part of the Confirmation Hearing. .

B. Revocation, Withdrawal, or Non-Consummation

The Debtors reserve the right to revoke or withdraw the Plan (including, without limitation, any one or more of the four (4) separate plans in respect of the Debtors) at any time before the Confirmation Date and to File subsequent plans of reorganization. For each revoked or withdrawn plan, or if Confirmation or Consummation of any plan does not occur, then, with respect to any such revoked or withdrawn Plan, (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing, allowance or limiting to an amount certain of any Claim or Interests or Class of Claims or Interests), unless otherwise agreed to by the Debtors and any counterparty to such settlement or compromise, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (c) nothing contained in the Plan, and no acts taken in preparation for Consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person, (ii) prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or (iii) constitute an admission of any sort by the Debtors or any other Person.

C. Amendments and Modifications

The Debtors may alter, amend, or modify the Plan under Bankruptcy Code § 1127(a) at any time before the Confirmation Date. After the Confirmation Date and before "substantial consummation" of the Plan, as defined in Bankruptcy Code § 1101(2), the Debtors may, under

Bankruptcy Code § 1127(b), institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan, so long as such proceedings do not materially adversely affect the treatment of Holders of Claims or Interests under the Plan; provided, however, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

D. Injunctions

As of the Effective Date, all Persons that hold, have held, or may hold a Claim or any other obligation, suit, judgment, damages, debt, right, remedy, causes of action or liability of any nature whatsoever, will be, permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from taking any of the following actions, whether directly or indirectly, derivatively or otherwise, on account of or based on the subject matter of such discharged Claims or other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including, without limitation, any judicial, arbitral, administrative or other proceeding) in any forum; (ii) enforcing, attaching (including, without limitation, any prejudgment attachment), collecting, or in any way seeking to recover any judgment, award, decree, or other order; (iii) creating, perfecting or in any way enforcing in any matter, directly or indirectly, any Lien; (iv) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation owed to any Person discharged under this Section 12.04; and (v) commencing or continuing in any manner, in any place of any judicial, arbitration or administrative proceeding in any forum, that does not comply with or is inconsistent with the provisions of the Plan, the Sale Order and/or the Confirmation Order.

E. Releases by Debtors and Estates

On the Effective Date, for good and valuable consideration, to the fullest extent permissible under applicable law, each of the Debtors and the Reorganized Debtors on its own behalf and as representative of its respective Estate, and each of its respective Related Persons, will, and will be deemed to, completely and forever release, waive, void, extinguish and discharge unconditionally, each and all of the Released Parties (except for the Debtors and the Reorganized Debtors and their respective Related Persons) of and from any and all Claims, Causes of Action (including any Avoidance Actions), any and all other obligations, suits, judgments, damages, debts, rights, remedies, causes of action and liabilities of any nature whatsoever, and any and all Interests or other rights of a Holder of an equity security or other ownership interest, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or before the Effective Date (including before the Petition Date) in connection with or related to any of the Debtors and/or the Reorganized Debtors or their respective assets, property and Estates, the Chapter 11 Cases or the Plan or the Disclosure Statement that may be asserted by or on behalf of any of the Debtors, the Reorganized Debtors or their respective Estates.

F. Exculpations

Under the Plan, the Released Parties will not be liable for any cause of action arising in connection with or out of the administration of the Chapter 11 Cases, the planning of the Chapter 11 Cases, the formulation, negotiation or implementation of the Plan, the good faith solicitation of acceptances of the Plan in accordance with Bankruptcy Code 1125(e), pursuit of Confirmation of the Plan, the Consummation of the Plan, or the administration of the Plan or the Acquired Property to be sold pursuant to the Purchase and Sale Agreement or to be distributed under the Plan, except for gross negligence or willful misconduct as determined by a Final Order of the Bankruptcy Court. All Holders of Claims and Interests are enjoined from asserting or prosecuting any Claim or cause of action against any protected Person as to which such Released Party has been exculpated from liability pursuant to the preceding sentence.

G. Setoffs

Pursuant to the Bankruptcy Code (including Bankruptcy Code § 553), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, each Debtor or each Reorganized Debtor may setoff against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before such distribution is made), any Claims, rights, and Causes of Action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the Holder of such Allowed Claim, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or before the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by such Debtor or Reorganized Debtor of any such Claims, rights, and Causes of Action that such Debtor may possess against such Holder. In no event shall any Holder of Claims be entitled to setoff any Claim against any Claim, right, or cause of action of the Debtors or Reorganized Debtors, as applicable, unless such Holder has Filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to Bankruptcy Code § 553 or otherwise.

H. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction to determine and resolve all matters related to or arising from the Bankruptcy Case and/or the Plan and Disclosure Statement, including all matters identified in Article 11 of the Plan.

XIII.**COMPARISON OF PLAN TO ALTERNATIVES****A. Chapter 7 Liquidation**

The most realistic alternative to the Plan is conversion of the Chapter 11 Case from a case under Chapter 11 of the Bankruptcy Code to a case under Chapter 7 of the Bankruptcy Code. A Chapter 7 case, sometimes referred to as a “straight liquidation,” requires the liquidation of all of a

Debtors' assets by a Chapter 7 trustee. The cash realized from liquidation is subject to distribution to creditors in accordance with § 726 of the Bankruptcy Code. Whether a bankruptcy case is one under Chapter 7 or Chapter 11, allowed secured claims, allowed administrative claims, and allowed priority claims, unless subordinated pursuant to § 510 of the Bankruptcy Code, are entitled to be paid in cash, in full, before unsecured creditors and equity interests receive anything. Thus, in a Chapter 7 case, the recovery, if any, to creditors holding non-priority unsecured claims will depend on the net proceeds left in the estate after all of the Debtors' assets have been reduced to cash and all claims of higher priority have been satisfied in full.

Chapter 7 liquidation adds an additional layer of expenses. As referenced above, conversion of a bankruptcy case to Chapter 7 would trigger the appointment of a Chapter 7 trustee who has the responsibility to monetize the Debtors' assets. Pursuant to §§ 326 and 330 of the Bankruptcy Code, the Chapter 7 trustee will be entitled to reasonable compensation in relation to the level of disbursements made to creditors, as follows: (a) up to 25% of the first \$5,000 disbursed; (b) up to 10% of the amount disbursed in excess of \$5,000 but not in excess of \$50,000; (c) up to 5% of any amount disbursed in excess of \$50,000 but not in excess of \$1,000,000; and (d) up to 3% of any amount disbursed in excess of \$1,000,000. Additionally, the Chapter 7 trustee will be entitled to retain his or her own professionals to assist in the liquidation and administration of the estate. The fees and expenses of such professionals, to the extent allowed, are also entitled to priority in payment as Administrative Claims. Chapter 7 administrative costs are entitled to priority in payment over Chapter 11 administrative costs. Nevertheless, Chapter 11 administrative costs continue to have priority over all other non-administrative priority claims and non-priority unsecured claims in the bankruptcy case.

The Debtors are opposed to conversion of the Chapter 11 Case to Chapter 7 for several reasons. First, conversion of the Chapter 11 Case will result in a cessation of operations, thereby displacing hundreds of residents at the Debtors' skilled nursing facilities. In addition to harming residents, converting the Chapter 11 Case to Chapter 7 will result in a dramatic reduction in value of the Debtors' Interests. Second, the Debtors believe that conversion of the Chapter 11 Case could lead to additional layers of fees and expenses for the reasons stated in the prior paragraph. Third, conversion to Chapter 7 could result in the appointment of a trustee having no experience or knowledge of the prior proceedings in the Chapter 11 Case or of the Debtors' business, its books and records and their assets. A substantial amount of time would be required in order for the Chapter 7 trustee and the trustee's professionals to become familiar with the Debtors, its business operations, the assets and potential claims and causes of action to wind the Chapter 11 Case up effectively.

With respect to the "best-interest-of-creditors" test found in § 1129(a)(7) of the Bankruptcy Code, the Debtors do not believe that Claimants would achieve a greater recovery under Chapter 7 than they would receive under the Plan. As detailed herein, all non-Insider claims are unimpaired and will be paid in full. In a Chapter 7 liquidation, Management Fees would not be subordinated to General Unsecured Claims. As a result, General Unsecured Claims would fall behind approximately \$1,000,000 in post-petition Management Fees paid as Administrative Expense Claims, and will be diluted by approximately \$1,440,000 of pre-petition unsecured Management Fees. As a result, General Unsecured Creditors may receive less than the full amount of their claim in a Chapter 7 liquidation.

The Debtor has performed a liquidation analysis to estimate the expected recovery to creditors under a Chapter 7 liquidation that is attached to this Disclosure Statement as **Exhibit "B."**

Finally, the Bankruptcy Code conditions confirmation of a plan of reorganization 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 capacity of the Debtors, as reorganized, to service its obligations under the Plan. Based upon its analysis of its Cash, Projections, and the \$250,000 committed by Nexion Health Management, Inc., the Debtors believe that they will be able to make all payments required under the Plan.

B. Alternative Plans

If the Plan is not confirmed, any other party in interest could undertake to formulate a different plan of reorganization. Such a plan of reorganization might involve (i) reorganization and continuation of the business of the Debtors, (ii) the sale of the Debtors as a going concern, or (iii) an orderly liquidation of the properties and interests in property of the Debtors. With respect to an alternative plan of reorganization, the Debtors have examined various other alternatives in connection with the process involved in the formulation and development of the Plan. The Debtors believe that the Plan, as described herein, enables Holders of Claims to realize the best recoveries under the present circumstances.

C. Dismissal

The most remote alternative possibility is dismissal of the Chapter 11 Case. If dismissal were to occur, the Debtors would no longer have the protection of the automatic stay, and would likely face considerable business interruptions dealing with a race among Claimants for payment. The proposed Plan provides a simple, efficient, and manageable means of distributing funds to satisfy Allowed claims while also providing the Debtors an opportunity to object to Claims in an orderly fashion.

XIV. MATERIAL UNCERTAINTIES AND RISKS

In considering whether to vote to accept or reject the Plan, Claimants entitled to vote should consider the following risks associated with the Plan: (a) that all of the conditions to confirmation of the Plan are not satisfied or waived (as applicable); (b) that all of the conditions to the effectiveness of the Plan are not satisfied or waived (as applicable) or that such conditions are delayed by a significant period of time; (c) that estimations and projections may ultimately prove to be materially inaccurate; (d) that the Reorganized Debtor's post-confirmation business operations are not successful.

There can also be no assurance that the Plan will not be modified up to and through the Confirmation Date, and the Debtors reserve the right to modify the Plan, subject to compliance with the Bankruptcy Code, if modification becomes warranted or necessary in furtherance of confirmation.

XV.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

Implementation of the Plan may have federal, state, and local tax consequences to the Debtors and their Estates, as well as to Claimants and Interest Holders of the Debtors. No tax opinion has been sought or will be obtained with respect to any tax consequences of the Plan, and the following disclosure does not constitute and is not intended to constitute either a tax opinion or tax advice to any Person.

This disclosure is provided for informational purposes only. Moreover, this disclosure summarizes only certain of the federal income-tax consequences associated with the Plan's confirmation and implementation and does not attempt to comment on all such aspects. Similarly, this disclosure does not attempt to consider any facts or limitations applicable to any particular Claimant or Interest Holder that may modify or alter the consequences described below. This disclosure does not address state, local, or foreign-tax consequences or the consequences of any federal tax other than the federal income tax.

This disclosure is based on the provisions of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), the regulations promulgated thereunder, existing judicial decisions, and administrative rulings. In light of the expansiveness of such authorities, no assurances can be given that legislative, judicial, or administrative changes will not be forthcoming that would affect the accuracy of the discussion below. Any such changes could be material and could be retroactive with respect to the transactions entered into or completed prior to the enactment or promulgation thereof. Finally, the tax consequences of certain aspects of the Plan are uncertain due to a lack of applicable legal authority and may be subject to judicial or administrative interpretations that differ from the discussion below.

THEREFORE, CLAIMANTS AND INTEREST HOLDERS ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM AND TO THE DEBTOR OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES.

B. Federal Income-Tax Consequences to the Claimants

In general, a Holder of a Claim should recognize gain or loss equal to the amount realized under the Plan in respect to its Claim less the amount of such Holder's basis in its Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss, or ordinary income or loss, depending on the nature of the Claim and the Holder, the length of time the Holder held the Claim and whether the Claim was acquired at a discount. If the Holder realizes a capital loss, its deduction of the loss may be subject to limitations under the Tax Code. The Holder's aggregate tax basis for any Distribution received under the Plan generally will equal the amount realized. The amount realized by a Holder generally will equal the sum of the Distribution the Holder received less the amount (if any) allocable to Claims for interest.

C. Disclaimers

PERSONS CONCERNED WITH THE TAX CONSEQUENCES OF THE PLAN SHOULD CONSULT THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS. THE DEBTORS MAKE THE ABOVE-NOTED DISCLOSURE OF POSSIBLE TAX CONSEQUENCES FOR THE SOLE PURPOSE OF ALERTING READERS TO TAX ISSUES THAT THEY MAY WISH TO CONSIDER. THE DEBTORS CANNOT AND DO NOT REPRESENT THAT THE TAX CONSEQUENCES MENTIONED ABOVE ARE COMPLETELY ACCURATE, BECAUSE, AMONG OTHER REASONS, THE TAX LAW EMBODIES MANY COMPLICATED RULES THAT MAKE IT DIFFICULT TO STATE ACCURATELY WHAT THE TAX IMPLICATIONS OF ANY ACTION MIGHT BE.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, THE DEBTORS INFORM ALL RECIPIENTS OF THIS DISCLOSURE STATEMENT THAT ANY U.S. TAX INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING THE EXHIBITS HERETO) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (A) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE, OR (B) PROMOTING, MARKETING, OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR MATTER ADDRESSED HEREIN.

