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

In re:	§	Chapter 11
	§	
4 West Holdings, Inc. *et al.*,[1]	§	Case No. 18-30777 (HDH)
	§	
Debtors.	§	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: May 25, 2018

[1] A list of the Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, is attached hereto as Exhibit A.

This Disclosure Statement is subject to approval by the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court") and other customary conditions. Absent approval by the Bankruptcy Court, this Disclosure Statement is not a solicitation of acceptances or rejections of the *Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, as the same may be amended or modified from time to time in accordance with the terms thereof, a copy of which is attached to this Disclosure Statement as Exhibit B. Acceptances or rejections with respect to the Plan may not be solicited until this Disclosure Statement has been approved by the Bankruptcy Court. Such solicitation will only be made in compliance with applicable provisions of securities and/or bankruptcy laws. Future developments relating to the matters described herein may require modifications, additions, or deletions to this Disclosure Statement. This Disclosure Statement is not an offer to sell any securities and is not soliciting an offer to buy any securities.

THE VOTING DEADLINE IS 5:00 P.M. CENTRAL DAYLIGHT TIME ON JULY 5, 2018

TO BE COUNTED AS A VOTE TO ACCEPT OR REJECT THE PLAN, THE VOTING AND CLAIMS AGENT MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE AS SET FORTH IN THE DISCLOSURE STATEMENT ORDER.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND ANY EXHIBITS ATTACHED THERETO SHOULD NOT BE RELIED UPON IN MAKING INVESTMENT DECISIONS WITH RESPECT TO THE DEBTORS OR ANY OTHER ENTITIES THAT MAY BE AFFECTED BY THE CHAPTER 11 CASES.

TO THE EXTENT OF ANY INCONSISTENCY BETWEEN, ON THE ONE HAND, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND ANY EXHIBITS ATTACHED HERETO AND THERETO, AND ON THE OTHER HAND, THE INFORMATION CONTAINED IN THE DEBTORS' SCHEDULES OF ASSETS AND LIABILITIES AND STATEMENT OF FINANCIAL AFFAIRS, INCLUDING THE "*GLOBAL NOTES AND STATEMENT OF LIMITATIONS, METHODOLOGY, AND DISCLAIMERS REGARDING THE DEBTORS' SCHEDULES OF ASSETS AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS*," THE DISCLOSURE STATEMENT AND PLAN SHALL CONTROL.

IMPORTANT INFORMATION FOR YOU TO READ

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE PURPOSE OF SOLICITING VOTES TO ACCEPT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE LIQUIDATION ANALYSIS, DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016 AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THE SECURITIES DESCRIBED HEREIN WILL BE ISSUED TO CREDITORS WITHOUT REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SIMILAR FEDERAL, STATE OR LOCAL LAW, AND WILL INSTEAD RELY UPON THE EXEMPTIONS SET FORTH IN SECTION 1145 OF THE BANKRUPTCY CODE AND SECTION 4(2) OF THE SECURITIES ACT OR OTHER APPLICABLE EXEMPTIONS. THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF ANY SECURITIES PURSUANT TO THE PLAN CONSULT THEIR OWN LEGAL COUNSEL CONCERNING THE SECURITIES LAWS GOVERNING THE TRANSFERABILITY OF ANY SUCH SECURITIES.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN EQUITY INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.

IT IS THE DEBTORS' POSITION THAT THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, THIS DISCLOSURE STATEMENT SHALL CONSTITUTE A

STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DEBTORS OR THE REORGANIZED DEBTORS MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN AND CONTROL FOR ALL PURPOSES. EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED, FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT, AND MANAGEMENT PERSONNEL AND EMPLOYEES OF NON-DEBTOR AFFILIATE HEALTH CARE NAVIGATOR, LLC ("HCN"). THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTORS' MANAGEMENT AND MANAGEMENT PERSONNEL OF HCN HAVE REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED (UNLESS EXPRESSLY PROVIDED HEREIN).

THE DEBTORS ARE GENERALLY MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF WHERE FEASIBLE, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DISCLOSURE STATEMENT WAS FILED. THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSES OF THE TERMS OF THE PLAN IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. IMPORTANTLY, PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH

HOLDER OF A CLAIM IN A VOTING CLASS SHOULD REVIEW THE PLAN IN ITS ENTIRETY AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT AND ANY EXHIBITS HERETO, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL IN SECTION VI HEREIN, "PLAN-RELATED RISK FACTORS."

THE PLAN IS SUPPORTED BY THE DEBTORS, OMEGA AND THE PLAN SPONSOR. ALL SUCH PARTIES URGE HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

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THE DEBTORS HEREBY ADOPT AND INCORPORATE EACH EXHIBIT ATTACHED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN.

I.
EXECUTIVE SUMMARY

4 West Holdings, Inc. and certain of its affiliates and subsidiaries, which are listed on **Exhibit A** hereto, as debtors and debtors in possession (each a "**Debtor**" and, collectively, the "**Debtors**" or the "**Company**") in the above-captioned chapter 11 cases (the "**Chapter 11 Cases**"), submit this Disclosure Statement pursuant to section 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended from time to time, the "**Bankruptcy Code**"), in connection with the solicitation of votes on the *Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, dated March 6, 2018 (the "**Plan**"),[2] which was filed by the Debtors with the United States Bankruptcy Court for the Northern District of Texas (the "**Bankruptcy Court**"). The Confirmation Hearing on the Plan is scheduled to commence at 9:00 a.m. (Central Daylight Time) on July 16, 2018 before the Bankruptcy Court. A copy of the Plan is attached hereto as **Exhibit B**.

Prior to soliciting votes on a proposed plan of reorganization, section 1125 of the Bankruptcy Code requires debtors to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance or rejection of the plan of reorganization. As such, this Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code.

This Executive Summary is being provided as an overview of the material items addressed in the Disclosure Statement and the Plan, which is qualified by reference to the entire Disclosure Statement and by the actual terms of the Plan (and including all exhibits attached hereto and to the Plan), and should not be relied upon for a comprehensive discussion of the Disclosure Statement and/or the Plan. This Disclosure Statement includes, without limitation, information about:

- the Debtors' prepetition operating and financial history;
- the events leading up to the commencement of the Chapter 11 Cases;
- the significant events that have occurred during the Chapter 11 Cases;
- the solicitation procedures for voting on the Plan;
- the Confirmation process and the voting procedures that Holders of Claims who are entitled to vote on the Plan must follow for their votes to be counted;
- the terms and provisions of the Plan, including certain effects of confirmation of the Plan, certain risk factors relating to the Debtors or the Reorganized Debtors, the Plan and the securities to be issued under the Plan and the manner in which distributions will be made under the Plan; and
- the proposed organization, operations and financing of the Reorganized Debtors if the Plan is confirmed and becomes effective.

[2] All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan. To the extent that a definition of a term in the text of this Disclosure Statement and the definition of such term in the Plan are inconsistent, the definition included in the Plan shall control and govern.

A. PURPOSE AND EFFECT OF THE PLAN

1. Plan of Reorganization Under Chapter 11 of the Bankruptcy Code

The Debtors are reorganizing pursuant to chapter 11 of the Bankruptcy Code, which is the principal business reorganization chapter of the Bankruptcy Code. As a result, the confirmation of the Plan means that the Reorganized Debtors will continue to operate their businesses going forward and does not mean that the Debtors will be liquidated or forced to go out of business. Additionally, as discussed in greater detail in Section IV.I.8 herein and Article X.H of the Plan, titled "Binding Nature of Plan," a bankruptcy court's confirmation of a plan binds debtors, any entity acquiring property under the plan, any holder of a claim or equity interest in a debtor and all other entities as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code to the terms and conditions of the confirmed plan, whether or not such entity voted on the particular plan or affirmatively voted to reject the plan.

2. Financial Restructurings Under the Plan

The Plan contemplates certain transactions, including, without limitation, the following transactions (described in greater detail in Section IV herein):

- Subject to final determination by the Bankruptcy Court at or prior to the Confirmation Hearing, the Omega Secured Claim is deemed an Allowed Claim in the aggregate principal amount of $423,427,791.63. In addition to the Transfer Portfolio and other consideration provided under the Omega Compromise, on the Effective Date, each Holder of an Omega Secured Claim shall receive, in full satisfaction, settlement, discharge and release of, and in exchange for such Omega Secured Claim, (A) the Plan Sponsor Consideration; and (B) any remaining Distribution Trust Assets, other than the General Unsecured Claims Cash Amount, following payment in Cash of, or adequate reserve for, Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Class 2 (Secured Tax Claims), and Allowed Class 3 (Other Secured Claims).

- With respect to each General Unsecured Claim (including the Omega Unsecured Claims), subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Class 4 Claim is an Allowed Class 4 Claim as of the Effective Date or (ii) the date on which such Class 4 Claim becomes an Allowed Class 4 Claim, each Holder of an Allowed Class 4 Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 4 Claim, at the election of the Debtors or the Distribution Trust, as applicable: (A) its Pro Rata share of the General Unsecured Claims Cash Amount or (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Class 4 Claim shall have agreed upon in writing.