XVI.
CONCLUSION

The Debtors believe that the Plan complies with § 1129 of the Bankruptcy Code and is fair and equitable and in the best interests of the Debtors, the Estates, and the Claimants. Accordingly, the Debtors urge the Claimants who receive Ballots to vote to accept the Plan.

DATED: February 26, 2018.

By: /s/John J. Kane

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EXHIBIT A

PLAN OF REORGANIZATION

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NEXION HEALTH AT MCKINNEY, INC.,
NEXION HEALTH AT BOGATA, INC., AND
NEXION HEALTH AT GARLAND, INC.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:

**NEXION HEALTH AT LANCASTER,
INC., ET AL.**

DEBTORS.

§
§
§
§
§
§
§

CASE NO. 17-34025-11

**JOINTLY ADMINISTERED UNDER
CASE No: 17-34025-11**

JOINT PLAN OF REORGANIZATION

Dated: February 26, 2018

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INTRODUCTION

Nexion Health at Lancaster, Inc; ("Lancaster"); Nexion Health at McKinney, Inc. ("McKinney"); Nexion Health at Bogata, Inc. ("Bogata") and Nexion Health at Garland, Inc. ("Garland") (collectively, the "Debtors" or "Nexion")¹ filed for bankruptcy protection on October 30, 2017 (the "Petition Date"). The Debtors hereby propose the following *Joint Plan of Reorganization* for the resolution of outstanding creditor claims against, and equity interests in, the Debtors. The Debtors are the proponents of this Plan within the meaning of Bankruptcy Code § 1129 (as hereinafter defined).

Although styled as a "joint plan," this Plan consists of four (4) separate, individual plans, one for each of the Debtors. Consequently, except as provided in this Plan for purposes of making and receiving distributions under this Plan, votes will be tabulated separately for each Debtor with respect to each Debtor's plan of reorganization and distributions may be made separately to each separate Class as provided in this Plan. Confirmation of one or more of the four separate plans, or the failure to confirm any of the four separate plans, does not affect the Debtors' ability to confirm any of the other plans.²

Reference is made to the Disclosure Statement (as hereinafter defined) for a discussion of the Debtors' history, businesses, properties, results of operations and projections of future operations, as well as a summary and description of this Plan and certain related matters. No materials other than the Disclosure Statement, this Plan and any exhibits and schedules attached hereto or thereto or referenced herein or therein have been authorized by the Debtors for use in soliciting acceptances or rejections of this Plan.

ALL HOLDERS OF CLAIMS OR INTERESTS ARE ENCOURAGED TO (I) READ THIS PLAN AND THE DISCLOSURE STATEMENT CAREFULLY AND IN THEIR ENTIRETY AND (II) CONSULT WITH PROFESSIONALS OF YOUR CHOICE BEFORE VOTING ON THIS PLAN.

ARTICLE I

DEFINED TERMS, RULES OF INTERPRETATION, AND COMPUTATION OF TIME

Section 1.01 Scope of Defined Terms; Rules of Construction

For purposes of this Plan, except as expressly defined elsewhere in this Plan or unless the context otherwise requires, all capitalized terms used herein shall have the meanings ascribed to them in ARTICLE I of this Plan. Any term used but not defined herein that is defined in the Bankruptcy Code or the Bankruptcy Rules, as the case may be, shall have the meaning ascribed in the Bankruptcy Code or the Bankruptcy Rules. Whenever the context requires, such terms shall include the plural as well as the singular. The masculine gender shall include the feminine, and the feminine gender shall include the masculine.

¹ The Debtors bankruptcy cases are comprised of Nexion Health at Lancaster, Inc. (Case No. 17-34025); Nexion Health at McKinney, Inc., (Case No. 17-34031); Nexion Health at Bogata, Inc. (Case No. 17-34024); and Nexion Health at Garland, Inc. (Case No. 17-34028).

² The Confirmation Order will identify the Debtors that obtain Confirmation.

Section 1.02 Defined Terms

(1) **Administrative Claim(s)** means a Claim(s) for costs and expenses of administration pursuant to Bankruptcy Code §§ 503(b), 507(a)(2), 507(b), or 1114(e)(2), including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries, or commissions for services, and payments for goods and other services and leased premises); (b) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of Title 28 of the United States Code; (c) all Allowed Professional Fee Claims; (d) any Cure Costs; and (e) all Claims for compensation or expense reimbursement in the Chapter 11 Cases pursuant to Bankruptcy Code §§ 503(b)(3), (4), and (5) as Allowed by the Bankruptcy Court. By agreement with Nexion Health Management, Inc., all Management Fees incurred, but not paid after the Petition Date shall not constitute an Administrative Claim, but rather shall be classified by the respective Debtors as Class 6 (A6, B6, C6 and D6) Claims.

(2) **Administrative Claims Bar Date** shall have the meaning set forth in Section 2.02 of this Plan unless the Bankruptcy Court orders otherwise.

(3) **Affiliate** has the meaning set forth in Bankruptcy Code § 101(2).

(4) **Allowed** means with reference to any Claim or Interest: any Claim or Interest or any portion thereof (a) as to which no objection to allowance has been interposed on or before the latter of (i) the Claims Objection Deadline or (ii) the expiration of such other applicable period of limitation fixed by the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or is listed on the Bankruptcy Schedules as liquidated, non-contingent and undisputed; (b) as to which any objection to its allowance has been settled, waived through payment or withdrawn, as permitted herein, or denied by a Final Order; (c) as to which liability of the Debtors and the amount thereof has been determined and expressly allowed by a Final Order; (d) as to which the liability of the Debtors and the amount thereof are determined and expressly allowed by Final Order of a court of competent jurisdiction other than the Bankruptcy Court; or (e) that is expressly deemed allowed in a liquidated amount in this Plan; provided, however, that with respect to an Administrative Claim, "**Allowed Administrative Claim**" means an Administrative Claim as to which a timely request for payment has been made in accordance with Section 2.02 of this Plan (if such written request is required) or other Administrative Claim, in each case as to which the Debtors or Reorganized Debtors (1) have not interposed a timely objection or (2) have interposed a timely objection and such objection has been settled, waived through payment or withdrawn, as permitted herein, or denied by a Final Order.

(5) **Assumed Contracts** means as defined in Section 7.03 below.

(6) **Available Cash** means all Cash and Cash Equivalents of the Debtors, determined in accordance with generally accepted accounting principles on the Confirmation Date and any time thereafter.

(7) **Avoidance Actions** means any and all actual or potential claims or Causes of Action to avoid a transfer of property or an obligation incurred by the Debtors pursuant to any applicable section of the Bankruptcy Code, including §§ 544, 545, 547, 549, 550, 551, 553(b), and 724(a).

(8) **Bogata Landlord** means CCP Regency 1676 LLC, as assignee on or about August 7, 2015, from NH Texas Properties LP, the lessor of that certain skilled nursing facility located at 2407 Highway 82 West, Clarksville, TX 75426.

(9) **Ballot** means the document for accepting or rejecting this Plan, in the form approved by the Bankruptcy Court, which shall only be applicable to the Bogata Debtor.

(10) **Balloting Agent** means Kane Russell Coleman Logan PC employed and retained by the Debtors pursuant to an order of the Bankruptcy Court [Dkt. No. 78], as counsel for the Debtors.

(11) **Bankruptcy Code** means the Bankruptcy Reform Act of 1978, as codified in title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as in effect on the Petition Date as heretofore or hereafter amended.

(12) **Bankruptcy Court** means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division or any other bankruptcy court having jurisdiction over the Chapter 11 Cases from time to time.

(13) **Bankruptcy Rules** means, collectively, the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended, as applicable to the Chapter 11 Cases or proceedings therein, and the Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Cases or proceedings therein, as the case may be.

(14) **Bankruptcy Schedules** means the schedules of assets and liabilities, lists of executory contracts and unexpired leases, and related information Filed by the Debtors pursuant to Bankruptcy Code § 521 and Bankruptcy Rule 1007(b), as such schedules may be amended or supplemented from time to time as permitted hereunder in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court.

(15) **Bankruptcy SOFAs** means the statements of financial affairs and related financial information Filed by the Debtors pursuant to Bankruptcy Code § 521 and Bankruptcy Rule 1007(b), as such statements may be amended or supplemented from time to time as permitted hereunder in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court.

(16) **Bar Date(s)** means March 14, 2018, which is the applicable date as the last date for Filing Proofs of Claims or Interests in the Chapter 11 Cases of the respective Debtors.

(17) **Bogata or Bogata Debtor** means Nexion Health at Bogata, Inc.; after the Petition Date and before the Effective Date, "Bogata Debtor" shall mean Bogata as Debtor-in-Possession, Case No. 17-34034.

(18) **Bogata Lease** means, as impacted by and subject to the Court's Ruling, that certain Master Lease, as such Master Lease is amended from time to time, including that certain Fourth Amendment to Master Lease, by and between NH Texas Properties Limited Partnership, as Landlord, and the Bogata Debtor, among others, as Tenant, dated as of June 1, 2005, as such Master Lease was amended from time to time.

(19) **Bogata Transition** means, as impacted by and subject to the Court's Ruling, given the Initial Term of the Bogata Lease expires April 1, 2018 and Bogata Debtor advised the Bogata Landlord that it was not going to renew the Bogata Lease, the Bogata Debtor is transitioning the skilled nursing facility that is the subject of the Bogata Lease to the Bogata Landlord's new tenant in a manner consistent with the Bogata Lease and the Court's Ruling.

(20) **Business Day** means any day, excluding Saturdays, Sundays or "legal holidays" (as defined in Bankruptcy Rule 9006(a)), on which commercial banks are open for business in Dallas, Texas.

(21) **Cash** means legal currency of the United States of America or equivalents thereof, including bank deposits and checks.

(22) **Causes of Action** means all actions, causes of action, liabilities, obligations, rights, suits, damages, judgments, remedies, demands, setoffs, defenses, recoupments, crossclaims, counterclaims, third-party claims, indemnity claims, contribution claims, attorney fee claims, or any other claims whatsoever, whether known or unknown, matured or unmatured, fixed or contingent, liquidated or unliquidated, disputed or undisputed, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, in law, equity, or otherwise, based in whole or in part upon any act or omission or other event occurring before the Petition Date or during the course of the Chapter 11 Cases, including through the Effective Date.

(23) **Chapter 11 Case(s) or Case(s)** means (a) when used in reference to a particular Debtor or group of Debtors, the Chapter 11 case or cases pending for that Debtor or particular group of Debtors in the Bankruptcy Court, and (b) when used in reference to all of the Debtors, the above-captioned jointly-administered Chapter 11 cases pending for the Debtors in the Bankruptcy Court.

(24) **Claim** means a claim against the Debtor, whether or not asserted or Allowed, as defined in Bankruptcy Code § 101(5).

(25) **Claim Objection Deadline** means the first Business Day, which is at least 90 days after the Effective Date, or such later date as may be established by the Bankruptcy Court in accordance with Section 8.01(b) of this Plan.

(26) **Class** means a category of Claims or Interests as set forth below pursuant to Bankruptcy Code § 1122.

(27) **Confirmation** means entry by the Bankruptcy Court of the Confirmation Order on the docket of the Chapter 11 Cases.

(28) **Confirmation Date** means the date on which the Confirmation Order is entered on the docket in the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and 9021.

(29) **Confirmation Hearing** means the hearing(s) held by the Bankruptcy Court to consider Confirmation of this Plan pursuant to Bankruptcy Code § 1129, as such hearing may be continued from time to time.

(30) **Confirmation Order** means the order entered by the Bankruptcy Court confirming this Plan pursuant to Bankruptcy Code § 1129.

(31) **Consummation** means the occurrence of the Effective Date.

(32) **Court's Ruling** means Judge Hales' Ruling on that certain Landlord's Motion for Relief from the Automatic Stay for Cause Pursuant to 11 U.S.C. §§ 362(d)(1)(ii) and Waiver of 14-day Stay Pursuant to Bankruptcy Rule 1201 [Dkt. No 57] delivered by the Court on Wednesday, January 31, 2018 at 2:05 p.m. [Dkt. No 127].

(33) **Creditor** means any Person who holds a Claim against any Debtor.

(34) **Cure Costs** means all costs required of a Debtor to cure any and all monetary defaults including pecuniary losses, pursuant to Bankruptcy Code § 365, of such Debtor arising under any executory contract or unexpired lease intended by any Debtor to be assumed pursuant to Bankruptcy Code § 365.

(35) **Debtor(s)** means individually or collectively as set forth on the introductory paragraph at pg. 1.

(36) **Disallowed** means all or such part of a Claim that is disallowed by a Final Order of the Bankruptcy Court or other court of competent jurisdiction.

(37) **Disclosure Statement** means the *Disclosure Statement Pursuant to 11 U.S.C. § 1125 In Support of Debtor's Chapter 11 Plan* dated as of February 26, 2018, as the same may be amended, modified or supplemented from time to time, including all exhibits and schedules thereto, that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any other applicable law.

(38) **Disclosure Statement Order** means the *Order (A) Approving (I) Disclosure Statement for the Second Amended Joint Plan of Reorganization for the Debtors, (II) Summary Plan and Disclosure Statement, and (III) Unimpaired Class Notice; (B) Setting Dates for the Objection and Hearing Relating to the Confirmation of the Plan; and (C) Authorizing Other Relief Relating to Plan Solicitation and the Confirmation of the Plan* [Dkt. No. ____] entered by the Bankruptcy Court on _____, 2018.