- In exchange for the Plan transactions contemplated under the Plan, including the releases, exculpations, injunctions and other consideration set forth in Article X of the Plan, and as more fully set forth in the 9019 Settlement Order and the Confirmation Order, and in accordance with the terms thereof, the Debtors and Omega agree, on or prior to the Effective Date, to, among other things: (i) the allowance of the Omega Secured Claim, subject to final determination by the Bankruptcy Court at or prior to the Confirmation Hearing; (ii) the allowance of the Omega Unsecured Claim, subject to final determination by the Bankruptcy Court at or prior to the Confirmation Hearing; (iii) the approval of the transfer of the Transfer Portfolio to Omega or its designees pursuant to the terms of the 9019 Settlement Order, the Plan, Operations Transfer Agreements and related documentation; (iv) recharacterization of the Restructuring Portfolio and transfer of all real and personal property comprising the Restructuring Portfolio from the Omega Parties to the Debtors on the Effective Date; and (v) carve-out of the Distribution Trust Assets for the benefit of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Secured Tax Claims, Allowed Other Secured Claims and Allowed General Unsecured Claims.

- In connection with, and as a result of, the substantive consolidation of the Debtors' Estates, on the Effective Date, all Intercompany Claims shall be eliminated and the holders of Intercompany Claims shall not be entitled to, and shall not receive or retain, any property or interest in property on account of such Intercompany Claims.

- On or prior to the Effective Date, and pursuant to the terms of the 9019 Settlement Order and in exchange for good and valuable consideration including, without limitation, the Omega Compromise and the treatment afforded Omega under the Plan, the operating assets of the Transfer Portfolio, which shall not include the Accounts Receivable associated with the Transfer Portfolio, comprising Facilities located in Mississippi, Tennessee, North Carolina, Indiana, Georgia and Virginia, shall be transferred to the New Operators pursuant to Operations Transfer Agreements and related documentation. Upon the transitioning of each Facility in the Transfer Portfolio, the applicable Master Leases shall be deemed severed as to such Facility, including the Debtors' option to purchase such Facility. In the event that all Facilities in the Transfer Portfolio are not transitioned by the Effective Date of the Plan, the Distribution Trust shall be authorized and directed in the Confirmation Order to assume all obligations of the Debtors under the Operations Transfer Agreements relating to such Facilities and to consummate all such transfers in accordance therewith. In addition, after the Effective Date, if reasonably requested by the New Operators, the Reorganized Debtors shall provide such records, data, access to personnel for information, questions, or other similar kind of assistance that the New Operators may reasonably request in order to address any transition matters for the Transfer Portfolio.

- On or prior to the Effective Date, and pursuant to the terms of the 9019 Settlement Order and the Confirmation Order, and in exchange for good and valuable consideration, including, without limitation, the Omega Compromise and the treatment afforded to the Omega Parties under the Plan, the real and personal property comprising the Restructuring Portfolio shall be transferred by the Omega Parties to the Debtors and shall vest free and clear in the Reorganized Debtors under Article V.D. of the Plan.

- On the Effective Date, the Debtors and the Reorganized Debtors, as applicable, shall be authorized to execute and deliver, and to consummate the transactions contemplated by, the Plan Sponsor Note (in form and substance acceptable to the Plan Sponsor and Omega) and the Exit Facility Documents (in form and substance acceptable to the Plan Sponsor and Omega) and without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than as expressly required by the Plan Sponsor Note or the Exit Facility Documents). On the Effective Date, the Plan Sponsor Note and the Exit Facility Documents shall constitute legal, valid, binding and authorized indebtedness and obligations of the Reorganized Debtors and/or one or more other applicable Entities as set forth in greater detail in the Description of Structure, enforceable in accordance with their respective terms and such indebtedness and obligations shall not be, and shall not be deemed to be, enjoined or subject to discharge, impairment, release or avoidance under the Plan, the Confirmation Order or on account of the Confirmation or Consummation of the Plan.

- Subject to the Restructuring Transactions permitted by Article V.B of the Plan, on or before the Effective Date, the Debtors and/or the Reorganized Debtors (as applicable), and/or any applicable Entity as set forth in the Description of Structure, as applicable, shall enter into the New Governance Documents, which shall become effective and binding in accordance with its terms and conditions upon the parties thereto, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than as expressly required by the New Governance Documents). On and as of the Effective Date, all of the Holders of New Equity Interests shall be deemed to be parties to the applicable New Governance Documents, without the need for execution by such Holder. The New Governance Documents, as applicable, shall be binding on all Persons receiving, or to which the New Equity Interests are issued or distributed and all Holders of the New Equity Interests (and such Persons' or Holders' respective successors and assigns), whether such New Equity Interest is received or to be

received on or after the Effective Date and regardless of whether such Person executes or delivers a signature page to the New Governance Documents.

- The Debtors or the Distribution Trust, as applicable, shall make distributions under the Plan, with: (1) the Plan Sponsor Consideration; (2) the Debtors' Cash on hand, including the Accounts Receivable; and (3) the General Unsecured Claims Cash Amount, as provided under the Plan. The Distribution Trust Assets shall be used to pay Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, all Allowed Claims in Classes 2 and 3 (in the event the collateral is not returned to the Allowed Secured Tax Claim holder or Allowed Other Secured Claim holder) and Allowed Class 4 General Unsecured Claims.

B. ADMINISTRATIVE CLAIMS, PROFESSIONAL FEE CLAIMS, DIP FACILITY CLAIMS AND PRIORITY CLAIMS

The following is a summary of the treatment of Administrative Claims, Professional Fee Claims, DIP Facility Claims, and Priority Claims under the Plan. For a more detailed description of the treatment of such Claims under the Plan, please see Article II of the Plan.

1. Administrative Claims

Subject to sub-paragraph 1 below, on the later of the Effective Date and the date on which an Administrative Claim becomes an Allowed Administrative Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Claim (other than an Allowed Professional Fee Claim (the treatment of which is set forth in Article II.B of the Plan)) will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim either (i) Cash equal to the amount of such Allowed Administrative Claim; or (ii) such other less favorable treatment as to which the Debtors or the Distribution Trust, as applicable, after consultation with Omega, and the Holder of such Allowed Administrative Claim shall have agreed upon; *provided*, *however*, that Administrative Claims incurred by any Debtor in the ordinary course of business shall be paid in the ordinary course of business by such applicable Debtor, consistent with past practice and in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court and, in the event such Administrative Claim is not paid by such applicable Debtor on or before the Effective Date, such Administrative Claim shall be paid by the Distribution Trust.

Any Claim for damages arising from medical malpractice or personal injury based on acts or omissions occurring exclusively after the Petition Date but before the Effective Date shall be treated as an Administrative Claim under the Plan. The Debtors reserve the right to establish a procedure to deal with any such medical malpractice and personal injury Administrative Claim, as may be set forth in the Plan Supplement or the Confirmation Order.

(a) Bar Date for Administrative Claims

Except as otherwise provided in Article II.A of the Plan and section 503(b)(1)(D) of the Bankruptcy Code, unless previously Filed or paid, requests for payment of Administrative Claims arising in the time period between the Petition Date and the Effective Date must be Filed and served on the Debtors or the Distribution Trust, as applicable, pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order or the occurrence of the Effective Date (as applicable) no later than the Administrative Claims Bar Date; provided that the foregoing shall not apply to either the Holders of Claims arising under section 503(b)(1)(D) of the Bankruptcy Code or the Bankruptcy Court or United States Trustee as the Holders of Administrative Claims. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims that do not File and serve such a request by the applicable Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors, the Reorganized Debtors, the Distribution Trust and their respective Estates and property and such Administrative Claims shall be deemed discharged as of the Effective Date. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Article X.G of the Plan. Nothing in Article II.A of the Plan shall limit, alter, or impair the terms and conditions of the Claims

Bar Date Order with respect to the Claims Bar Date for filing administrative expense claims arising under Section 503(b)(9) of the Bankruptcy Code.

Objections to such requests must be Filed and served on the Distribution Trust and the requesting party by the later of (a) the Claims Objection Deadline and (b) 60 days after the Filing of the applicable request for payment of Administrative Claims, if applicable, as the same may be modified or extended from time to time by Final Order of the Bankruptcy Court.

(b) Professional Fee Claims

Professionals asserting a Professional Fee Claim for services rendered before the Effective Date must File and serve on the Distribution Trust and such other Entities who are designated in the Confirmation Order an application for final allowance of such Professional Fee Claim no later than the Professional Fees Bar Date; provided that the Distribution Trust shall pay Professionals in the ordinary course of business for any work performed after the Effective Date, including those reasonable and documented fees and expenses incurred by Professionals in connection with the implementation and consummation of the Plan, in each case without further application or notice to or order of the Bankruptcy Court; provided, further, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses from the Debtors and Distribution Trust for services rendered before the Effective Date pursuant to the Ordinary Course Professionals Order, in each case without further application or notice to or order of the Bankruptcy Court.

Objections to any Professional Fee Claim must be Filed and served on the Distribution Trust and the requesting party by no later than twenty (20) days after the Filing of the applicable final request for payment of the Professional Fee Claim.

Each Holder of an Allowed Professional Fee Claim shall be paid in full in Cash by the Distribution Trust, within five (5) Business Days after entry of the order approving such Allowed Professional Fee Claim.

2. DIP Facility Claims

The DIP Facility Claims shall be deemed to be Allowed Secured Claims and superpriority Administrative Claims in the full amount due and owing under the DIP Facility Loan Agreement as of the Effective Date, inclusive of the Distribution Trust Reserve Amount.