(39) **Disputed** means, in reference to a Claim or Interest, any Claim or Interest not otherwise Allowed or Disallowed pursuant to this Plan or an order of the Bankruptcy Court (a) which has been Scheduled, or hereafter is listed in the Bankruptcy Schedules as unliquidated, contingent, or disputed, and which has not been resolved by written agreement of the parties; (b) proof of which was required to be Filed but as to which a Proof of Claim or Interest was not timely or properly Filed; (c) proof of which was timely and properly Filed and which has been or hereafter is listed on the Bankruptcy Schedules as unliquidated, disputed, or contingent; (d) that is disputed in accordance with the provisions of this Plan; or (e) as to which the Debtors or Reorganized Debtors, as applicable, have interposed a timely objection in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any orders of the Bankruptcy Court, or is otherwise disputed by the Debtors or Reorganized Debtors, as applicable, in accordance with applicable law, which objection or dispute has not been withdrawn or determined by a Final Order; provided, however, that for purposes of determining whether a particular Claim is a Disputed Claim before the expiration of any period of limitation fixed for the interposition by the Debtors or Reorganized Debtors, as applicable, of objections to the allowance of Claims, any Claim that is not an Allowed Claim shall be deemed Disputed.

(40) **Distribution Date** means the date(s), occurring as soon as practicable after the Effective Date, upon which distributions are made pursuant to the terms of this Plan to Holders of Allowed Administrative Claims, and other Allowed Claims; provided, however, Allowed Administrative Claims incurred postpetition in the ordinary course of the Debtors business shall be paid not on the Effective Date (or as soon thereafter as practicable), but rather shall be paid in the ordinary course of business such that the Distribution Date for such Allowed Administrative Claims shall be the date such Claim becomes payable under the terms of any contract or agreement or applicable non-bankruptcy law.

(41) **Effective Date** means the first Business Day on which all conditions precedent set forth in Section 9.02 of this Plan have been satisfied or waived as permitted hereunder.

(42) **Employee Benefit Plans** means any employment, compensation, pension, welfare, healthcare, bonus, incentive compensation, sick leave and other leave, vacation pay, expense, reimbursement, dependent care, retirement, savings, deferred compensation, supplemental pension, retention, workers compensation, life insurance, disability, dependent care, dependent healthcare, education, severance or other compensation or benefit plan, agreement or arrangement for the benefit of the current or former directors, officers or employees (whether salaried or hourly, active or retired) of the applicable Debtor.

(43) **Entity** has the meaning set forth in Bankruptcy Code § 101(15).

(44) **Equity Interests** means the shares of stock in each of the Debtors, representing the ownership thereof.

(45) **Estate(s)** means individually or collectively the estate created for such Debtor in its Chapter 11 Case pursuant to Bankruptcy Code § 541.

(46) **Exhibit** means an exhibit annexed either to this Plan, the Plan Documents, or the Disclosure Statement or Filed as part of the Plan Supplement.

(47) **File, Filed or Filing** means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

(48) **Final Order** means an Order of the Bankruptcy Court: (a) as to which the time to appeal, petition for writ of certiorari, or otherwise seek appellate review or to move for re-argument, rehearing, or reconsideration has expired and to which no appeal, petition for writ of certiorari, or other appellate review, or proceeding for re-argument, rehearing, or reconsideration shall be pending; (b) as to which any right to appeal, petition for certiorari, or move for re-argument, rehearing, or reconsideration shall have been waived in writing by the party with such right; or (c) as to which an appeal, writ of certiorari, motion for re-argument or rehearing has been Filed or sought and such order shall not have been stayed.

(49) **Free and Clear** means free and clear of and in no manner impacted, directly or indirectly, by any and all Liens, Claims, Causes of Action, encumbrances, interests, pledges, security interests, rights of setoff, restrictions or limitation on use, successor liabilities, conditions, rights of first refusal, options to purchase, obligations to allow participation, agreements or rights, rights asserted in litigation matters, rights asserted in adversary proceedings in these Cases or otherwise, competing rights of possession, obligations to lend, matters filed of record that relate to, evidence or secure an obligation of the Debtors or the Estates, (and all created expenses and charges) of any type relating to, among other things, any

claim for joint and several liability relating directly or indirectly to any Debtor or any Affiliate of any Debtor, any asserted termination rights, any document, instrument, agreement, affidavit, matter filed of record, cause, or state or federal law, whether known or unknown, legal or equitable, and all liens, rights of offset, replacement liens, adequate protection liens, charges, obligations, or claims granted, allowed or directed in any Order.

(50) **Garland or Garland Debtor** means Nexion Health at Garland, Inc., and after the Petition Date and before the Effective Date "Garland Debtor" shall mean Garland as debtor-in-possession, Case No. 17-34028.

(51) **Garland Landlord** means CCP Pleasant Valley 1679 LLC, as assignee on or about August 7, 2015, from NH Texas Properties LP, the lessor of that certain skilled nursing facility located at 1525 Pleasant Valley Road, Garland, TX 75040.

(52) **Garland Lease** means, as impacted by and subject to the Court's Ruling, that certain Agreement Regarding Garland Facility by and between NH Texas Properties Limited Partnership, as Landlord, and Garland Debtor, among others, as Tenant, dated on or about August 18, 2008 (the "Facility Agreement"), incorporating the Master Lease terms and provisions to the extent not inconsistent with the terms of this Facility Agreement, as such Master Lease is amended from time to time, including: that certain Seventh Amendment to Master Lease, by and between NH Texas Properties Limited Partnership, as Landlord, and the Garland Debtor, among others, as Tenant, dated as of August 18, 2008; that certain Eight Amendment to Master Lease by and between NH Properties Limited Partnership, as Landlord, and the Garland Debtor, among others, as Tenant, dated as of February 22, 2011; and that certain Fourth Amendment to Letter of Credit Agreement, by and between NH Texas Properties Limited Partnership, as Beneficiary, and the Garland Debtor, among others, as LC Party, dated as of September 16, 2008 (the "LC Agreement"), as such Facility Agreement, Master Lease, LC Agreement and related agreements were amended from time to time.

(53) **General Unsecured Claim** means any Claim that is not Secured, not entitled to priority under the Bankruptcy Code, the Holder of which Claim is not an Affiliate and is not an Interest.

(54) **Governance Documents** means any certificate of incorporation, certificate of formation, bylaws, limited liability company agreements (or any other formation and organizational documents) of the Debtors in effect as of the Petition Date.

(55) **Holder** means the person who legally is entitled to enforce any Claim or Interest.

(56) **Impaired** means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of Bankruptcy Code § 1124.

(57) **Intercompany Claim** means any Claim that a either: (i) by a Debtor against another Debtor; or (ii) the Holder of which is an Affiliate of one or more of the Debtors. Notwithstanding the foregoing, Claims for Managements Fees shall not be included within "Intercompany Claims."

(58) **Interest(s)** means the interest of any holder of equity securities in any of the Debtors represented by any issued and outstanding common stock or interests, preferred stock or interests, or other instrument evidencing a present ownership interest in any of the Debtors before the Effective Date (including before the Petition Date).

(59) **Internal Revenue Code** means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute or statutes.

(60) **Lancaster, Lancaster Debtor** means Nexion Health at Lancaster, Inc., and after the Petition Date and before the Effective Date "Lancaster Debtor" shall mean Lancaster as debtor-in-possession, Case No. 17-34025.

(61) **Lancaster Landlord** means CCP Millbrook 1678 LLC, as assignee on or about August 7, 2015, from NH Texas Properties LP, the lessor or that certain skilled nursing facility located at 1850 West Pleasant Run Road, Lancaster, TX 75146.

(62) **Lancaster Lease** means, as impacted by and subject to the Court's Ruling, that certain Agreement Regarding Lancaster Facility by and between NH Texas Properties Limited Partnership, as Landlord, and Lancaster Debtor, among others, as Tenant, dated on or about April 8, 2008 (the "Facility Agreement"), incorporating the Master Lease terms and provisions to the extent not inconsistent with the terms of this Facility Agreement, as such Master Lease is amended from time to time, including that certain Sixth Amendment to Master Lease, by and between NH Texas Properties Limited Partnership, as Landlord, and the Lancaster Debtor, among others, as Tenant, dated as of April 8, 2008 and that certain Third Amendment to Letter of Credit Agreement, by and between NH Texas Properties Limited Partnership, as Beneficiary, and the Lancaster Debtor, among others, as LC Party, dated as of May 22, 2008 (the "LC Agreement"), as such Facility Agreement, Master Lease and LC Agreement were amended from time to time.

(63) **Landlords** means collectively Lancaster Landlord, McKinney Landlord, Garland Landlord and Bogata Landlord.

(64) **Landlord Secured Claim** means, as impacted by and subject to the Court's Ruling, the respective Landlord's asserted Liens against certain personal property of the respective Debtors, as more fully set forth in the applicable Lease. Each Landlord Secured Claim shall only be applicable to the individual and specific Debtor applicable to such Landlord such that the Landlord Secured Claim shall only be secured by its corresponding Debtor's personal property and not any other Debtors' personal property.

(65) **Lien** means a charge against or interest in property to secure payment of a debt or performance of an obligation.

(66) **Master Lease 2001** means, as impacted by and subject to the Court's Ruling, that certain Master Lease by and between NH Texas Properties Limited Partnership, a Texas limited partnership, as Landlord, and the Lancaster Debtor and the Garland Debtor, among others, as Tenant, dated as of September 1, 2001, as amended from time to time.

(67) **Master Lease 2002** means, as impacted by and subject to the Court's Ruling, that certain Master Lease by and between NH Texas Properties Limited Partnership, a Texas limited partnership, as Landlord, and Debtor McKinney and Debtor Bogata, among others, as Tenant, dated January 2, 2002, as amended thereafter from time to time.

(68) **Management Fees** means, for each Debtor, unpaid amounts equal to six percent (6%) of gross receivables payable to Nexion Health Management, Inc. for accounting, contracting, operational

healthcare consulting and related management services provided to each of the Debtors [**what Agreement or Document entitled Nexion Health Management to 6% Management Fee?**] from before the Petition Date through and including the Confirmation Date. Any Management Fees incurred after the Confirmation Date shall not be treated under this Plan and shall be payable in the ordinary course of business by the respective Reorganized Debtors.

(69) **McKinney, McKinney Debtor** means Nexion Health at McKinney, Inc., and after the Petition Date and before the Effective Date "McKinney Debtor" shall mean McKinney as debtor-in-possession, Case No. 17-34031.

(70) **McKinney Landlord** means CCP McKinney 1677 LLC, as assignee on or about August 7, 2015, from NH Texas Properties LP, the lessor of that certain skilled nursing facility located at 253 Enterprise Dr., McKinney, TX 75069.

(71) **McKinney Lease** means, as impacted by and subject to the Court's Ruling, that certain Agreement Regarding McKinney Facility by and between NH Texas Properties Limited Partnership, as Landlord, and McKinney Debtor, among others, as Tenant, dated on or about February 18, 2005 (the "Facility Agreement"), incorporating the Master Lease terms and provisions to the extent not inconsistent with the terms of this Facility Agreement, as such Master Lease is amended from time to time, including that certain Third Amendment to Master Lease, by and between NH Texas Properties Limited Partnership, as Landlord, and the McKinney Debtor, among others, as Tenant, dated as of February 18, 2005 and that certain First Amendment to Letter of Credit Agreement, by and between NH Texas Properties Limited Partnership, as Beneficiary, and the McKinney Debtor, among others, as LC Party, dated as of February 28, 2006 (the "LC Agreement"), as such Facility Agreement, Master Lease and LC Agreement were amended from time to time.

(72) **Miscellaneous Secured Claim** means any Secured Claim against any Debtor other than the Landlord Secured Claims.

(73) **Person** means an individual, corporation, general or limited partnership, limited liability company, trust, liquidating trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

(74) **Petition Date** as defined in the introductory paragraph at page 1 above.

(75) **Plan** means this *Joint Plan of Reorganization*, including any exhibits and all supplements, appendices and schedules thereto, either in its present form or as the same may be altered, amended, modified or supplemented from time to time as permitted herein and in accordance with the provisions of the Bankruptcy Code and the terms hereof.

(76) **Pro Rata** means that proportion that a Claim or Interest in a particular Class bears to the aggregate amount of all Claims or Interests in such Class, except in cases where Pro Rata is used in reference to multiple Classes, in which case Pro Rata means the proportion that a Claim or Interest in a particular Class bears to the aggregate amount of all Claims in such multiple Classes.

(77) **Professional** means any professional (a) employed in the Chapter 11 Cases pursuant to Bankruptcy Code §§ 327, 328 or 1103 and to be compensated for services rendered pursuant to

Bankruptcy Code §§ 327, 328, 329, 330 or 331, or (b) seeking compensation and reimbursement pursuant to Bankruptcy Code § 503(b)(4).

(78) **Professional Fee Claim** means a Claim of a Professional for compensation or reimbursement of expenses relating to services after the Petition Date through the Effective Date.

(79) **Proof of Claim (or Interest)** means the proof of claim (or interest) that must be Filed by a Holder of a Claim (or Interest) by the date(s) designated by the Bankruptcy Court as the Bar Date.

(80) **Related Persons** means, with respect to any Person, such Person's predecessors, successors and assigns (whether by operation of law or otherwise) and their respective present and former Affiliates and each of their respective current and former members, partners, equity-holders, officers, directors, employees, managers, shareholders, partners, financial advisors, attorneys, accountants, investment bankers, consultants, agents and professionals, each acting in such capacity, and any Person claiming by or through any of them (including their respective officers, directors, managers, shareholders, partners, employees, members and professionals).