The DIP Facility Claims shall be paid in full, in Cash, on the Effective Date in full and final satisfaction, settlement and discharge of, and in exchange for, the DIP Facility Claims from the Accounts Receivable (or, at the discretion of Omega, from such other assets of the Debtors other than those being conveyed to the Plan Sponsor, including without limitation, Cash on hand with the Debtors on or immediately prior to the Effective Date pursuant to Article V.Q of the Plan). Thereafter, other than obligations that may arise and survive by their terms under the DIP Facility Loan Agreement or DIP Orders, all obligations under the DIP Facility Loan Agreement shall terminate.

3. Priority Tax Claims

Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Other Priority Claim is an Allowed Other Priority Claim as of the Effective Date or (ii) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Other Priority Claim, at the election of the Debtors or the Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Other Priority Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Other Priority Claim shall have agreed upon in writing; or (C) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code; provided, however, that Other Priority Claims incurred by any Debtor in the ordinary course of business may be paid in the ordinary

course of business by such Debtor in accordance with the terms and conditions of any agreements relating thereto without further notice to or order of the Bankruptcy Court.

4. Other Priority Claims

Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Other Priority Claim is an Allowed Other Priority Claim as of the Effective Date or (ii) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Other Priority Claim, at the election of the Debtors or the Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Other Priority Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Other Priority Claim shall have agreed upon in writing; or (C) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code; provided, however, that Other Priority Claims incurred by any Debtor in the ordinary course of business may be paid in the ordinary course of business by such Debtor in accordance with the terms and conditions of any agreements relating thereto without further notice to or order of the Bankruptcy Court.

C. CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS UNDER THE PLAN

The Plan is premised upon the substantive consolidation of the Debtors, as set forth in more detail below, solely for the purposes of voting, determining which Claims have accepted the Plan, confirmation of the Plan, and the resultant treatment of Claims and Equity Interests and Distributions under the terms of the Plan. Accordingly, the Plan shall serve as a motion for entry of a Bankruptcy Court order approving the substantive consolidation of the Debtors for these limited purposes. All Claims and Equity Interests, except Administrative Claims, DIP Facility Claims, Priority Tax Claims and Other Priority Claims, are placed in the Classes set forth below.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including, without limitation, for voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remaining portion of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released, disallowed or otherwise settled prior to the Effective Date.

The following table provides a summary of the classification and treatment of Claims and Equity Interests and the potential distributions to Holders of Allowed Claims and Equity Interests under the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN AND THE RISK FACTORS DESCRIBED BELOW. THE TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR A REVIEW OF THE PLAN AND DISCLOSURE STATEMENT IN THEIR ENTIRETY. FOR CERTAIN CLASSES OF CLAIMS, THE ACTUAL AMOUNT OF ALLOWED CLAIMS COULD BE MATERIALLY DIFFERENT THAN THE ESTIMATED AMOUNTS SHOWN IN THE TABLE BELOW.

SUMMARY OF EXPECTED RECOVERIES

Class	Claim/Equity Interest[3]	Treatment of Claim/Equity Interest	Projected Recovery Under the Plan
1	Omega Secured Claim Expected Amount: TBD[4]	On the Effective Date, each Holder of an Omega Secured Claim shall receive, in full satisfaction, settlement, discharge and release of, and in exchange for such Omega Secured Claim, (A) the Plan Sponsor Consideration; and (B) any remaining Distribution Trust Assets, other than the General Unsecured Claims Cash Amount, following payment, in Cash of, or adequate reserve for, Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Secured Tax Claims, and Allowed Other Secured Claims.	TBD
2	Secured Tax Claims Expected Amount: $0	Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Class 2 Claim is an Allowed Class 2 Claim as of the Effective Date or (ii) the date on which such Class 2 Claim becomes an Allowed Class 2 Claim, each Holder of an Allowed Class 2 Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim, at the election of the Debtors or the Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Class 2 Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Class 2 Claim shall have agreed upon in writing; (C) the Collateral securing such Allowed Class 2 Claim; provided, however, that to the extent such Collateral relates to the Restructuring Portfolio, only upon the consent of the Plan Sponsor; (D) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code or (E) pursuant to and in accordance with sections 1129(a)(9)(C) and 1129(a)(9)(D) of the Bankruptcy Code, Cash in an aggregate amount of such Allowed Class 2 Claim payable in regular installment payments over a period ending not more than five (5) years after the Petition Date, plus simple interest at the rate required by applicable non-bankruptcy law on any outstanding balance from the Effective Date, or such lesser rate as is agreed to in writing by a particular taxing authority and the Debtors or Distribution Trust, as applicable. Any installment payments to be made under clause (E) above shall be made in equal quarterly Cash payments beginning on the first applicable Subsequent Distribution Date, and continuing on each Subsequent Distribution Date thereafter until payment in full of the applicable Allowed Class 2 Claim.	100%
3	Other Secured Claims Expected Amount: **$**0	Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Class 3 Claim is an Allowed Class 3 Claim as of the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 3 Claim, at the election of the Debtors or the Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Class 3 Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Class 3 Claim shall have agreed upon in writing; (C) the Collateral securing such Allowed Class 3 Claim; provided, however, that to the extent such Collateral relates to the Restructuring Portfolio, only upon the consent of the Plan Sponsor or (D) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code.	100%
4	General Unsecured Claims Expected Amount:	Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Class 4 Claim is an Allowed Class 4 Claim as of the Effective Date or (ii) the date on which such Class 4 Claim becomes an Allowed Class 4 Claim, each Holder of an Allowed Class 4 Claim shall receive in full satisfaction,	0 - 1.1%

[3] Claim/Equity Interest Amounts are estimated based on the Debtors' books and records as of the date of this Disclosure Statement and are subject to change.

[4] Except to the extent the Bankruptcy Court determines otherwise prior to or at the Confirmation Hearing, the Omega Claim is an Allowed Claim in the amount of $423,427,791.63 and is bifurcated under section 506(a) of the Bankruptcy Code into an Allowed Secured Claim (the "**Omega Secured Claim**") in an amount equal to the total value distributed to Omega under Section III.B.1 of the Plan and an Allowed Unsecured Claim (the "**Omega Unsecured Claim**") equal to the amount by which the Omega Claim exceeds the amount of the Omega Secured Claim.

SUMMARY OF EXPECTED RECOVERIES

Class	Claim/Equity Interest[3]	Treatment of Claim/Equity Interest	Projected Recovery Under the Plan
	$70,842,000, plus approximately $20,300,000 in Tort Claims, plus the deficiency claim of Omega (see FN 4).	settlement, discharge and release of, and in exchange for, such Allowed Class 4 Claim, at the election of the Debtors or the Distribution Trust, as applicable: (A) its Pro Rata share of the General Unsecured Claims Cash Amount or (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Class 4 Claim shall have agreed upon in writing.	
5	Subordinated Claims Expected Amount: $7,616,000	Subordinated Claims are subordinated pursuant to the Plan and section 510 of the Bankruptcy Code. The holders of Subordinated Claims shall not receive or retain any property under the Plan on account of such Claims, and the obligations of the Debtors and the Reorganized Debtors on account of Subordinated Claims shall be discharged.	0%
6	Equity Interests	On the Effective Date, subject to the Restructuring Transactions, the Equity Interests will be cancelled without further notice to, approval of or action by any Person or Entity, and each Holder of an Equity Interest shall not receive any distribution or retain any property on account of such Equity Interest.	0%

D. SOLICITATION PROCEDURES

1. The Solicitation and Voting Procedures

On [•], 2018 the Bankruptcy Court entered the Disclosure Statement Order which, among other things, (a) approved the dates, procedures and forms applicable to the process of soliciting votes on and providing notice of the Plan, as well as certain vote tabulation procedures and (b) established the deadline for filing objections to the Plan and scheduling the hearing to consider confirmation of the Plan.

The discussion of the procedures below is a summary of the solicitation and voting process. Detailed voting instructions will be provided with each ballot and are also set forth in greater detail in Disclosure Statement Order.

PLEASE REFER TO THE INSTRUCTIONS ACCOMPANYING THE BALLOTS AND THE DISCLOSURE STATEMENT ORDER FOR MORE INFORMATION REGARDING VOTING REQUIREMENTS TO ENSURE THAT YOUR BALLOT IS PROPERLY AND TIMELY SUBMITTED SUCH THAT YOUR VOTE MAY BE COUNTED.

2. The Voting and Claims Agent

On March 9, 2018, the Bankruptcy Court entered an order approving the retention of Rust Consulting/Omni Bankruptcy to, among other things, act as Voting and Claims Agent. As of April 12, 2018, Rust Consulting/Omni Bankruptcy is operating under the name "Omni Management Group."

Specifically, the Voting and Claims Agent will assist the Debtors with: (a) mailing Confirmation Hearing Notice (as defined in the Disclosure Statement Order); (b) mailing the Solicitation Package (as defined in the Disclosure Statement Order and as described below); (c) soliciting votes on the Plan; (d) receiving, tabulating, and reporting on ballots cast for or against the Plan by Holders of Claims against the Debtors; (e) responding to inquiries from creditors and stakeholders relating to the Plan, the Disclosure Statement, the Ballots and matters related thereto, including, without limitation, the procedures and requirements for voting to

accept or reject the Plan and objecting to the Plan; and (f) if necessary, contacting creditors regarding the Plan and their Ballots.

3. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all holders of claims against and equity interests in a debtor are entitled to vote on a chapter 11 plan. The following table provides a summary of the status and voting rights of each Class (and, therefore, of each Holder of a Claim or Equity Interest within such Class) under the Plan:

SUMMARY OF STATUS AND VOTING RIGHTS

Class	Claim/Equity Interest	Status	Voting Rights
1	Omega Secured Claim	Impaired	Entitled to Vote
2	Secured Tax Claims	Unimpaired	Deemed to Accept
3	Other Secured Claims	Unimpaired	Deemed to Accept
4	General Unsecured Claims	Impaired	Entitled to Vote
5	Subordinated Claims	Impaired	Deemed to Reject
6	Equity Interests	Impaired	Deemed to Reject

Based on the foregoing, the Debtors are soliciting votes to accept the Plan only from Holders of Claims in Classes 1 and 4 (the "**Voting Classes**") because Holders of Claims in the Voting Classes are Impaired under the Plan and, therefore, have the right to vote to accept or reject the Plan. The Debtors are **not** soliciting votes from (a) Holders of Unimpaired Claims in Classes 2 and 3, because such parties are conclusively presumed to have accepted the Plan, and (b) Holders of Impaired Claims in Classes 5 and 6, because such parties are conclusively presumed to have rejected the Plan (collectively, the "**Non-Voting Classes**").

4. The Voting Record Date

The Bankruptcy Court has approved May 30, 2018 as the voting record date (the "**Voting Record Date**") with respect to all Claims and Equity Interests. The Voting Record Date is the date on which it will be determined: (a) which Holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and receive Solicitation Packages in accordance with the Disclosure Statement Order and (b) which Holders of Claims and Equity Interests in the Non-Voting Classes are entitled to receive the Confirmation Hearing Notice, in accordance with the Disclosure Statement Order.

5. Contents of the Solicitation Package

The following documents and materials will collectively constitute the Solicitation Package:

- a cover letter from the Debtors describing the contents of the Solicitation Package explaining the solicitation process and urging Holders of Claims in the Voting Classes to vote to accept the Plan;
- subject to Bankruptcy Court approval, a cover letter from the Committee with a recommendation to Holders of Claims in the Voting Classes regarding voting on the Plan;
- this Disclosure Statement, together with all exhibits thereto (include the Plan)

- the Disclosure Statement Order;
- the Confirmation Hearing Notice;
- to the extent applicable, one or more ballots and/or notices, appropriate for the specific creditor, in substantially the forms attached to the Disclosure Statement Order (as may be modified for particular classes and with instruction attached thereto);
- a pre-addressed stamped return envelope; and
- such other materials as the Bankruptcy Court may direct.

6. Distribution of the Solicitation Package to Holders of Claims Entitled to Vote on the Plan

With the assistance of the Voting and Claims Agent, the Debtors intend to distribute Solicitation Packages on or before June 5, 2018. The Debtors submit that the timing of such distribution will provide such Holders of Claims with adequate time within which to review the materials required to allow such parties to make informed decisions with respect to voting on the Plan in accordance with Bankruptcy Rules 3017(d) and 2002(b).

7. Distribution of Notices to Holders of Claims in Non-Voting Classes and Holders of Disputed Claims

As set forth above, certain Holders of Claims and Equity Interests are **not** entitled to vote on the Plan. As a result, such parties will not receive Solicitation Packages and, instead, will receive the appropriate form of notice as follows:

- Unimpaired Claims / Equity Interests – Deemed to Accept. Holders of Administrative Claims, DIP Facility Claims, Priority Tax Claims, Other Priority Claims, Secured Tax Claims, and Other Secured Claims are treated as Unimpaired under the Plan and, therefore, are presumed to have accepted the Plan. As such, Holders of such Claims will receive, in lieu of a Solicitation Package, a Non-Voting Notice attached as Exhibit 2-A to the Disclosure Statement Order.
- Disputed Claims.

  Any Holder of a Claim for which the Debtors have filed an objection on or before June 29, 2018, whether such objection related to the entire Claim or a portion thereof, will not be entitled to vote on the Plan and will not be counted in determining whether the requirements of section 1126(c) of the Bankruptcy Code have been met with respect to the Plan, unless (a) the Claim has been temporarily allowed for voting purposes pursuant to Bankruptcy Rule 3018(a) and in accordance with the Disclosure Statement Order or (b) at or prior to the Confirmation Hearing, the objection to such Claim has been withdrawn or resolved in favor of the creditor asserting the Claim.

  If any Holder described in the preceding subparagraph disagrees with the Debtors' classification or status of its Claim, then such Holder MUST file and serve a motion requesting temporary allowance of its Claim solely for voting purposes in accordance with the procedures set forth in the Disclosure Statement Order.
- Impaired Claims and Interests Deemed to Reject. Holders of Class 5 Subordinated Claims and Class 6 Equity Interests are Impaired and not expected to receive any distributions pursuant to the Plan, and therefore are conclusively deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan. As such, Holders of such Claims and Equity Interests will receive, in lieu of a Solicitation Package, a Non-Voting Notice attached as Exhibit 2-B to the Disclosure Statement Order.

- Contract and Lease Counterparties. Parties to certain of the Debtors' Executory Contracts and Unexpired Leases may not have scheduled Claims or Claims based upon Proofs of Claim pending the disposition of their contracts or leases by assumption or rejection. Without amending or altering any prior order of the Bankruptcy Court approving the assumption or rejection of any Executory Contract or Unexpired Lease, to ensure that such parties nevertheless receive notice of the Plan, counterparties to the Debtors' Executory Contracts and Unexpired Leases will receive, in lieu of a Solicitation Package, a Confirmation Hearing Notice.

8. Additional Distribution of Solicitation Documents

In addition to the distribution of Solicitation Packages to Holders of Claims in the Voting Classes, the Debtors will also provide parties who have filed requests for notices under Bankruptcy Rule 2002 as of the Voting Record Date with the Disclosure Statement, Disclosure Statement Order and Plan. Additionally, parties may request a copy of the Disclosure Statement (and any exhibits thereto, including the Plan) by: (a) calling the Voting and Claims Agent at (844) 378-1143; (b) writing to 4 West Holding, Inc., et al., c/o Omni Management Group, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; (c) emailing the Voting and Claims Agent at: 4west@omnimgt.com; and/or (d) visiting the Debtors' restructuring website at: http://www.omnimgt.com/4west (documents may be downloaded for free). Parties may also obtain any documents filed in the Chapter 11 Cases for a fee via PACER at http://www.txnb.uscourts.gov.

9. Filing of the Plan Supplement

The Debtors will file the Plan Supplement by June 29, 2018. The Debtors will transmit a copy of the Plan Supplement to the Distribution List, as defined in this Section I.D.9. Additionally, parties may request (and obtain at the Debtors' expense) a copy of the Plan Supplement by: (a) calling the Voting and Claims Agent at (844) 378-1143; (b) writing to 4 West Holding, Inc., et al., c/o Omni Management Group, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; (c) emailing the Voting and Claims Agent at: 4west@omnimgt.com; and/or (d) visiting the Debtors' restructuring website at: http://www.omnimgt.com/4west (documents may be downloaded for free). Parties may also obtain any documents filed in the Chapter 11 Cases for a fee via PACER at http://www.txnb.uscourts.gov.

The Plan Supplement will include all Exhibits and Plan Schedules that were not already filed as exhibits to the Plan or this Disclosure Statement, all of which are incorporated by reference into, and are an integral part of, the Plan, as all of the same may be amended, supplemented, or modified from time to time.

As used herein, the term "**Distribution List**" means (a) U.S. Trustee; (b) the Office of the Attorney General of the states in which the Debtors operate Facilities; (c) counsel to the Committee; (d) counsel for Sterling National Bank; (e) counsel to OHI Asset RO, LLC and the DIP Lender; (f) the Internal Revenue Service; (g) the Department of Medicaid, Department of Health, and Division of Health Services Regulation in each state in which the Debtors operate Facilities; and (h) all parties that have requested notice pursuant to Bankruptcy Rule 2002 as of the date of mailing the Solicitation Package or filing the Plan Supplement (as applicable), subject to the terms of the Disclosure Statement Order.

E. VOTING PROCEDURES

Holders of Claims entitled to vote on the Plan are advised to read the Disclosure Statement Order, which sets forth in greater detail the voting instructions summarized herein.

1. The Voting Deadline

The Bankruptcy Court has approved 5:00 p.m. Central Daylight Time on July 5, 2018 as the Voting Deadline. The Voting Deadline is the date by which all Ballots must be properly executed, completed and delivered to the Voting and Claims Agent in order to be counted as votes to accept or reject the Plan.

2. The Ballots

The Debtors will provide voting "**Ballots**", the forms of which are attached to the Disclosure Statement Order as Exhibit 2-A and 2-B, to Holders of Claims in the Voting Classes (*i.e.*, Classes 1 and 4). Each Ballot will include an option for the applicable Holder of Claims to affirmatively opt out of the Third Party Release contained in Article X of the Plan.

3. Voting Instructions

Under the Plan, Holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan. Those Holders may so vote by completing a Ballot and returning it to the Voting and Claims Agent prior to the Voting Deadline. Each Ballot will also allow Holders of Claims in the Voting Classes to opt-out of the Third Party Release set forth in Article X of the Plan.