(81) **Released Parties** means, collectively, each of the Debtors, the Reorganized Debtors, and all Related Persons.

(82) **Reorganized Debtors** means Reorganized Lancaster, Reorganized McKinney, Reorganized Garland and Reorganized Bogata, collectively.

(83) **Reorganized Bogata** means the Bogata Debtor from and after the Effective Date.

(84) **Reorganized Garland** means the Garland Debtor from and after the Effective Date.

(85) **Reorganized Lancaster** means the Lancaster Debtor from and after the Effective Date.

(86) **Reorganized McKinney** means the McKinney Debtor from and after the Effective Date.

(87) **Scheduled** means, with respect to any Claim or Interest, the status and amount, if any, of such Claim or Interest as set forth in the Bankruptcy Schedules.

(88) **Secured** means, when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to Bankruptcy Code § 553, to the extent of the value of the Creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Bankruptcy Code § 506(a); or (b) Allowed pursuant to this Plan as a Secured Claim.

(89) **Unimpaired** means a Claim or Interest that is not Impaired.

(90) **Vested Assets** means all of the respective Debtors' (and their respective Estates) right, title and interest in and to any assets, contracts, leases, properties, rights, defenses, counterclaims, claims against any Persons, interests and businesses, as the same shall exist as of the Effective Date of every kind, type of designation, whether tangible or intangible, known or unknown, real, personal or mixed

wherever located, including all Claims and Causes of Action against any Person to the extent not expressly released or discharged pursuant to this Plan, that are to be owned in whole or in part by the respective Reorganized Debtors.

(91) **Voting Deadline** means, as it applies solely to the Bogata Debtor, the date by which a Creditor must deliver a Ballot to accept or reject this Plan as set forth in the order of the Bankruptcy Court approving the instructions and procedures relating to the solicitation of votes with respect to this Plan.

(92) **Voting Record Date** means, as it applies solely to the Bogata Debtor, the record date for voting on this Plan, which shall be _____.

Section 1.03 Interpretation, Rules of Construction, and Other Terms

(a) Any term used in this Plan that is not defined herein but that is used in the Bankruptcy Code or the Bankruptcy Rules, has the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules and shall be construed in accordance with the rules of construction thereunder.

(b) If a conflict between the Plan and the Disclosure Statement exists, the Plan will govern the Disclosure Statement. If a conflict between the Plan and the Confirmation Order exists, the Confirmation Order shall govern.

(c) The words "herein," "hereof," "hereto," "hereunder," and others of similar import, refer to the Plan as a whole and not to any particular article, section, or clause contained in this Plan.

(d) Unless specified otherwise in a particular reference, a reference in this Plan to an article or section is a reference to that article or section of this Plan.

(e) Unless otherwise provided herein, any reference in this Plan to an existing document or instrument means such document or instrument as it may have been amended, modified, or supplemented from time to time.

(f) As contextually appropriate, each term stated in either the singular or plural shall include both the singular and the plural.

(g) In addition to the above, unless expressly contradicted herein, the rules of construction set forth in § 102 of the Bankruptcy Code shall apply to this Plan.

(h) Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtor or the Reorganized Debtor mean the Debtors or the Reorganized Debtors, as applicable, to the extent the context requires.

(i) Use of the word "include" or any form thereof means "including without limitation" without repeating the same each time used. Further, each definition above includes the plural as the context requires.

(j) All exhibits to this Plan are incorporated into this Plan, and shall be deemed to be included in this Plan, regardless of when filed with the Court.

Section 1.04 Computation of Time

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

Section 1.05 Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Texas, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of the Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements; in which case, the governing law of such agreement shall control); provided, however, that corporate governance matters relating to the Debtors or the Reorganized Debtors, not incorporated in Texas shall be governed by the laws of the state or province of incorporate of the Debtors.

Section 1.06 Reference to Monetary Figures

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly stated.

ARTICLE II

UNCLASSIFIED CLAIMS (NOT ENTITLED TO VOTE ON THIS PLAN)

In accordance with Bankruptcy Code § 1123(a)(l), Administrative Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in Article II hereof. These unclassified Claims are treated as follows:

Section 2.01 Treatment of Administrative Claims

Except as otherwise provided for in this Plan, and subject to the requirements of Section 2.02 of this Plan, each Holder of an Allowed Administrative Claim shall, in full satisfaction, release, settlement, and discharge of such Allowed Administrative Claim: (a) to the extent such claim is due and owing on the Effective Date, be paid in full, in Cash, on the Effective Date; (b) to the extent such claim is not due and owing on the Effective Date, be paid in full, in Cash (i) when such claim becomes due and payable under applicable non-bankruptcy law, or (ii) in the ordinary course of business; or (c) receive such other treatment as to which such Holder may agree with the Debtors or Reorganized Debtors. Cash payments of Allowed Administrative Claims shall be paid from the Claims Reserve, or if the Claims Reserve is insufficient to pay all Allowed Administrative Claims, any shortfall shall be paid from the Gift Reserve or from the Avoidance Actions Proceeds Reserve.

Section 2.02 Bar Dates for Certain Claims

(i) Administrative Claims: The Confirmation Order will establish a Bar Date for Filing of all Administrative Claims (but not including Professional Fee Claims and Administrative Claims in section (b) or (c) below), which date will be thirty (30) days after the Confirmation Date (the "Administrative Claims Bar Date"). Holders of asserted Administrative Claims, other than Professional

Fee Claims, claims for U.S. Trustee fees under 28 U.S.C. §1930, administrative tax claims and administrative ordinary case liabilities described in section (b) below, must submit proofs of Administrative Claim on or before such Administrative Claims Bar Date or forever be barred from doing so. A notice prepared by the Debtors and delivered at least ten (10) prior to the Confirmation Date, will set forth such date and constitute notice of this Administrative Claims Bar Date. The Reorganized Debtors shall have ninety days (90) days (or such longer period as may be allowed by order of the Bankruptcy Court) following the Administrative Claims Bar Date to review and object to such Administrative Claims before a hearing for determination of allowance of such Administrative Claims.

(b) Administrative Ordinary Course Liabilities. Holders of Administrative Claims that are based on liabilities incurred and paid by any Debtor in the ordinary course of the applicable Debtor's business (other than Claims of governmental units for taxes and for interest and/or penalties related to such taxes) on and after the Petition Date shall not be required to File any request for payment of such Administrative Claims. For the avoidance of doubt, Holders of Administrative Claims pursuant to Bankruptcy Code § 503(b)(9) shall be required to File a proof of Administrative Claim on or before the Administrative Claims Bar Date.

(c) Administrative Tax Claims. All requests for payment of Administrative Claims by a governmental unit for taxes (and for interest and/or penalties related to such taxes) for any tax year or period, all or any portion of which occurs or falls within the period from and including the Petition Date through and including the Effective Date, and for which no bar date has otherwise been previously established, must be Filed and served on the Reorganized Debtors, counsel for the Debtors and any other party specifically requesting a copy in writing on or before sixty (60) days following the Effective Date. Any Holder of any such Claim that is required to File a request for payment of such taxes and does not File and properly serve such a claim as set forth in this paragraph shall be forever barred from asserting any such claim against the Debtors and the Reorganized Debtors regardless of whether any such Claim is deemed to arise on or before the Effective Date. Any interested party desiring to object to an Administrative Claim for taxes must File and serve its objection on counsel to the Debtors and the relevant taxing authority no later than thirty days (30) days after the taxing authority Files and serves its application.

(d) Professional Fee Claims. All final requests for compensation or reimbursement of professional fees pursuant to Bankruptcy Code §§ 327, 328, 330, 331, 363, 503(b) or 1103 for services rendered to or on behalf of the applicable Debtors before the Confirmation Date (other than substantial contribution claims under Bankruptcy Code § 503(b)(4)) must be Filed and served on the Reorganized Debtors and their respective counsel no later than thirty days (30) after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to applications of such Professionals or other entities for compensation or reimbursement of expenses must be Filed and served on the Debtors and their counsel and the requesting Professional or other entity no later than thirty (30) days after the date on which the applicable application for compensation or reimbursement was served.

Section 2.03 Payment of Statutory Fees

On or before the Effective Date (or as soon as reasonably practicable after such fees become due), the Debtors shall have paid in full, in Cash, in U.S. dollars, all fees payable pursuant to section 1930 of title 28 of the United States Code, in the amount determined by the Bankruptcy Court at the Confirmation Hearing.

Section 2.04 Treatment of Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim shall, in full satisfaction, release, and discharge thereof, receive (i) such treatment as to which such Holder may agree with the applicable Reorganized Debtor or (ii) at the sole option of the applicable Reorganized Debtor, (a) payment in full, in Cash, of such Allowed Priority Tax Claim on the Effective Date; or (b) treatment in accordance with Bankruptcy Code §§ 1129(a)(9)(C) or 1129(a)(9)(D), as the case may be. Cash payments of Allowed Priority Tax Claims shall be paid on the Effective Date or as soon thereafter as practicable.

Section 2.05 Introduction

The categories of Claims and Interests set forth herein classify Claims and Interests for all purposes, including for purposes of voting, confirmation, and distribution pursuant to this Plan and Bankruptcy Code §§ 1122 and 1123(a)(1). A Claim or Interest shall be deemed classified in a particular Class only to the extent that it qualifies within the description of such Class, and shall be deemed classified in other Classes to the extent that any portion of such Claim or Interest qualifies within the description of such other Classes. Notwithstanding anything to the contrary in this Plan, a Claim or Interest shall be deemed classified in a Class only to the extent that such Claim or Interest has not been paid, released, or otherwise settled before the Effective Date.

All Claims (except for Administrative Claims and Priority Tax Claims, which are not classified pursuant to Bankruptcy Code § 1123(a)(1)) are classified in Section 2.07 and Section 3.01 through Section 3.06 in this Plan.

Section 2.06 Voting; Presumptions

(a) Impaired Claims Generally. The Lancaster Debtor, McKinney Debtor, Garland Debtor and Bogata Debtor have no impaired classes of claims or Interests, except Class 6 (A6, B6, C6 and D6) Management Fees, and accordingly all such unimpaired classes are deemed to have accepted the Plan under Bankruptcy Code § 1126(f).

(b) Acceptance by Impaired Classes Each Impaired Class of Claims that will (or may) receive or retain property or any interest in property under this Plan shall be entitled to vote to accept or reject this Plan. An Impaired Class of Claims shall have accepted this Plan if (i) the Holders (other than any Holder designated under Bankruptcy Code § 1126(e)) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept this Plan and (ii) the Holders (other than any Holder designated under Bankruptcy Code § 1126(e)) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept this Plan. An Impaired Class of Interests shall have accepted this Plan if the Holders (other than any Holder designated under Bankruptcy Code § 1126(e)) of at least two-thirds in amount of the Allowed Interests actually voting in such Class have voted to accept this Plan.

(c) Voting Presumptions. Claims and Interests in Unimpaired Classes are conclusively deemed to have accepted this Plan pursuant to Bankruptcy Code § 1126(f) and, therefore, are not entitled to vote to accept or reject this Plan. Claims and Interests in Classes that do not entitle the Holders thereof to receive or retain any property under this Plan are conclusively deemed to have rejected this Plan pursuant to Bankruptcy Code § 1126(g) and, therefore, are not entitled to vote to accept or reject this Plan.

Section 2.07 Identification of Claims and Interests

The following tables designate the Classes of Claims against, and Interests in, the Debtors and specify which of those Classes and Interest are (a) Impaired or Unimpaired by this Plan; (b) entitled to vote to accept or reject this Plan in accordance with Bankruptcy Code § 1126; and (c) deemed to accept or reject this Plan.

CHART 2.07(A) - LANCASTER

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
A1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
A2	Lancaster Landlord Secured Claim	See Section 3.02	Unimpaired	No, deemed to accept this Plan
A3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date or otherwise treated as set forth in Section 3.03 below	Unimpaired	No, deemed to accept this Plan.
A4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan
A5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote
A6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes	Impaired	Not entitled to vote

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
		A1-A4 are paid in full.		
A7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

CHART 2.07(B) – MCKINNEY

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote
B1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
B2	McKinney Landlord Secured Claims	See Section 3.02	Unimpaired	No, deemed to accept this Plan
B3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date or treated as otherwise set forth in Section 3.03	Unimpaired	No, deemed to accept this Plan.
B4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan.
B5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote
B6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes	Impaired	Not entitled to vote

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
		B1-B4 are paid in full.		
B7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

CHART 2.07(C) – GARLAND

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	No, not entitled to vote
C1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
C2	Garland Landlord Secured Claims	See Section 3.02	Unimpaired	No, deemed to accept this Plan
C3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date or treated as otherwise set forth in Section 3.03	Unimpaired	No, deemed to accept this Plan.
C4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan.
C5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote
C6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes	Impaired	Not entitled to vote

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
		C1-C4 are paid in full.		
C7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

CHART 2.07(D) –BOGATA

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
--	Administrative Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
--	Priority Tax Claims	Paid in full in Cash on the Effective Date	Unclassified	Not entitled to vote
D1	Priority Non-Tax Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan
D2	Bogata Landlord Secured Claims	See Section 3.02	Unimpaired	No, deemed to accept this Plan
D3	Miscellaneous Secured Claims	Paid in full in Cash on the Effective Date	Unimpaired	No, deemed to accept this Plan.
D4	General Unsecured Claims	Paid in full on the later of the Effective Date and the Date such Claim becomes Allowed pursuant to a Final Order of the Court.	Unimpaired	No, deemed to accept this Plan
D5	Intercompany Claims	Cancelled	Impaired	Not entitled to vote
D6	Management Fees	Paid in full, but only to the extent funds are available after Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes D1-D4 are paid in full.	Impaired	Not entitled to vote

Class	Type of Allowed Claim or Interest	Treatment	Impairment	Entitled to Vote?
D7	Interests	Retained	Unimpaired	No, deemed to accept this Plan

ARTICLE III

TREATMENT OF CLAIMS AND INTERESTS

Section 3.01 Priority Non-Tax Claims

Classification: Classes A1, B1, C1 and D1 consist of the Allowed Priority Non-Tax Claims against the respective Debtors.