ARTICLE X OF THE PLAN CONTAINS RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. THUS, YOU ARE ADVISED TO REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MIGHT BE AFFECTED THEREUNDER. IF YOU ARE THE HOLDER OF A CLAIM IN CLASS 4, YOU MAY ELECT TO OPT OUT OF THE PLAN'S THIRD-PARTY RELEASE PROVISIONS BY CHECKING THE APPLICABLE BOX ON YOUR BALLOT. IF YOU ARE THE HOLDER OF A CLAIM IN CLASS 4 AND YOU DO NOT AFFIRMATIVELY OPT OUT OF THE THIRD-PARTY RELEASES, THEN YOU MAY BE BOUND BY SUCH RELEASES.

PLEASE REFER TO THE INSTRUCTIONS ATTACHED TO THE BALLOT THAT YOU HAVE RECEIVED FOR MORE DETAILED INFORMATION REGARDING THE VOTING REQUIREMENTS, RULES AND PROCEDURES APPLICABLE TO VOTING YOUR CLAIM.

To be counted as votes to accept or reject the Plan, all Ballots (all of which will clearly indicate the appropriate return address) must be properly executed, completed, dated and delivered by using the return envelope provided by (a) first class mail, (b) overnight courier or (c) personal delivery, so that they are **actually received** on or before the Voting Deadline by the Voting and Claims Agent at the following address:

4 West Holdings, Inc., et al.
c/o Omni Management Group
5955 DeSoto Ave., Suite 100
Woodland Hills, CA 91367

If you have any questions on the procedures for voting on the Plan, please call the Voting and Claims Agent at: (818) 378-1143

4. Tabulation of Votes

THE FOLLOWING IS IMPORTANT INFORMATION REGARDING VOTING THAT SHOULD BE READ CAREFULLY BY ALL HOLDERS OF CLAIMS IN THE VOTING CLASSES.

- FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY EXECUTED, COMPLETED, DATED AND DELIVERED SUCH THAT IT IS **ACTUALLY RECEIVED** ON OR BEFORE THE VOTING DEADLINE BY THE VOTING AND CLAIMS AGENT.

- A HOLDER OF A CLAIM MAY CAST ONLY ONE VOTE PER EACH CLAIM SO HELD. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM WILL CERTIFY TO THE BANKRUPTCY COURT AND THE DEBTORS THAT NO OTHER BALLOTS WITH

RESPECT TO SUCH CLAIM HAS BEEN CAST OR, IF ANY OTHER BALLOT HAS BEEN CAST WITH RESPECT TO SUCH CLAIM, SUCH EARLIER BALLOT IS THEREBY SUPERSEDED AND REVOKED.

- **ANY BALLOT THAT IS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED TOWARD CONFIRMATION OF THE PLAN UNLESS THE DEBTORS HAVE GRANTED AN EXTENSION OF THE VOTING DEADLINE IN WRITING WITH RESPECT TO SUCH BALLOT.**

- **WHENEVER A CREDITOR CASTS MORE THAN ONE BALLOT VOTING THE SAME CLAIM PRIOR TO THE VOTING DEADLINE, THE LAST PROPERLY COMPLETED BALLOT RECEIVED PRIOR TO THE VOTING DEADLINE SHALL BE DEEMED TO REFLECT THE VOTER'S INTENT AND TO SUPERSEDE ANY PRIOR BALLOTS.**

- **ADDITIONALLY, UNLESS THE COURT ORDERS OTHERWISE, THE FOLLOWING BALLOTS WILL NOT BE COUNTED:**

  - any Ballot that is illegible or contains insufficient information to permit the identification of the Holder of the Claim;
  - any Ballot cast by or on behalf of an entity that does not hold a Claim in one of the Voting Classes;
  - any Ballot cast for a Claim listed in the Schedules as contingent or unliquidated for which the applicable bar date has passed and no proof of claim was timely filed;
  - any Ballot that (a) is properly completed, executed and timely filed, but does not indicate an acceptance or rejection of the Plan, or (b) indicates both an acceptance and rejection of the Plan, or (c) partially accepts and partially rejects the Plan;
  - any Ballot cast for a Claim that is subject to an objection pending as of the Voting Record Date (except as otherwise provided in the Disclosure Statement Order);
  - any Ballot sent to the Debtors, the Debtors' agents/representatives (other than the Voting and Claims Agent), any administrative agent or the Debtors' financial or legal advisors;
  - any Ballot transmitted by facsimile, telecopy or electronic mail;
  - any unsigned Ballot; or
  - any Ballot not cast in accordance with the procedures approved in the Disclosure Statement Order.

F. CONFIRMATION OF THE PLAN

1. The Confirmation Hearing

The Confirmation Hearing will commence at 9:00 a.m. (Central Daylight Time) on July 16, 2018 before the Honorable Harlin D. Hale, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, 1100 Commerce Street, Dallas, 14th Floor, Courtroom 3, Texas 75242-1496. The Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than by such adjournment being announced in open court or by filing a notice indicating such adjournment with the Bankruptcy Court. Moreover, the Plan may be modified or

amended, if necessary, pursuant to section 1127 of the Bankruptcy Code, prior to, during or as a result of the Confirmation Hearing, without further notice to parties-in-interest.

2. The Deadline for Objecting to Confirmation of the Plan

The Plan Objection Deadline is 4:00 p.m. (Central Daylight Time) on July 5, 2018. Any objection to confirmation of the Plan must: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules; (iii) state the name and address of the objecting party and the amount and nature of the Claim or Equity Interest of such Entity; (iv) state with particularity the legal and factual bases and nature of any objection to the Plan; and (v) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** no later than the Plan Objection Deadline by the parties set forth below:

a) Counsel to the Debtors, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 (Attn: Thomas R. Califano, Esq. and Dienna Corrado, Esq.), One Atlantic Center, 1201 West Peachtree Street, Suite 2800, Atlanta, GA 30309 (Attn: Daniel Simon, Esq.), 1717 Main Street, Suite 4600, Dallas, TX 75201 (Attn: Andrew Zollinger, Esq.);

b) The Office of the United States Trustee for the Northern District of Texas, the Office of the United States Trustee for the Northern District of Texas, Earle Cabell Federal Building, 1100 Commerce Street, Room 976, Dallas, TX 75242 (Attn: Nancy Resnick, Esq.);

c) Counsel to OHI Asset RO, LLC and the DIP Lender, Bryan Cave, LLP, One Atlantic Center, 1201 West Peachtree Street, Suite 1400, Atlanta, GA 30309 (Attn: Mark Duedall, Esq.), JP Morgan Chase Tower, 2200 Ross Avenue, Suite 3300, Dallas, TX 75201 (Attn: Keith Aurzada, Esq.), and One Metropolitan Square, 211 North Broadway, Suite 3600, St. Louis, MO 63102 (Attn: David Unseth, Esq.);

d) Counsel to the Plan Sponsor, Neligan LLP, 325 N. St. Paul Street, Suite 3600, Dallas, Texas 75201 (Attn.: Patrick J. Neligan, Esq. and James P. Muenker, Esq.); and

e) Counsel to the Official Committee of Unsecured Creditors, Norton Rose Fulbright US LLP, 2200 Ross Avenue, Suite 3600, Dallas, Texas 75201 (Attn.: Ryan E. Manns, Esq.), and Pepper Hamilton LLP, 3000 Two Logan Square, Philadelphia, PA 19103 (Attn.: Francis J. Lawall, Esq.), Hercules Plaza, Suite 5100, 1313 N. Market Street, Wilmington, DE 19899 (Attn.: Donald J. Detweiler, Esq.).

CONFIRMATION OBJECTIONS NOT TIMELY FILED AND SERVED IN THE MANNER SET FORTH HEREIN MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE OVERRULED WITHOUT FURTHER NOTICE.

3. Effect of Confirmation of the Plan

Article X of the Plan contains certain provisions relating to (a) the compromise and settlement of Claims, (b) the release of the Released Parties by the Debtors and certain Holders of Claims, and each of their respective Related Persons, and (c) exculpation of certain parties. **It is important to read such provisions carefully so that you understand the implications of these provisions with respect to your Claim such that you may cast your vote accordingly**.

THE PLAN SHALL BIND ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NOTWITHSTANDING WHETHER OR NOT SUCH HOLDER (A) WILL RECEIVE OR RETAIN ANY PROPERTY OR INTEREST IN PROPERTY UNDER THE PLAN, (B) HAS FILED A PROOF OF CLAIM OR INTEREST IN THE

CHAPTER 11 CASES OR (C) FAILED TO VOTE TO ACCEPT OR REJECT THE PLAN OR VOTED TO REJECT THE PLAN.

G. CONSUMMATION OF THE PLAN

It will be a condition to confirmation of the Plan that all provisions, terms and conditions of the Plan are approved in the Confirmation Order unless otherwise satisfied or waived pursuant to the provisions of Article IX of the Plan. Following confirmation, the Plan will be consummated on the Effective Date.

H. RISK FACTORS

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM IN THE VOTING CLASSES SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN SECTION VI HEREIN TITLED, "PLAN-RELATED RISK FACTORS."