Treatment: Except to the extent that a Holder of an Allowed Claim in Classes A1, B1, C1 and D1 has agreed in writing with the applicable Debtor to a different treatment (in which event such other writing will govern), each Holder of an Allowed Claim in Classes A1, B1, C1 and D1 shall receive, on account of, and in full and complete satisfaction, settlement, release and discharge of and in exchange for such Claim, at the election of the Respective Reorganized Debtors, (i) Cash equal to the amount of such Allowed Claims in Classes A1, B1, C1 and D1 in accordance with Bankruptcy Code § 1129(a)(9), on the later of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date such Claim in Classes A1, B1, C1 and D1 becomes an Allowed Claim in Classes A1, B1, C1 and D1 (or as soon as reasonably practicable thereafter); or (ii) such other treatment agreed to by the applicable Debtor Holder of A1, B1, C1 or D2, as the case may be, required to render such Allowed Claims in Classes A1, B1, C1 and D1 Unimpaired pursuant to Bankruptcy Code § 1124.

Voting: Claims in Classes A1, B1, C1 and D1 are Unimpaired. Each Holder of an Allowed Claim in Classes A1, B1, C1 and D1 shall be conclusively deemed to have accepted this Plan pursuant to Bankruptcy Code § 1126(f), and, therefore, shall not be entitled to vote to accept or reject this Plan.

Section 3.02 Landlord Secured Claims

Classification: Classes A2, B2, C2 and D2 consist of the Lancaster, McKinney, Garland and Bogata Landlord Secured Claims.

Allowance: The Landlord Secured Claims against the Debtors are hereby Allowed as Secured Claims in Classes A2, B2, C2 and D2 in the amount of the respective Debtor's monthly rent obligations.

Treatment: In full satisfaction of the Allowed Landlord Secured Claims (A2, B2, C2 and D2), the Lancaster Landlord, McKinney Landlord, Garland Landlord and Bogata Landlord shall retain their respective security interests against the respective Debtor's personal property as more fully set forth in paragraphs 8.2.1 and 8.2.2 of the Master Lease 2001 and the Master Lease 2002, as incorporated into the Lancaster Lease, Garland Lease, McKinney Lease, and Bogata Lease. Further, the Lancaster Landlord, McKinney Landlord and Garland Landlord (Classes A2, B2 and C2) shall retain all rights and benefits, respectively, of the Lancaster Lease, McKinney Lease and Garland Lease, consistent with the Lift Stay Ruling and the Assumption Ruling, including the receipt of the applicable monthly rent amount. The

Bogata Landlord (Class D2) shall receive (i) rent through and including March, 2018 and shall (ii) receive its personal property collateral as part of the Bogata Transition.

Voting: Claims in Classes A2, B2, C2 and D2 are Unimpaired. Each Holder of an Allowed Landlord Secured Claim in Classes A2, B2, C2 and D2 shall be conclusively deemed to have accepted this Plan pursuant to Bankruptcy Code § 1126(f), and, therefore, shall not be entitled to vote to accept or reject this Plan.

Section 3.03 Miscellaneous Secured Claims

Classification: Classes A3, B3, C3 and D3 consist of all Miscellaneous Secured Claims against the Debtors.

Treatment: On or as soon as reasonably practicable after the latest to occur of (i) the Effective Date or (ii) the date on which each such Class A3, B3, C3 and D3 Claim becomes an Allowed Claim, each Holder of such an Allowed Claim, if any, shall receive, on account of, and in full and complete satisfaction, settlement, release and discharge of and in exchange for such Allowed Class A3, B3, C3 and D3 Claim, at the election of the respective Reorganized Debtor (a) such treatment in accordance with Bankruptcy Code § 1124 as may be determined by the Bankruptcy Court; (b) payment in full, in Cash, of such Allowed Class A3, B3, C3 and D3, Claim amount on the Effective Date (or as soon as practicable thereafter); (c) satisfaction of any such Allowed Class A3, B3, C3 and D3 Claim by delivering the personal property collateral securing any such Claims; (d) providing such Holder with such treatment in accordance with Bankruptcy Code § 1129(b) as may be determined by the Bankruptcy Court or (e) as to the Bogata Reorganized Debtor only, by implementation of the Bogata Transition. Cash payments, if any, of Allowed Claims in Classes A3, B3, C3 and D3 shall be paid from the respective Reorganized Debtor.

Voting: Claims in Classes A3, B3, C3 and D3 are Unimpaired. Each Holder of an Allowed Claims in Classes A3, B3, C3 and D3 shall be conclusively deemed to have accepted this Plan pursuant to Bankruptcy Code § 1126(f), and, therefore, shall not be entitled to vote to accept or reject this Plan.

Section 3.04 General Unsecured Claims

Classification: Classes A4, B4, C4 and D4 consist of all General Unsecured Claims against the respective Debtors.

Treatment of Classes A4, B4, C4 and D4: On or as soon as reasonably practicable after the latest to occur of (i) the Effective Date and (ii) the date on which each such Class A4, B4, C4 and D4 Claim becomes an Allowed Claim, each Holder of such an Allowed Claim, if any, shall receive, on account of and in full and complete satisfaction, settlement, release and discharge of and in exchange for such Allowed Class A4, B4, C4 and D4 Claim, cash equal to the Allowed amount of such Class A4, B4, C4 and D4 General Unsecured Claims.

Voting: Claims in Classes A4, B4, C4 and D4 are Unimpaired. Each Holder of an Allowed Claim in Classes A4, B4, C4 and D4 shall not be entitled to vote to accept or reject this Plan.

Section 3.05 Intercompany Claims

Classification: Classes A5, B5, C5 and D5 consists of all Intercompany Claims, excluding Claims for Management Fees, between or among the respective Debtors and/or their respective Affiliates.

Treatment: On the Effective Date, all of the Intercompany Claims as of the Effective Date shall be eliminated, extinguished, cancelled, and discharged (save and accept Claims for Management Fees) for the Lancaster Debtor, McKinney Debtor and the Garland Debtor. Fees shall not be paid until all Class A4, B4 and C4 Claims are both determined to be Allowed or not Allowed by Final Order of the Bankruptcy Court and all such Allowed Claims are paid in full. Pursuant to Bankruptcy Code § 1129(b)(2)(C), Holders of Intercompany Claims shall not be entitled to, nor shall they receive, any distribution or retain any property or interest in property on account of such Intercompany Claims.

Voting: Claims in Classes A5, B5, C5 and D5 are Impaired but are Insiders whose votes cannot be counted under § 1129(a)(10) and so are not entitled to vote.

Section 3.06 Management Fees

Classification: All Claims for unpaid prepetition and postpetition Management Fees shall be classified as Class A6, B6, C6 and D6 of the respective Debtors.

Treatment of Class A6, B6, C6 and D6: No payments or other Distribution of any kind or character shall be made to any Holder of an Allowed Management Fee Claim until all Allowed Administrative Claims, Priority Tax Claims, Priority Non-Tax Claims (A1, B1, C1 and D1), Landlord Secured Claims due as of the Effective Date (A2, B2, C2 and D2), Miscellaneous Secured Claims (A3, B3, C3 and D3), General Unsecured Claims (A4, B4, C4 and D4), have been paid in full. Thereafter, Allowed Management Fees shall be paid to the extent Cash is available.

Voting: Class A6, B6, C6 and D6 are Impaired but are Insiders whose votes cannot be counted under § 1129(a)(10) and so are not entitled to vote.

Section 3.07 Interests

Classification: Classes A7, B7, C7 and D7 shall consist of the ownership Interests in Lancaster, McKinney, Garland and Bogata, respectively.

Treatment: On the Effective Date, all of the Classes A7, B7, C7 and D7 Interests outstanding as of the Effective Date shall be retained for all purposes the same as prior to the Petition Date without modification or amendment to the respective Debtor's instruments evidencing Interests in the Debtors or Governance Documents or related corporate documentation.

Voting: Interests in Classes A7, B7, C7 and D7 are Unimpaired. The Holders of Allowed Interests in Classes A7, B7, C7 and D7 are deemed to have accepted this Plan and, accordingly, are not entitled to vote to accept or reject this Plan.

ARTICLE IV

ACCEPTANCE OR REJECTION OF THIS PLAN

Section 4.01 Designation of Unimpaired Classes

Classes A1, A2, A3, A4, A7, B1, B2, B3, B4, B7, C1, C2, C3, C4, C7, D1, D2, D3, D4, and D7 are Unimpaired.

Section 4.02 Designation of Impaired Classes

Classes A5, A6, B5, B6, C5, C6, D5, and D6 are Impaired.

Section 4.03 Classes Entitled to Vote

None.³

Section 4.04 Classes Not Entitled to Vote

Classes A1, A2, A3, A4, A5, A6, A7, B1, B2, B3, B4, B5, B6, B7, C1, C2, C3, C4, C5, C6, C7, D1, D2, D3, D4, D5, D6 and D7 are Unimpaired under this Plan and therefore, Holders of Claims and Interests in such classes are not entitled to cast Ballots with respect to this Plan as they are deemed to accept this Plan in accordance with Bankruptcy Code § 1126(f).

Section 4.05 Sources of Cash for the Plan Distributions

Except as otherwise specifically provided herein or in the Confirmation Order, all Cash required for the payments to be made hereunder shall be obtained from the Available Cash on hand of the Reorganized Debtors. While the Reorganized Debtors believe and project that each will have more than sufficient Available Cash to fully perform all obligations under the Plan, in the event there are any shortages of Available Cash on the Effective Date, then Nexion Health Management, Inc. has committed to advance up to \$250,000, on an as needed basis, to insure all payments under the Plan are timely made.

Section 4.06 Cram Down – Nonconsensual Confirmation

If each Impaired Class of Claims or Interests entitled to vote shall not accept this Plan by the requisite statutory majority provided in Bankruptcy Code § 1126(c) or 1126(d), the Debtors request Confirmation of this Plan under Bankruptcy Code § 1129(b). In that event, the Debtors reserve the right to modify this Plan to the extent, if any, that Confirmation pursuant to Bankruptcy Code § 1129(b) requires modification or any other reason in their discretion.

³ While Claimants in Classes 5 and 6 possess Impaired Claims and may be entitled to vote, their votes cannot be counted under 11 U.S.C. § 1129(a)(10) and so, for all intents and purposes, such Claimants' votes do not matter. Claimants in Class 5 and Class 6 are all Insiders, and all support the Plan.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THIS PLAN AND POST EFFECTIVE DATE GOVERNANCE

Section 5.01 Vesting of the Vested Assets

The Confirmation Order, on the Effective Date shall (a) any and all of the respective Debtors' cash, causes of action, assets, property and all other Vested Assets shall vest in the applicable Reorganized Debtor Free and Clear; and (b) the assumed contracts shall be assumed by the applicable Debtors as provided in Article VII and vest in the applicable Reorganized Debtor. Except as otherwise set forth in this Plan from and after the Effective Date, the Reorganized Debtors shall perform and pay when due liabilities under, or related to the ownership or operation of, the Vested Assets. The Reorganized Debtors may operate free of any restrictions of the Bankruptcy Code.

After the Effective Date, the Reorganized Debtors may present such orders or assignments of the Bankruptcy Court, suitable for Filing in the records of every county or governmental agency where the Vested Assets are or were located, which provide that such property is conveyed to or vested in the Reorganized Debtors. The orders or assignments may designate all Liens, Claims, and encumbrances or other interests, which appear of record and/or from which property is being transferred and assigned. This Plan shall be conclusively deemed to be adequate notice that such Lien, Claim, encumbrance, or other interest is being extinguished and no notice other than by this Plan, shall be given before the presentation of such orders or assignments. Any person having a Lien, Claim, encumbrance or other interest against any Vested Asset shall be conclusively deemed to have consented to the transfer, assignment and vesting of such Vested Assets Free and Clear to the Reorganized Debtors by failing to object to Confirmation.

Section 5.02 Directors and Officers

On the Effective Date all current officers and directors of the respective Debtors shall remain in their current positions. No change shall occur in the governance of any Debtor as a result of the Confirmation of the Plan.

Section 5.03 Governance Documents

On the Effective Date, the Governance Documents of the respective Debtors shall remain as is and in full force and effect, subject to the terms of this Plan.

Section 5.04 Avoidance Actions

Given the payment in full of all Claims except the Management Fees, the Reorganized Debtors do not intend to pursue any Avoidance Actions.

Section 5.05 Authorization for Transaction

On the Effective Date or as soon as reasonably practicable thereafter, the Debtors, and the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate this Plan, including: (a) the execution and delivery of appropriate agreements or other documents; (b) the execution and delivery of

appropriate instruments of transfer, assignment, assumption, or delegation of any property, right, liability, duty, or obligation on terms consistent with the terms of this Plan; and (c) all other actions that the Debtors, or the Reorganized Debtors determine are necessary or appropriate.