II.
BACKGROUND TO THE CHAPTER 11 CASES

A. OVERVIEW OF THE DEBTORS' STRUCTURE AND BUSINESS OPERATIONS

1. Corporate History and Organizational Structure

The Company's corporate history began with the formation of 4 West Holdings, Inc. ("**4 West Holdings**") in August 2013 in connection with the acquisition by merger (the "**Merger**") of Ark Holding Company, Inc. d/b/a Covenant Dove ("**AHC**") pursuant to that certain Agreement and Plan of Merger, dated September 13, 2013, by and among 4 West Holdings, New Ark Investment, Inc. ("**Acquisition Sub**"), AHC, and Behrman Capital PEP L.P. (the previous owner of AHC). Upon the merger of Acquisition Sub with and into AHC, AHC remained as the surviving corporation, which is now known as Orianna Investment, Inc., a Debtor in these Chapter 11 Cases.

The closing of the Merger was conditioned upon the consummation of the Sale Leaseback Agreement, dated September 13, 2013 (the "**Sale Leaseback Agreement**") with OHI Asset RO, LLC, an affiliate of Omega Healthcare Investors, Inc., a publicly traded real estate investment trust that invests in SNFs and assisted living facilities in the United States and United Kingdom (collectively with its affiliates and subsidiaries, the "**Omega Parties**"). Pursuant to that transaction, which closed on or about November 27, 2013, certain of the Omega Parties acquired AHC's real estate portfolio for cash (which was the source of the consideration paid to AHC's shareholders in the Merger) and agreed to lease the property back to the Company pursuant to certain Master Leases (defined herein). In late 2015, with a change in the executive leadership team, the "**Covenant Dove**" portfolio was rebranded to what is now known as "**Orianna Health Systems**."

2. Accommodations and Services

The Company provides post-acute skilled nursing services and hospice and palliative care in their Facilities. As of the Petition Date, the Facilities have 4,667 licensed beds. An individual interested in occupying a unit in one of the Facilities must first enter into an admission agreement with one of the Debtors, which establishes the terms and conditions under which a resident will reside in a Facility and gain access to a number of services. The services and accommodations covered by the daily room rate include meals, utilities, laundry, assistance with daily living (including dressing, bathing, and grooming), housekeeping, planned activities, nursing services and local transportation for private appointments.

3. Business Operations

As noted above, as of the Petition Date, the Debtors operate or manage forty-two (42) SNFs in Georgia, Indiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia. In addition, Debtor Palladium provides hospice and palliative care services at certain of the Facilities as well as other non-Debtor locations. The Debtors employ approximately 5,000 employees, including but not limited to, nurses, nursing assistants, social workers, regional directors and supervisors.

In order to provide for the management of their day-to-day operations, the Debtors are party to various intercompany affiliate service agreements (each, a "**Service Agreement**"). Debtor Orianna Health Systems, LLC ("**OHS**"), either itself or through HCN pursuant to the HCN Consulting Agreement (as defined herein) provides Palladium and certain other Operating Debtors (as defined herein) with the following services: (a) employee policies and benefits administration; (b) capital improvements of more than $10,000 a year; (c) payment processing; (d) insurance procurement; (e) finance and accounting services, including the maintenance of an accounting system; (f) public relations; (g) human resources; (h) cash management; (i) miscellaneous additional services; and (j) arranging for working capital. The term of each agreement is three years with automatic renewals for one year periods. The fee for such services is a proportionate share of costs based on the per-resident day calculation of the total costs attributable to all long-term care facilities subject to similar agreements.

Debtor Olive Leaf, LLC ("**OL**") is party to twenty (20) service agreements with other Operating Debtors, pursuant to which OL is contracted to provide the following services: (a) employee policies and benefits administration; (b) capital improvements of more than $10,000 a year; (c) payment processing; (d) insurance procurement; (e) finance and accounting services, including the maintenance of an accounting system; (f) public relations; (g) human resources; (h) cash management; (i) miscellaneous additional services; and (j) arranging for working capital. OL passes on these services to OHS and remits all fees received to OHS pursuant to a Service Agreement between OL and OHS.

The Debtors also utilize the services of the following four key non-Debtor affiliates in the ordinary course of business described in further detail below:

- **Health Care Navigator, LLC** - HCN provides consulting, in-house legal, back-office administrative and other advisory services to owners and operators of skilled nursing facilities, including to the Debtors, as well as to non-debtor affiliates Halcyon Rehabilitation, LLC and HMS Purchasing, LLC. Under that certain Consulting and Advisory Services Agreement dated as of

November 27, 2013 (the "**HCN Consulting Agreement**"), Debtor Orianna Health Systems, LLC engaged HCN to provide, among other things, back-office administrative, advisory, consulting, accounting, risk management, insurance and legal services to the Debtors (the "**HCN Services**").

The monthly fee to be paid to HCN under the HCN Consulting Agreement is five percent (5%) of gross revenues for the applicable period. However, HCN has, on average, only sought and collected reimbursement of fees averaging 2-3% of gross revenues for the applicable period, representing reimbursement of HCN's costs in providing the HCN Services. Postpetition, HCN receives approximately $1.2 million monthly on account of the HCN Services, but the formula provided under the HCN Consulting Agreement entitles HCN to an average monthly fee of approximately $1.9 million. As of the Petition Date, the Debtors owed HCN approximately $5.5 million, which does not include an additional $3 million of accrued but unpaid fees that HCN wrote off in 2017 with respect to prior periods.

HCN is indirectly owned by certain family trusts that are affiliated with the entities that own indirect beneficial interests in the Debtors. None of the family trusts that indirectly own the Debtors overlap with the family trusts that own HCN.

- **Asset Navigator, LLC** - Asset Navigator does not provide any goods or services to the Debtors. Instead, its contractors and/or employees provide senior-level management consulting services to HCN. Under the Amended and Restated Consulting and Advisory Services Agreement, by and between Asset Navigator and HCN, dated as of January 1, 2017, in exchange for these services, HCN pays Asset Navigator a monthly fee in exchange for providing the services to HCN.

  Like HCN, Asset Navigator is indirectly owned by certain family trusts that are affiliated with the entities that own indirect beneficial interests in the Debtors, which trusts are the same as those trusts that own interests in HCN (but in different percentages). None of the family trusts that indirectly own the Debtors overlap with the family trusts that own HCN.

- **Halcyon Rehabilitation, LLC -** Halcyon provides therapy and other services to skilled nursing facilities. Under that certain Therapy and Administrative Services Agreement, entered into between each of the Operating Debtors[5] and Halcyon, Halcyon provides physical therapy, occupational therapy, and speech language pathology services to the operating Debtors' facilities. As of the Petition Date, the Debtors owed Halcyon approximately $12.9 million, which does not include an additional $6.5 million of accrued but unpaid fees that Halcyon wrote off.

  Pursuant to a Consulting and Advisory Services Agreement dated as of July 1, 2011, Halcyon also contracts with HCN to provide Halcyon with substantially similar services that the Debtors receive from HCN, in exchange for a monthly fee.

  Asset Navigator, LLC and HCN each own a 50% membership interest in Halcyon, and therefore Halcyon is indirectly owned by certain family trusts that are affiliated with the entities that own indirect beneficial interests in the Debtors. None of the family trusts that indirectly own the Debtors overlap with the family trusts that indirectly own Halcyon.

- **HMS Purchasing, LLC -** Each of the Operating Debtors is also party to an agreement with non-Debtor affiliate HMS Purchasing, LLC ("**HMS**") which provides a program to its members whereby it negotiates pricing with vendors so that its members can purchase a broad selection of the foregoing products in bulk at a more favorable rate from suppliers. HMS acts as a group purchaser of medical supplies, dietary food items, medical equipment and additional products for long-term care facilities. In exchange for participating in the group-purchasing program, certain of

[5] The Therapy and Services Agreement between Halcyon and the Facility in Indiana is with a non-debtor operator because the Debtor is the manager of such Facility.

the Debtors pay a monthly membership fee calculated based upon the number of licensed beds in such facility. As of the Petition Date, the Debtors owed HMS approximately $310,000.

Pursuant to a Consulting and Advisory Services Agreement dated as of July 1, 2011, HMS also contracts with HCN to provide HMS with substantially similar services that the Debtors receive from HCN, in exchange for a monthly fee.

HMS is owned by Harris Schwartzberg and certain family trusts that are affiliated with entities which own indirect beneficial interests in the Debtors. None of the family trusts that indirectly own the Debtors overlap with the family trusts that own HMS.

The Operating Debtors receive revenue from several sources, including: (a) Medicare reimbursements, (b) Medicaid reimbursements, and (c) other third party and private payors. The Debtors use the revenue generated by the receipt of daily basic rates and service fees to fund their daily operations, and when funds are available, make monthly rent payments to the Omega Parties, service their legacy liabilities and other debt obligations, and make capital improvements to the Facilities. The Debtors' aggregate revenue in 2017 was approximately $415 million.

4. Regulatory Agencies

Operators of SNFs, such as the Facilities, are heavily regulated by various state and federal agencies. In particular, nearly every aspect of the operation of the Facilities, including the services provided to residents as well as billing and collections, is subject to rules and regulations promulgated by (a) the United States Department of Health and Human Services' Centers for Medicare & Medicaid Services, (b) the Department of Aging, Office of Health Assurance and Licensing, Bureau of Long Term Care, Bureau of Regulatory Enforcement, and (c) the Department of Medicaid, Department of Health, and Division of Health Services Regulation in each state in which the Facilities operate.

B. THE DEBTORS' ORGANIZATIONAL AND CAPITAL STRUCTURE

1. The Debtors' Organizational Structure

The activities and business affairs of the Debtors generally fall into three categories: (i) holding companies that directly or indirectly hold a portfolio of certain assets, (ii) entities that are tenants under the Master Leases with the Omega Parties (the "**Tenant Debtors**"), and (iii) entities which are subtenants under the subleases with the Tenant Debtors and operate the Facilities (the "**Operating Debtors**")[6]. As noted above, Debtor Palladium is a separately licensed hospice and palliative care services provider that is wholly owned by Debtor Orianna Investment, Inc.

[6] Debtor Johns' Island Rehabilitation and Healthcare Center, LLC is an Operating Debtor but its lease is with a third party, Sea Island Comprehensive Health Care, Corp.

As reflected in the organizational chart attached hereto as **Exhibit C**, Debtor 4 West Holdings is a wholly owned subsidiary of Debtor 4 West Investors, LLC, which is a non-operating holding company. 4 West Holdings, in turn, is the holding company of Debtors Orianna Investment, Inc. (formerly AHC), New Ark Operator Holdings, LLC and New Ark Master Tenant, LLC, which, in turn wholly owns, directly or indirectly, each of the Tenant Debtors and the Operating Debtors. Each of the Operating Debtors holds a license to operate a skilled nursing facility and is certified to participate in the Medicare and Medicaid programs.

Three trusts, in which members of the Schwartzberg family acted as settlors, maintain indirect beneficial ownership of each of the Debtors. In addition, various trusts of the Schwartzberg family similarly maintain indirect beneficial ownership in non-Debtors HCN, Halcyon, and HMS.

2. The Debtors' Prepetition Capital Structure

(a) Sterling Senior Credit Facility

On March 1, 2016, certain of the Operating Debtors (collectively, the "**Borrowers**") entered into a Revolving Loan and Security Agreement, dated as of March 1, 2016 (as amended from time to time, and together with all related documents and exhibits thereto, the "**Sterling Credit Agreement**"), with Sterling National Bank ("**Sterling**") and certain other lenders party thereto (collectively with Sterling, the "**Senior Lenders**"). Pursuant to the Sterling Credit Agreement, the Senior Lenders provided a $30 million, three-year revolving credit facility (the "**Senior Credit Facility**"). As of the Petition Date, the outstanding balance owed under the Senior Credit Facility is approximately $14.2 million.

To secure its obligations under the Senior Credit Facility, the Borrowers granted the Senior Lenders a first priority perfected security interest in: (a) all Receivables, (b) to the maximum extent permitted by law, all deposit accounts of such Borrower subject to a Depository Account Control Agreement ("**DACA**"), including, without limitation, each Lockbox and each Lockbox Account, and amounts held therein, (c) all money and cash, including all cash collateral, in a deposit account subject to a DACA, including, without limitation, all Collections, (d) all general intangibles and payment intangibles, and any other rights to payment of every kind and description, and any contract rights, chattel paper, documents and instruments relating to the Receivables and all of such Borrower's rights and remedies with respect to the Receivables (including the creation, enforcement and collection of the Receivables) or the obligation of any Obligor with respect thereto, (e) all Records relating to the Borrowers' Receivables and the other items in (a) through (d) above; (f) and all proceeds of any kind or nature of the foregoing.

Certain of the Debtors (the "**Guarantors**") guaranteed the Borrowers' obligations under the Credit Agreement obligations pursuant to the Guaranty and Security Agreement, dated March 1, 2016 (the "**Guaranty**"). Under the Guaranty, the Guarantors granted the Senior Lenders a security interest in the following: (a) to the maximum extent permitted by law, all deposit accounts of such Guarantor into which any Collections are directly or indirectly swept and which are subject (or required pursuant to the terms hereof to be subject) to a DACA, including, without limitation, each concentration account and controlled disbursement account listed in Schedule III to the Sterling Credit Agreement, as such Schedule III may be amended from time to time, and amounts held therein; (b) all money and cash, including all cash collateral, in a deposit account into which any Collections are directly or indirectly swept and which are subject (or required pursuant to the terms hereof to be subject) to a DACA, including, without limitation, all Collections swept into any such account; (c) all Records relating to the items in (a) and (b) above; and; (d) all proceeds of any kind or nature of the foregoing.

The Borrowers and Guarantors established lockbox accounts at The PrivateBank and Trust Company for the deposit of all receivables, which are subject to Sterling's first priority liens.

On October 11, 2016, the Senior Lenders issued a notice of default under the Senior Credit Facility (the "**First Sterling Default Notice**"), identifying certain covenant defaults under the Sterling Credit Agreement and defaults under the Master Leases (defined herein). The Sterling Default Notice further stated that Sterling has not elected to exercise any rights or remedies on account of the existing events of default, other than to request

funds in the Lockbox Accounts of the Company be directed to Sterling, and to charge a collateral monitoring fee of 0.50%. In addition, the Sterling Default Notice stated that the Borrowers may not make payments to HCN (other than expenses) or the mezzanine lender pursuant to certain subordination agreements.

On February 7, 2017, Sterling issued a second notice of default and reservation of rights (the "**Second Sterling Default Notice**") stating, among other things that the lessees under the Master Leases (defined herein) have failed to make payments for January 2017 and February 2017 and that as a result, additional events of default are existing under the Senior Credit Facility. The Second Sterling Default Notice also stated that as long as Omega agrees to waive the default under the Master Leases and subleases, the Senior Lenders will continue to consider each request for a discretionary advance as set forth in the First Sterling Default Notice.

On February 22, 2018, Sterling issued a third notice of default and reservation of rights (the "**Third Sterling Default Notice**") stating that all events of default referenced in the prior notices are continuing. The Third Sterling Default Notice stated that default interest will accrue and further Revolving Advances, if any, were to be funded at the sole discretion of the Sterling Lenders.

(b) Omega Master Leases

Certain of the Debtors are party to lease agreements with certain of the Omega Parties. As of the Petition Date, certain of the Debtors operate Facilities leased through the following master leases (each, a "**Master Lease**" and collectively, the "**Master Leases**"):

a. South East Region – Master Lease, effective as of November 27, 2013, by and between certain Omega Parties and certain Tenant Debtors with respect to 37 Facilities.

b. Indiana Region – Master Lease, effective as of November 27, 2013, by and between an Omega Party and Tenant Debtor Connersville RE, LLC with respect to one (1) Facility that the Debtors manage but operated by a third party; and

c. Laurel Baye – Master Lease, effective as of June 27, 2014, by and between certain Omega Parties and Tenant Debtor New Ark Master Tenant, LLC with respect to four (4) Facilities.

Pursuant to the Master Leases and related security documents, each Tenant Debtor and each Operating Debtor granted a security interest in substantially all of their assets to certain of the Omega Parties. Each Tenant Debtor also granted precautionary mortgages on the real property that is the subject of the Master Leases. In addition, in connection with the Laurel Bay Master Lease, pursuant to the Pledge Agreement, dated June 27, 2014, 4 West Investors, LLC pledged its equity interests in 4 West Holdings to various affiliates of the Omega Parties. Certain Debtors that are holding companies also pledged their respective interests in their Debtor subsidiaries to various Omega Parties. HCN also granted certain of the Omega Parties a security interest in, among other things, machinery, furniture, equipment, trade fixtures, appliances, accounts, contract rights, licenses and permits located at, arising out of the operations of, or used in connection with the Facilities.

In connection with each of the Master Leases, pursuant to a Subordination Agreement (collectively, the "**Omega Intercompany Subordination Agreements**"), 4 West Holdings, Inc. and certain other Debtors specified in the Omega Intercompany Subordination Agreements agreed to subordinate intercompany debt to amounts owing to the Omega Parties under the Master Leases. In addition, in connection with each of the South East and Indiana Master Leases, pursuant to an Assignment, Consent and Subordination of Services Agreement, HCN, as consultant, agreed to subordinate any fees owed to HCN to amounts owing to the Omega Parties under the South East and Indiana Master Leases. Similarly, in connection with the Laurel Baye Master Lease, pursuant to an Assignment, Consent and Subordination of Services Agreement, OHS, as consultant, agreed to subordinate any fees owed to OHS to amounts owing to the Omega Parties under the Laurel Baye Master Lease.

In addition to the foregoing subordination agreements, the Master Leases are also subject to the following two intercreditor agreements:

i. Pursuant to the Subordination Agreement, dated November 27, 2013, between the Omega Parties and New Ark Mezz Holdings, LLC, New Ark Mezz's liens and right to payment are subordinate to the liens and rights of the Omega Parties under the Master Leases.

ii. Pursuant to the Subordination and Intercreditor Agreement, dated March 1, 2016 by and among the Borrowers, Senior Lenders and certain Omega Parties (as amended pursuant to the First Amendment to Subordination and Intercreditor Agreement, dated May 2, 2017) (the "**Sterling/Landlord Intercreditor Agreement**"), the Omega Parties' liens and right to payment under the Master Leases (and the Working Capital Loan Agreement (as defined below)) are subordinate to the liens and rights of Sterling under the Senior Credit Facility.

As of the Petition Date, the Debtors owed approximately $52 million to the Omega Parties as rent under the Master Leases.