Section 5.06 Preservation of Rights of Action; Settlement

Pursuant to § 1123(b) of the Bankruptcy Code, all Causes of Action (including Chapter 5 Causes of Action and any claims or causes of action the Debtors may have against the Landlords and their affiliates) are hereby preserved by the Plan, notwithstanding the occurrence of the Effective Date. The Reorganized Debtors shall retain the exclusive authority and all rights to enforce, commence, and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved. For the avoidance of doubt, the preservation of Causes of Action herein includes, without limitation, the Debtors' and Reorganized Debtors' right to object to all Secured Claims, Administrative Claims, Priority Claims, and General Unsecured Claims. The Reorganized Debtors may pursue such Causes of Action as appropriate, in accordance with the Reorganized Debtors' best interests in its discretion. No entity 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 or the Reorganized Debtors will not pursue any and all available Causes of Action against them. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action. For the avoidance of doubt, the Reorganized Debtors reserve and shall retain all Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during the Chapter 11 Case or pursuant to the Plan. The Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

On the Effective Date, all Causes of Action shall remain with the Debtors or Reorganized Debtors, which shall hold all rights on behalf of the Debtors or their Estates, to commence and pursue any and all Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal). The failure to list or describe any unknown Cause of Action herein is not intended to limit the rights of the Reorganized Debtors to pursue any unknown Cause of Action. Unless Causes of Action against a person or entity are expressly waived, relinquished, released, compromised or settled herein or any Final Order, the Debtors or its Estates (before the Effective Date) and the Reorganized Debtors (post-Effective Date), expressly reserve all Causes of Action (including the unknown Causes of Action) for later adjudication and therefore, no preclusion doctrine or other rule of law, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after, or as a result of the confirmation or Effective Date of the Plan, or the Confirmation Order. In addition, the Debtors or their Estates and the Reorganized Debtors expressly reserve the right to pursue or adopt any Claims not so waived, relinquished, released, compromised or settled that are alleged in any lawsuit in which the Debtors or their Estates are defendants or interested parties, against any person or entity, including, without limitation, the plaintiffs and co-defendants in such lawsuits. Such retained potential Causes of Action include, without limitation, (i) any potential Cause of Action arising from or related to any transfer or other actions or omissions referenced in the Debtors' Schedules or Statement of Financial Affairs, which were filed in Case No. 17-34025 (Docket No. 47), Case No. 17-

34028 (Docket No. 22), Case No. 17-34031 (Docket No. 20), and Case No. 17-34034 (Docket No. 22) on November 14, 2017, respectively, (ii) any potential Causes of Action against any Landlord or its affiliate(s), (iii) any Causes of Action related to the extent, validity and priority of any liens, (iv) any actions for breach of contract, and (v) any actions arising in tort. The Reorganized Debtors shall have the right to identify any additional Causes of Action prior to the Effective Date of the Plan.

The Reorganized Debtors shall also retain and may prosecute and enforce all defenses, counterclaims, and rights that have been asserted or could be on behalf of the Debtors against or with respect to all Claims asserted against the Debtors or property of the Estates. No claim, right, Cause of Action, or other asset shall be deemed waived or otherwise forfeited by virtue of the Debtors failure to identify such property in the Debtors' Schedules or the Disclosure Statements accompanying the Plan unless otherwise ordered by the Bankruptcy Court..

Section 5.07 Employee Benefit Plans

After the Effective Date, all Employee Benefit Plans of the Lancaster Reorganized Debtor, the McKinney Reorganized Debtor and the Garland Reorganized Debtor shall remain in full force and effect without change of any kind or character. The Bogata Reorganized Debtor's Employment Benefit Plan shall terminate for all purposes on the Effective Date or as otherwise treated as part of the Bogata Transition.

Section 5.08 Exclusivity Period

The Debtors shall retain the exclusive right to amend or modify this Plan, and to solicit acceptances of any amendments to or modifications of this Plan, through and until the earlier of (i) the Effective Date or (ii) the expiration of the Debtors' exclusive period to solicit acceptances of this Plan under Bankruptcy Code § 1121(d).

Section 5.09 Exemption from Certain Transfer Taxes

Pursuant to Bankruptcy Code § 1146(a), the issuance, transfer, or exchange of a security, or the making of delivery of an instrument of transfer, including transfers, if any, effected pursuant to this Plan from the Debtors to the Reorganized Debtors, or any other Person or Entity pursuant to this Plan, as applicable, may not be taxed under any law imposing a stamp tax or similar tax, and the sale and/or Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for Filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

ARTICLE VI

PROVISIONS GOVERNING DISTRIBUTIONS GENERALLY

Section 6.01 Timing and Delivery of Distributions

The Reorganized Debtors shall make distributions as governed by this Plan.

Section 6.02 Method of Cash Distributions

Any Cash payment to be made pursuant to this Plan may be made by Cash, draft, check, wire transfer, or as otherwise required or provided in any relevant agreement or applicable law at the option of and in the sole discretion of the applicable Reorganized Debtor or Affiliate thereof.

Section 6.03 Failure to Negotiate Checks

Checks issued in respect of distributions under this Plan shall be null and void if not negotiated within sixty (60) days after the date of issuance. The applicable Reorganized Debtor shall hold any amounts returned in respect of such non-negotiated checks. The Holder of an Allowed Claim with respect to which such check originally was issued shall make requests for reissuance for any such check directly to the applicable Reorganized Debtor. All amounts represented by any voided check will be held until the later of one (1) year after (x) the Effective Date or (y) the date that a particular Claim is Allowed by Final Order, and all requests for reissuance by the Holder of the Allowed Claim in respect of a voided check are required to be made before such date. Thereafter, all such amounts shall be deemed to be Unclaimed Property, and all Claims in respect of void checks and the underlying distributions shall be forever barred, estopped and enjoined from assertion in any manner against the Reorganized Debtors.

Section 6.04 Fractional Dollars

Notwithstanding any other provision of this Plan, Cash distributions of fractions of dollars will not be made; rather, whenever any payment of a fraction of a dollar would be called for, the actual payment made shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down. To the extent that Cash remains undistributed as a result of the rounding of such fraction to the nearest whole cent, such Cash shall be treated as Unclaimed Property pursuant to Section 6.03 of this Plan.

Section 6.05 Compliance with Tax Requirements

With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law has not been received by the applicable Reorganized Debtor within thirty (30) days from the date of such request (the "Initial Request"), the applicable Reorganized Debtor may, at its option, withhold the amount required to such Person and decline to make such distribution until the information is received. Failure of any Person to provide the information requested within six months of the Initial Request shall result in the forfeit of the affected distribution and the treatment of said distribution as Unclaimed Property.

Section 6.06 De Minimis Distributions

No Cash payment of less than twenty-five (\$25.00) dollars shall be made to the Holder of any Claim on account of its Allowed Claim.

Section 6.07 Setoffs

The applicable Reorganized Debtor may, but shall not be required to, set off against any Claims and the payments or distributions to be made pursuant to this Plan in respect of such Claims, any and all debts, liabilities and claims of every type and nature whatsoever that the Estate or a Debtor may have against the Holder of any Claim, but neither the failure to do so nor the Allowance of any such Claims,

whether pursuant to this Plan or otherwise, shall constitute a waiver or release by any Debtor of any such claims the Debtor may have against such Holder of any Claim, and all such claims shall be reserved for and retained by the applicable Reorganized Debtor. Notwithstanding any term or provision of this Plan, the Reorganized Debtors by this Plan: (i) shall step into the shoes of and shall otherwise be the Debtors for purposes of determining mutuality, and (ii) preserve all rights to setoff any amounts due by the Debtors and/or the Reorganized Debtors.

ARTICLE VII

EXECUTORY CONTRACTS, UNEXPIRED LEASES, AND OTHER AGREEMENTS

Section 7.01 Assumption/Rejection

Executory Contracts and Unexpired Leases. On the Effective Date, and to the extent permitted by applicable law, all of the Debtors' executory contracts and unexpired leases will be rejected unless such executory contract or unexpired lease: (a) is a Desired 365 Contract and is being assumed pursuant to this Plan; (b) is the subject of a motion to assume Filed on or before the Confirmation Date; or (c) has been previously rejected or assumed.

Section 7.02 Cure Amounts

All Cure Costs shall be paid within thirty (30) days after the Effective Date.

Section 7.03 Assumed Executory Contracts and Unexpired Leases

Each Contract or unexpired lease the Debtors intend to assume will include (a) all amendments, modifications, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease; and (b) with respect to any executory contract or unexpired lease that relates to the use, ability to acquire, or occupancy of real property, all executory contracts or unexpired leases and other rights appurtenant to the property, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vaults, tunnel or bridge agreements or franchises, and any other equity interests in real estate or rights in rem related to such premises, unless any of the foregoing agreements have been rejected pursuant to an order of the Bankruptcy Court or are the subject of a motion to reject Filed on or before the Confirmation Date.

Amendments, modifications, supplements, and restatements to executory contracts and unexpired leases that have been executed by the Debtors during their Chapter 11 Cases shall not be deemed to alter the pre-petition nature of the executory contract or unexpired lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

The Debtors shall file and serve via ECF a list of all executory contracts and unexpired leases to be assumed under Bankruptcy Code § 365 no later than ten (10) days prior to the commencement of the Confirmation Hearing ("Assumed Contracts"). All executory contracts and unexpired leases not constituting Assumed Contracts shall be rejected pursuant to Bankruptcy Code § 365 as part of the Confirmation Hearing.

Section 7.04 Insurance Policies

All insurance policies pursuant to which the Debtors have any obligations in effect as of the date of the Confirmation Hearing shall be deemed and treated as Assumed Contracts pursuant to this Plan and shall be assumed by the Reorganized Debtors.

Section 7.05 Claims Based on Rejection of Executory Contracts and Unexpired Leases

Unless otherwise provided by a Bankruptcy Court order, any Proofs of Claim asserting Claims arising from the rejection of the Debtors' executory contracts and unexpired leases pursuant to this Plan or otherwise must be Filed no later than thirty (30) days after the later of the Effective Date or the date a Final Order is entered granting the rejection. Any Proofs of Claim arising from the rejection of the Debtors' executory contracts or unexpired leases that are not timely Filed shall be disallowed automatically, forever barred from assertion, and shall not be enforceable against any Debtor or the Reorganized Debtors without the need for any objection by any Person or further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of the executory contract or unexpired lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Bankruptcy Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Debtors' executory contracts and unexpired leases shall be classified as General Unsecured Claims for the particular Debtor in question and shall be treated in accordance with the particular provisions of this Plan for such Debtor; provided however, if the Holder of an Allowed Claim for rejection damages has an unavoidable security interest in any Collateral to secure obligations under such rejected executory contract or unexpired lease, the Allowed Claim for rejection damages shall be treated as a Miscellaneous Secured Claim to the extent of the value of such Holder's interest in the collateral, with the deficiency, if any, treated as a General Unsecured Claim.

Section 7.06 Reservation of Rights

Nothing contained in this Plan shall constitute an admission by the Debtors that any such Assumed Contract is in fact an executory contract or unexpired lease or that any Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors and Reorganized Debtors, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter and to provide appropriate treatment of such contract or lease.

Section 7.07 Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request by the Debtors to extend the deadline for assuming or rejecting unexpired leases pursuant to Bankruptcy Code § 365(d)(4).

ARTICLE VIII

PROCEDURES FOR RESOLVING DISPUTED, CONTINGENT, AND UNLIQUIDATED CLAIMS

Section 8.01 Objections to Claims

(a) **Authority.** The Debtors and the Reorganized Debtors shall have the exclusive authority to File objections to the Claims. The Debtor and the Reorganized Debtors, as applicable, shall have the exclusive authority to settle, compromise, or litigate to judgment any objections to Disputed Claims.

(b) **Objection Deadline.** As soon as practicable, but no later than the Claims Objection Deadline, the Reorganized Debtors may File objections with the Bankruptcy Court and serve such objections on the Creditors holding the Claims to which such objections are made. Nothing contained herein, however, shall limit the right of the Reorganized Debtors to file any adversary proceeding or otherwise pursue and Cause of Action post-Confirmation in the Bankruptcy Court. The Claims Objection Deadline may be extended by the Bankruptcy Court upon motion by the applicable Debtor or Reorganized Debtor, as the case may be.

Section 8.02 Estimation of Claims

The Debtors or Reorganized Debtors at any time request that the Bankruptcy Court estimate any such Disputed Claim pursuant to Bankruptcy Code § 502(c), regardless of whether any Debtor or Reorganized Debtor have previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute the maximum limitation on such Claim, as determined by the Bankruptcy Court and the Debtors or Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another.

Section 8.03 No Distributions Pending Allowance

Notwithstanding any other provision of this Plan, no payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim. The Reorganized Debtors may reserve for the payment of any Disputed Claim in a segregated account and commence payments of Class A6, B6, C6 and D6 Claims.

Section 8.04 Reduction of Claims

Notwithstanding the contents of the Bankruptcy Schedules or the Bankruptcy SOFAs, Claims listed therein as undisputed, liquidated and not contingent: (i) may be objected to by the Reorganized Debtors without res judicata, collateral estoppel, or other preclusive effect; and (ii) shall be reduced by the amount, if any, that was paid by the Debtors before the Effective Date, including pursuant to orders of

the Bankruptcy Court. To the extent such payments are not reflected in the Bankruptcy Schedules or the Bankruptcy SOFAs, such Bankruptcy Schedules and Bankruptcy SOFAs will be deemed amended and reduced to reflect that such payments were made. Nothing in this Plan shall preclude the Reorganized Debtors from paying Claims that the Debtors were authorized to pay pursuant to any Final Order entered by the Bankruptcy Court before the Effective Date.

ARTICLE IX

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THIS PLAN

Section 9.01 Conditions Precedent to Confirmation

The following are conditions precedent to the occurrence of Confirmation, each of which must be satisfied or waived by the Debtors:

(a) The Bankruptcy Court shall have entered an order, in form and substance reasonably acceptable to the Debtors, approving the adequacy of the Disclosure Statement, and such Order shall have become a Final Order.

(b) The Confirmation Order approving and confirming this Plan, as such Plan may have been modified, amended or supplemented, shall be in form and substance reasonably acceptable to the Debtors.

Section 9.02 Occurrence of the Effective Date

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived by the Debtors:

(a) The Confirmation Order shall have been entered in form and substance reasonably acceptable to the Debtors and such Order shall have become a Final Order.

(b) There shall not be in effect any (i) order entered by any court of any competent jurisdiction; (ii) any order, opinion, ruling or other decision entered by any administrative or governmental entity or (iii) applicable law, staying, restraining, enjoining or otherwise prohibiting or making illegal the consummation of this Plan, in whole or in part.

(c) The Debtors shall have filed (and served only via ECF) a notice that the Effective Date has occurred, providing the date thereof, which date shall be deemed the "Effective Date."

Section 9.03 Substantial Consummation

On the Effective Date, this Plan shall be deemed to be substantially consummated under Bankruptcy Code §§ 1101 and 1127(b).

Section 9.04 Revocation, Withdrawal, or Non-Consummation

The Debtors reserve the right to revoke or withdraw this Plan (including, without limitation, any one or more of the four (4) separate plans in respect of the Debtors) at any time before the Confirmation

Date and to File subsequent plans of reorganization. For each revoked or withdrawn plan, or if Confirmation or Consummation of any plan does not occur, then, with respect to any such revoked or withdrawn Plan, (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing, allowance or limiting to an amount certain of any Claim or Interests or Class of Claims or Interests), unless otherwise agreed to by the Debtors and any counterparty to such settlement or compromise, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (c) nothing contained in the Plan, and no acts taken in preparation for Consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person, (ii) prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or (iii) constitute an admission of any sort by the Debtors or any other Person.

ARTICLE X

AMENDMENTS AND MODIFICATIONS

The Debtors may alter, amend, or modify this Plan under Bankruptcy Code § 1127(a) at any time before the Confirmation Date. After the Confirmation Date and before "substantial consummation" of this Plan, as defined in Bankruptcy Code § 1101(2), the Debtors may, under Bankruptcy Code § 1127(b), institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in this Plan, the Disclosure Statement or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of this Plan, so long as such proceedings do not materially adversely affect the treatment of Holders of Claims or Interests under this Plan; provided, however, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

ARTICLE XI

RETENTION OF JURISDICTION

Under Bankruptcy Code §§ 105(a) and 1142, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and this Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

A. Allow, disallow, determine, liquidate, classify, estimate or establish the priority or Secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the Secured or unsecured status, priority, amount or allowance of Claims or Interests;

B. Hear and determine all applications for compensation and reimbursement of expenses of Professionals under Bankruptcy Code §§ 327, 328, 330, 331, 503(b), 1103 or 1129(a)(4); provided, however, that from and after the Effective Date, the payment of fees and expenses of professionals retained by the Reorganized Debtors shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court except as otherwise set forth in this Plan;

C. Hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which one or more of the Debtors are parties or with respect to which one or more of the Debtors may be liable, including, if necessary, the nature or amount of any required cure or the liquidating of any claims arising therefrom;

D. Hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Chapter 11 Cases, including but not limited to any matters pertaining to the Master Lease 2001 and Master Lease 2002, as amended and modified and affected by this Court's prior rulings;

E. Enter and enforce such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of this Plan and all contracts, instruments, releases, and other agreements or documents created in connection with this Plan, the Disclosure Statement, the Sale Order and/or the Confirmation Order;

F. Hear and determine disputes arising in connection with the interpretation, implementation, Consummation, or enforcement of this Plan, including disputes arising under agreements, documents or instruments executed in connection with this Plan;

G. Consider any modifications of this Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

H. Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with implementation, Consummation, or enforcement of this Plan, the Sale Order and/or the Confirmation Order;

I. Enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;

J. Hear and determine any matters arising in connection with or relating to this Plan, the Disclosure Statement and/or the Confirmation Order or any other contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement and/or the Confirmation Order;

K. Hear and determine any disputes regarding the interpretation or implementation of the Purchase and Sale Agreement;

L. Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases or pursuant to this Plan;

M. Recover all assets of the Debtors and property of the Estates, wherever located;

N. Hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code §§ 346, 505, and 1146;

O. Hear and determine all disputes involving the existence, nature, or scope of Debtors' discharge or any releases granted in this Plan;

P. Hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code;

Q. Enter an order or final decree concluding or closing the Chapter 11 Cases; and

R. Enforce all orders previously entered by the Bankruptcy Court.

ARTICLE XII

EFFECT OF THIS PLAN ON CLAIMS AND INTEREST

Section 12.01 Preserved Causes of Action

As detailed in Section 5.06 of this Plan and herein, all Causes of Action shall be the property of the Reorganized Debtors, who may pursue, prosecute, demand, resolve, setoff, use as a defense, settle, mediate or release otherwise fully control in such Reorganized Debtors' sole discretion. The Reorganized Debtors shall constitute representatives of the estate for all purposes, including Bankruptcy Code § 1123(b)(3).

Section 12.02 Satisfaction of Claims

The rights afforded in this Plan and the treatment of all Claims and Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Interests of any nature whatsoever, including Causes of Action against the Debtors, Reorganized Debtors or any of their Estates, assets, properties, or interests in property. Except as otherwise provided in this Plan and/or the Confirmation Order, on the Effective Date, all Claims against and Interests in the Debtors shall be satisfied, discharged, and released in full. None of the Debtors, the Reorganized Debtors or their Affiliates, shall be responsible for any pre-Effective Date obligations of the Debtors or the Reorganized Debtors, except those expressly assumed by the Debtors or the Reorganized Debtors, as applicable. Except as otherwise provided in this Plan and/or the Confirmation Order, all Persons and Entities shall be precluded and forever barred from asserting against the Debtors, the Reorganized Debtors and their Affiliates, their respective successors or assigns, or their Estates, assets, properties, or interests in property any event, occurrence, condition, thing, or other or further Claims or Causes of Action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence before the Effective Date, whether or not the facts of or legal bases therefore were known or existed before the Effective Date.

Section 12.03 Discharge of Liabilities

Pursuant to Bankruptcy Code §1141(d), and except as otherwise specifically provided in this Plan and/or the Confirmation Order, the distributions, rights, and treatment that are provided in this Plan shall be in complete satisfaction, settlement, discharge, and release, effective as of the Effective Date, of all Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or Reorganized Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to this Plan on account of such Claims and Interests, including demands, liabilities, and Causes

of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment or a termination of any employee or retiree benefit program, regardless of whether such termination occurred before or after the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in Bankruptcy Code §§ 502(g), 502(h), or 502(i), in each case whether or not: (a) a Proof of Claim or Interest based upon such debt, right, Claim, or Interest is Filed or deemed Filed pursuant to Bankruptcy Code §501; (b) a Claim or Interest based upon such Claim, debt, right, or Interest is Allowed pursuant to Bankruptcy Code §502; or (c) the Holder of such a Claim or Interest has accepted this Plan. Subject to the terms of this Plan and/or the Confirmation Order, any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately before or on account of the Filing of the Chapter 11 Cases shall be deemed satisfied on the Effective Date. Subject to the terms of this Plan and/or the Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring. Subject to the terms of this Plan and/or the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors, their Estates, the Reorganized Debtors and all successors thereto. As provided in Bankruptcy Code §524, subject to the terms of this Plan and/or the Confirmation Order such discharge shall void any judgment against the Debtors, their Estates, the Reorganized Debtors or any successors thereto at any time obtained to the extent it relates to a Claim or Interest discharged, and operates as an injunction against the prosecution of any action against the Reorganized Debtors or their respective property and assets to the extent it relates to a discharged Claim or Interest.

Section 12.04 Releases

(a) **Releases by Debtors and Estates.** Except as otherwise expressly provided in this Plan and/or the Confirmation Order, on the Effective Date, for good and valuable consideration, to the fullest extent permissible under applicable law, each of the Debtors and the Reorganized Debtors on its own behalf and as representative of its respective Estate, and each of its respective Related Persons, shall, and shall be deemed to, completely and forever release, waive, void, extinguish and discharge unconditionally, each and all of the Released Parties (except for the Debtors and the Reorganized Debtors and their respective Related Persons) of and from any and all Claims, Causes of Action (including any Avoidance Actions), any and all other obligations, suits, judgments, damages, debts, rights, remedies, Causes of Action and liabilities of any nature whatsoever, and any and all Interests or other rights of a Holder of an equity security or other ownership interest, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or before the Effective Date (including before the Petition Date) in connection with or related to any of the Debtors and/or the Reorganized Debtors or their respective assets, property and Estates, the Chapter 11 Cases or this Plan or the Disclosure Statement that may be asserted by or on behalf of any of the Debtors, the Reorganized Debtors or their respective Estates.

(b) **Injunction.** Except as expressly provided in this Plan and/or the Confirmation Order, as of the Effective Date, all Persons that hold, have held, or may hold a Claim or any other obligation, suit, judgment, damages, debt, right, remedy, Causes of Action or liability of any nature whatsoever, shall be, permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from taking any of the following actions, whether directly or indirectly, derivatively or otherwise, on account of or based on the subject matter of such discharged Claims or other obligations, suits, judgments, damages, debts,

rights, remedies, Causes of Action or liabilities (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including, without limitation, any judicial, arbitral, administrative or other proceeding) in any forum; (ii) enforcing, attaching (including, without limitation, any prejudgment attachment), collecting, or in any way seeking to recover any judgment, award, decree, or other order; (iii) creating, perfecting or in any way enforcing in any matter, directly or indirectly, any Lien; (iv) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation owed to any Person discharged under this Section 12.04; and (v) commencing or continuing in any manner, in any place of any judicial, arbitration or administrative proceeding in any forum, that does not comply with or is inconsistent with the provisions of this Plan, the Sale Order and/or the Confirmation Order.

(c) **No Waiver.** Notwithstanding anything to the contrary contained in this Section 12.04, the releases and injunctions set forth in this Section 12.04 shall not, and shall not be deemed to, limit, abridge or otherwise affect the rights of the Reorganized Debtors to enforce, sue on, settle or compromise the rights, claims and other matters expressly retained by the Reorganized Debtors pursuant to this Plan and/or the Confirmation Order.

(d) **Supplemental Injunction.** In order to supplement the injunctive effect of the discharge injunction, and pursuant to the exercise of the equitable jurisdiction and power of the Bankruptcy Court under Bankruptcy Code § 105(a), the Confirmation Order shall provide for the following injunctions to take effect as of the Effective Date.

(e) **Bankruptcy Rule 3016 Compliance.** The Debtors' compliance with the formal requirements of Bankruptcy Rule 3016(c) shall not constitute an admission that this Plan provides for an injunction against conduct not otherwise enjoined under the Bankruptcy Code.

(f) **Integral to Plan.** Each of the injunctions provided in this Section 12.04 is an integral part of this Plan and is essential to its implementation. Each of the Released Parties and any other Persons protected by the injunctions set forth in this Section 12.04 shall have the right to independently seek the enforcement of such injunctions.

Section 12.05 Exculpation

The Released Parties **SHALL NOT BE LIABLE FOR ANY** cause of action arising in connection with or out of the administration of the Chapter 11 Cases, the planning of the Chapter 11 Cases, the formulation, negotiation or implementation of this Plan, the good faith solicitation of acceptances of this Plan in accordance with Bankruptcy Code 1125(e), pursuit of Confirmation of this Plan, the Consummation of this Plan, or the administration of this Plan or the Acquired Property to be sold pursuant to the Purchase and Sale Agreement or to be distributed under this Plan, except for gross negligence or willful misconduct as determined by a Final Order of the Bankruptcy Court. All Holders of Claims and Interests are enjoined from asserting or prosecuting any Claim or cause of action against any protected Person as to which such Released Party has been exculpated from liability pursuant to the preceding sentence.

Section 12.06 Permanent Injunction

Except as otherwise expressly provided in this Plan and/or the Confirmation Order, all Persons who have held, hold or may hold Claims against, or Interests in, the Debtors are permanently enjoined, on and after the Effective Date, to the fullest extent permissible under applicable law, as such law may be extended or integrated after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Interest; (b) the enforcement, attachment, collection, or recovery by any manner or means of judgment, award, decree or order against any Released Party on account of any such Claim or Interest; (c) creating, perfecting, or enforcing any encumbrance of any kind against any Released Party or against the property or interests in property of such Released Party on account of any such Claim or Interest; and (d) asserting any right of setoff, recoupment or subrogation of any kind against any obligation due from any Released Party or against the property or interests in property of any Released Party on account of any such Claim or Interest. The foregoing injunction will extend to successors of any Released Party and their respective property and interests in the property.

Section 12.07 Setoffs

Except as otherwise expressly provided for in this Plan and/or the Confirmation Order pursuant to the Bankruptcy Code (including Bankruptcy Code § 553), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, each Debtor or each Reorganized Debtor may setoff against any Allowed Claim and the distributions to be made pursuant to this Plan on account of such Allowed Claim (before such distribution is made), any Claims, rights, and Causes of Action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the Holder of such Allowed Claim, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or before the Effective Date (whether pursuant to this Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to this Plan shall constitute a waiver or release by such Debtor or Reorganized Debtor of any such Claims, rights, and Causes of Action that such Debtor may possess against such Holder. In no event shall any Holder of Claims be entitled to setoff any Claim against any Claim, right, or cause of action of the Debtors or Reorganized Debtors, as applicable, unless such Holder has Filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to Bankruptcy Code § 553 or otherwise.

Section 12.08 Recoupment

Except as provided in this Plan and/or the Confirmation Order any Holder of a Claim shall not be entitled to recoup any Claim against any Claim, right, or cause of action of the Debtors or Reorganized Debtors, as applicable, unless such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

Section 12.09 Release of Liens

Except as otherwise provided in this Plan or in any contract, instrument, release, or other agreement or document created pursuant to this Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to this Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Debtors' Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the applicable Debtor and its successors and assigns.

Section 12.10 Good Faith

As of the Confirmation Date, the Debtors shall be deemed to have solicited acceptance or rejections of this Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 13.01 Severability of Plan Provisions

If, before Confirmation, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

Section 13.02 Successors and Assigns

The rights, benefits and obligations of any Person named or referred to in this Plan, including any Holder of a Claim, shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

Section 13.03 Binding Effect

This Plan shall be binding upon and inure to the benefit of the Debtors, all present and former Holders of Claims against and Interests in the Debtors, their respective successors and assigns, including, but not limited to, the Debtors, and all other parties-in-interest in these Chapter 11 Cases.

Section 13.04 Notices

Any notice, request, or demand required or permitted to be made or provided under this Plan to or upon the Debtors or the Reorganized Debtors shall be (i) in writing; (ii) served by (a) certified mail, return receipt requested, (b) hand delivery, (c) overnight delivery service, (d) first class mail, or (e) facsimile transmission; and (iii) deemed to have been duly given or made when actually delivered or, in the case of facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtors or Reorganized Debtors:

Nexion Health at Lancaster, Inc.
Nexion Health at Garland, Inc.
Nexion Health at McKinney, Inc.
Nexion Health at Bogata, Inc.
c/o Brian P. Lee
6937 Warfield Avenue
Sykesville, MD 21784

With a copy to (which shall not constitute notice):

Joseph M. Coleman
John J. Kane
Kane Russell Coleman & Logan PC
1601 Elm Street, Suite 3700
Dallas, TX 75201

Section 13.05 Term of Injunctions or Stay

Unless otherwise provided in this Plan, the Sale Order and/or Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under Bankruptcy Code §§ 105 or 362 or otherwise, and in existence on the Confirmation Date (excluding any injunctions or stays contained in this Plan or Confirmation Order), shall remain in full force and effect until the Effective Date. All injunctions or stays contained in this Plan, the Sale Order and/or Confirmation Order shall remain in full force and effect in accordance with their terms.

Section 13.06 No Admissions

Notwithstanding anything herein to the contrary, nothing in this Plan shall be deemed as an admission by the Debtors with respect to any matter set forth herein, including liability on any Claim.

Section 13.07 Default Under Plan

(a) **Plan Default Notice.** Except or otherwise provided for in this Plan, after the Effective Date, in the event of an alleged default by the Reorganized Debtors under this Plan, any party alleging such default shall provide written notice of default (the "Plan Default Notice") to the Reorganized Debtors at the address set forth in the Notice of Effective Date filed pursuant to Section 9.02 of this Plan with a copy thereof to the Debtors' counsel at the addresses set forth in this Plan and shall contemporaneously file such Plan default notice with the Bankruptcy Court. The Reorganized Debtors

shall have thirty (30) days from the receipt of a Plan Default Notice to cure any actual default that may have occurred.

(b) **Cure.** The Reorganized Debtors and any other party-in-interest shall have the right to dispute an alleged default that has occurred and to notify the party alleging such default that the Reorganized Debtors (or such other party-in-interest) contends no default has occurred, with such notice to be sent within the thirty-day period following receipt of a Plan Default Notice. In such event, the Bankruptcy Court shall retain jurisdiction over the dispute relating to the alleged default and the remedy with respect to any remedy therefore.

(c) **Failure to Cure.** In the event the Debtors or Reorganized Debtors (or any other party-in-interest) fails to either dispute the alleged default or timely cure such default, the party alleging such default shall be entitled to assert its rights under applicable law.

Section 13.08 Entire Agreement

This Plan and the Plan Documents set forth the entire agreement and understanding among the parties-in-interests relating to the subject matter hereof and supersede all prior discussions and documents.

ARTICLE XIV

CONFIRMATION REQUEST

The Debtors request Confirmation of this Plan under Bankruptcy Code § 1129. If any Impaired Class does not accept this Plan pursuant to Bankruptcy Code § 1126, the Debtors request Confirmation pursuant to Bankruptcy Code § 1129(b). In that event, the Debtors reserve the right to modify this Plan to the extent (if any) that Confirmation of this Plan under Bankruptcy Code § 1129(b) requires modification.

Dated: _____

NEXION HEALTH AT LANCASTER, INC.

By: _____

Name: _____

Title: _____

Dated: _____

NEXION HEALTH AT MCKINNEY, INC.

By: _____

Name: _____

Title: _____

Dated: _____

NEXION HEALTH AT GARLAND, INC.

By: _____

Name: _____

Title: _____

Dated: _____

NEXION HEALTH AT BOGATA, INC.

By: _____

Name: _____

Title: _____

EXHIBIT B

LIQUIDATION ANALYSIS

[TO BE FILED AT LATER DATE]

EXHIBIT C

FREQUENTLY ASKED QUESTIONS

The purpose of this summary is to answer questions that are frequently asked by a party receiving a disclosure statement, and to give introductory information about the Bankruptcy Code. Unless otherwise stated, the information contained herein is as of the date of this Disclosure Statement, or as of any date indicated within the exhibits to this Disclosure Statement or the Plan.

A. HOW MUCH MONEY WILL I RECEIVE ON ACCOUNT OF MY CLAIM AGAINST OR INTEREST IN THE DEBTOR?

The amount of money paid to each holder of claim against the Debtors will depend on approval of the Plan proposed by the Debtors, the class to which the claim or interest belongs, and allowance of the claim or interest. An explanation of the different classes of claims and interest and treatment of the same is described the Disclosure Statement and Plan.

B. HAS A CHAPTER 11 PLAN BEEN PROPOSED?

Yes. The Debtors have proposed a chapter 11 plan which proposes to continue the operations of the Lancaster, Garland, and McKinney Debtors' business without interruption. A copy of the Plan is attached to the Disclosure Statement as **Exhibit A.**

C. WHAT IS CONFIRMATION OF A CHAPTER 11 PLAN, AND WHY IS CONFIRMATION OF A PLAN IMPORTANT?

A chapter 11 plan is approved / confirmed by a bankruptcy only if it satisfies numerous tests outlined in the Bankruptcy Code, including whether the creditors of the Debtor vote in favor of the plan.

A chapter 11 plan is not effective to control how the Debtors' assets are handled and when and how much claims asserted against the Debtors will be paid until the plan is approved/confirmed by the court; however, once it is confirmed/approved by the Bankruptcy Court, the chapter 11 plan operates as a binding contract between all parties affected by that plan. Therefore, it is very important that you read the Plan.

D. SHOULD I VOTE TO ACCEPT?

The Debtors believe that their proposed Plan is in the best interests of all holders of claims. Accordingly, the Debtors strongly recommend that each holder that is entitled to vote should indeed vote to accept the Plan.

E. WHY?

The Debtors believe that the Plan is better for holders of claims than reasonable alternatives.

- The Debtors do not believe that holders of claims would achieve a greater recovery under Chapter 7 than they would receive under the Plan. If the Chapter 11 Case is converted, the proposed Plan payment hierarchy, which subordinates payment of all pre

and post-petition Management Fees to General Unsecured Claims, would be eliminated. As a result, approximately \$1,000,000 of administrative expense claims would have to be paid before General Unsecured Creditors received a distribution. Moreover, the General Unsecured Creditor pool would be increased by approximately \$1,440,000 of pre-petition Management Fees owed by the Debtors to Nexion Health Management, Inc. As a result, General Unsecured Creditors could face the reality of less-than full payment of their claims.

- Conversion to a Chapter 7 liquidation will likely cost hundreds of employees jobs, cause disruption to skilled nursing facility residents, delay recovery to Claimants, and considerably devalue Interests in the Debtors.
- If dismissal were to occur, the Debtor would no longer have the protection of the automatic stay, and would likely have to suffer a race among holders of claims to take control and dispose of the Debtors' available assets. The resulting business disruption would likely cost hundreds of employees' jobs, cause disruption to skilled nursing facility residents, delay recovery to Claimants, and considerably devalue Interests in the Debtors.

F. IF THE PLAN IS THE DOCUMENT THAT CONTROLS HOW A CLAIM WILL BE TREATED, THEN WHY I AM RECEIVING THIS DISCLOSURE STATEMENT?

The Disclosure Statement is a document that describes the proposed chapter 11 plan. It is required by the Bankruptcy Code, and its stated purpose is to provide the Bankruptcy Court, all creditors, and all equity holders of the Debtor “adequate information” about the Debtor, its assets, and the proposal in the chapter 11 plan on how the Debtor’s value / assets will be converted to cash and distributed to creditors and equity holders. Creditors should read the Disclosure Statement in an attempt to decide whether it is in their best interests. The Disclosure Statement will also identify the deadlines by which all creditors must cast a vote on a ballot to “accept” or “reject” the chapter 11 plan.

G. WHAT SHOULD I DO NEXT?

You should read the Disclosure Statement and exhibits sent by the Debtor and the Plan attached thereto as **Exhibit A** and decide whether it is in your best interests. If you need to consult an attorney about your individual interests, please do so.

EXHIBIT D**CAUSES OF ACTION**

RESERVED CAUSES OF ACTION: Any action; Cause of Action (including but not limited to any and all claims for malpractice, negligence, professional negligence, negligent misrepresentation, fraudulent misrepresentation, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, breach of contract, third party beneficiary, fraud, fraudulent concealment, securities fraud, securities violations, corporate derivative claims, disgorgement, constructive trust, and conspirator liability for any such claims); suit, account; controversy; agreement; promise; right to legal remedies; right to equitable remedies; right to payment; and claim, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable directly or indirectly or derivatively, in law, equity or otherwise, that the Debtors have or may have against any person, including but not limited to any of the Landlords or the Landlords' affiliates, successors, or assigns, arising out of, connected with, or in any way directly or indirectly related to any acts, conduct, or failure to act of such person, or consultation, advice, services or goods provided to the Debtors or by such person, or any affiliate of the Debtors by such person, as applicable, specifically including, without limitation: (a) damages (general, exemplary, or both) relating to or based on (i) fraud, fraudulent concealment, negligence, gross negligence, willful misconduct, or any tort actions, as well as any claims based on actions that aided and abetted such torts; (iii) violations of federal or state securities laws; (iii) violations of applicable corporate laws; (iv) breaches of fiduciary or agency duties, whether owed pursuant to common law, statute, or, including without limitation, any breach of any corporate document or employment agreement of the Debtors, by any officer, director, professional, consultant, or other fiduciary, as well as any claims based on actions that aided and abetted such breaches; or (v) causes of action based on alter ego or other liability theories; (b) damages based on any other claim of the Debtor, to the extent not specifically compromised or released; (c) any legal or equitable claims involving the ownership of interests, including without limitation, any action that seeks the remedy of constructive trust; (d) any claims of the Debtors for equitable subordination under section 510(c) of the Bankruptcy Code or under other applicable laws; (e) any claim of the Debtors to recharacterize one or more claim as equity interests, security financing transaction, or otherwise; (f) any objection to any Disputed Claim which includes as a basis any counterclaim by the Debtors or its Estate, Reorganized Debtor or its Estate, for affirmative relief, and which is pending and unresolved as of the Effective Date, together with all liability of the Debtors or its Estate, or the Reorganized Debtor or its Estate, on account of such Disputed Claim. Without limiting the foregoing, Causes of Action also specifically include, without limitation: (i) all claims and defenses asserted by the Reorganized Debtor in an adversary proceeding or other civil litigation pending as of the Effective Date; (ii) all tort, contract, and common law claims held by the Debtors against any person; (iii) all claims held by the Debtor whether in contract, tort, or statutory law against the Debtors' (r) creditors; (s) former officers and directors; (t) suppliers (including any person with whom the Debtors ever did business); (u) former employees; (v) former

or current affiliates; (w) insurers (including, without limitation, for directors and officers liability coverage, business interruption, or similar claims); (x) persons that were or are joint venturers or partners with, or controlling persons of the Debtors; (y) Governmental Units, including taxing authorities and the United States; and (z) the Debtors' prior and current professionals; (iv) all avoidance actions arising under Chapter 5 of the Bankruptcy Code, specifically including without limitation, any and all claims which a trustee or other appropriate party in interest could assert under sections 502, 510, 522(f), 522(h), 542, 543, 544, 545, 547, 548, 549, 550, 551, 553, and 724(a) of the Bankruptcy Code, (v) any potential Cause of Action arising from or related to any transfer or other actions or omissions referenced in the Debtors' Schedules or Statement of Financial Affairs which were Filed in Bankruptcy Cases on November 14, 2017; (vi) any Cause of Action against any past or present insider of the Debtors, (vii) any Cause of Action related to the extent, validity and priority of any liens; (viii) any Cause of Action for breach of contract; (ix) any Cause of Action arising in tort; and (x) all defenses, counterclaims, setoffs, and rights that have been asserted or could be on behalf of the Debtors against or with respect to all Claims asserted against the Debtors or property of the Estate.