(c) Omega Working Capital Loan Agreement

Pursuant to the Working Capital Loan Agreement, dated May 2, 2017, OHI Asset RO, LLC ("**Working Capital Lender**"), one of the Omega Parties, provided an $18.8 million line of credit to the Company for working capital expenses (the "**Omega Working Capital Loan**"). Most of the proceeds of the Omega Working Capital Loan were used to pay rent and real property taxes, with the remainder used for other operating expenses. As of the Petition Date, the outstanding balance under the Omega Working Capital Loan was approximately $15 million. The Working Capital Lender's rights under the Working Capital Loan are subject and subordinate to the liens and rights of Sterling under the Senior Credit Facility, in accordance with the Sterling/Landlord Intercreditor Agreement.

The Debtors' obligations under the Working Capital Loan are secured by, and cross-defaulted with, all guaranties, security interests, liens, subordinations, assignments and encumbrances granted by any one of the borrowers under the Master Leases to the Omega Parties. Furthermore, any of the borrower's (or its affiliates') property in which the Working Capital Lender or any of its affiliates has a security interest to secure payment of any other debt also secures payment of and, is part of the collateral for, the Omega Working Capital Loan, including any other indebtedness of a borrower to the Working Capital Lender or any of its affiliates (whether or not arising under the Working Capital Loan Agreement). Additionally, a default under any of the Senior Credit Facility, the New Ark Mezz Note (as defined below), or the Omega Working Capital Loan constitutes a default under each of the Master Leases. Prior to the Petition Date, the Debtors investigated the nature, extent and priority of the Omega Parties' security interests and liens, and believe that they are properly perfected and hold valid, enforceable, senior secured liens on substantially all of the Debtors' assets.

(d) New Ark Mezz Note

Pursuant to the First Amended and Restated Subordinated Promissory Note, dated April 1, 2014, 4 West Holdings issued a $11,150,000 subordinated secured note (as amended, the "**New Ark Mezz Note**") to New Ark Mezz Holdings, LLC ("**New Ark Mezz**"),[7] the proceeds of which were paid to the Omega Parties in connection with the Merger. As of the Petition Date, the maturity date of the New Ark Mezz Note is March 31, 2018. As of the Petition Date, the outstanding balance under the New Ark Mezz Note was approximately $6.2 million.

7 HCN is a member of New Ark Mezz.

The New Ark Mezz Note is secured by a Subordinated Security Agreement, dated November 27, 2013 whereby New Ark Mezz was granted a second priority security interest in all of 4 West Holding's ownership interests in New Ark SC Operator Holdings, Inc. (n/k/a Orianna SC Operator Holdings, Inc., a Debtor in these Chapter 11 Cases).[8] New Ark Mezz's rights are subordinated to the rights of the Senior Lenders under the Senior Credit Facility[9] and the rights of the Omega Parties under the Master Leases.[10]

(e) SA Mezz Note

Pursuant to the Amended and Restated Promissory Note, dated February 1, 2017, Debtor Palladium issued a $1,100,000 unsecured promissory note (the "**SA Mezz Note**") to SA Mezz Holdings, LLC ("**SA Mezz**"), the proceeds of which were applied in connection with Palladium's acquisition of Pinnacle Hospice, LLC in August 2016. The maturity date of the SA Mezz Note is August 1, 2021. As of the Petition Date, the outstanding balance of the SA Mezz Note, with interest, was approximately $1.2 million.

(f) Other Unsecured Debt

As of the Petition Date, the Debtors owe an aggregate of approximately $67 million of unsecured trade debt, most of which is owed to vendors who provide critical goods or services necessary in the operation of the SNFs.

(g) Tort Claims

The debtors are subject to a variety of Tort Claims in the various states in which they operate, including professional liability, general liability, and employment-related litigation.

C. EVENTS LEADING UP TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

Since 2015, the Debtors have faced significant liquidity constraints caused principally by: (a) unfavorable commercial agreements and certain liabilities assumed as part of Merger, including regulatory and personal liability claims; (b) historical losses at certain of the Debtors' previously-operated facilities, (c) a decline in performance within the current portfolio for a variety of industry-wide developments; and (d) significant capital expenditure needs. Further, the Debtors also faced rent payment obligations to the Omega Parties under the Master Leases, which were significantly higher than their operating income could support.

1. Financial Difficulties After the Merger

As a result of the Merger, the Company assumed AHC's liabilities related to approximately forty (40) pending lawsuits including professional liability, general liability and employment-related litigation pending at the time of the acquisition. As of the Petition Date, claims accrued prior to the Merger have cost the Company nearly $6.5 million.

Furthermore, in connection with the Merger, the Company assumed various contracts with AHC's vendors, many of which did not contain favorable pricing for a company of this size. The Company spent significant time transitioning out of many of those agreements, including a significant contract relating to the

[8] Certain Omega Parties hold the first priority security interest.

[9] Pursuant to the Subordination Agreement (Mezzanine Loan) by and between Sterling National Bank, as agent, and New Ark Mezz Holding, LLC, as Mezzanine Lender, dated March 1, 2016.

[10] Pursuant to the Subordination Agreement (Mezzanine Loan) by and between the Landlord and New Ark Mezz Holding, LLC, as Mezzanine Lender, dated November 27, 2013.

pharmaceutical and medical supplies used at the Facilities. Exiting these contracts in some cases subjected the Company to lawsuits arising from such contracts.

Following the Merger, the Company analyzed its portfolio and shortly thereafter, with the assistance of the Omega Parties, took the necessary steps to divest certain facilities that were operating at a historical loss. In the summer of 2014, the Company and the Omega Parties marketed the portfolio of skilled nursing facilities then operating in Texas, which were subject to a Master Lease, dated November 27, 2013 (the "**Texas Master Lease**") with certain Omega Parties as landlord. At that time, the Tenant Debtors terminated the subleases with the Operating Debtors and once a new operator was found (an affiliate of Daybreak Ventures, LLC ("**Daybreak**"), an unrelated third party), the Tenant Debtors entered into new subleases with Daybreak as the operators of the skilled nursing facilities in Texas. In July 2017, the Tenant Debtors and the Omega Parties terminated the Texas Master Lease. The Tenant Debtors owe approximately $1.25 million to the Omega Parties as a result of the Tenant Debtors not refunding a security deposit when the Texas Master Lease was terminated. Certain of the Tenant Debtors that previously operated in Texas are Debtors in these Chapter 11 Cases.

Further, in the fall of 2016, the Company and the Omega Parties began to market its facilities in Idaho, Oregon, Utah and Washington that were subject to a Master Lease, dated November 27, 2013 (the "**Northwest Master Lease**"). By early 2017, the Company began transitioning those facilities to new operators and sought to formally terminate the Northwest Master Lease. Notwithstanding the transition of the last of the facilities leased under the Northwest Master Lease in September 2017, amounts remain due and owing thereunder.

Within the Company's current portfolio of Facilities, certain Facilities have continued to operate at a loss and will likely continue to do so after the Petition Date. Moreover, like many other healthcare companies, the Debtors have struggled with managing their revenue cycle due to delays in payment from third party payors such as Medicaid, Medicare, and private insurance companies.

2. Negotiation and Entry Into Restructuring Support Agreement

As noted above, beginning in mid-2017, the Debtors and the Omega Parties began discussions regarding potential short- and long-term restructuring options for the Debtors. In November, 2017, the Debtors concluded that the best way to implement a restructuring would be through a chapter 11 filing. In light of these developments, and to support the Debtors' restructuring efforts, on January 12, 2018, the Debtors retained Houlihan Lokey Capital, Inc. ("**Houlihan**") as the Debtors' investment banker. On January 19, 2018, the Debtors retained Crowe Horwath LLP as financial advisor to provide supplementary bankruptcy preparation resources.

In the months leading up to the Petition Date, the Debtors engaged in extensive and sometimes protracted confidential negotiations with the Omega Parties, and SC-GA 2018 Partners, LLC, as proposed plan sponsor (the "**Plan Sponsor**"), regarding a good faith proposed global settlement to, among other things, provide a pathway to a prompt and efficient transfer of twenty-two of the Debtors' Facilities to one or more new operators (designated by the Omega Parties), with the remaining twenty properties and Palladium to be treated as owned or leased by the Debtors. These negotiations resulted in the entry into the Restructuring Support Agreement [Docket No. 19-2] (the "**RSA**") among certain of the Debtors, certain of the Omega Parties, and the Plan Sponsor.

On or around February 23, 2018, to aid in the potential restructuring process and in light of the overlap in the indirect beneficial ownership of the Debtors and the Plan Sponsor, and continuing negotiations on the RSA, 4 West Holdings, Inc. and Orianna Investment, LLC caused existing director Eric Roth to be appointed to a newly formed Special Restructuring Committee, which, at the time, was solely directed by Mr. Roth (and is now solely directed by Mr. John Brecker, as independent director). Each of the respective boards delegated to the Special Restructuring Committee the full power and authority to, among other things (i) authorize the chapter 11 filing of 4 West Holdings, Inc., its parent company 4 West Investors, LLC, and each of their respective subsidiaries; (ii) effectuate the transactions contemplated under the Plan (as defined below); and (iii) engage various advisors to the Debtors,

including Houlihan, to explore potential other plan funding sources under the RSA, consistent with *Bank of America, N.A. v. 203 N. LaSalle St. Partnership*, 526 U.S. 434 (1999).

The RSA, among other things, contemplates a two-part resolution of the issues between the Omega Parties and the Debtors in accordance with the 9019 Settlement Order. The resolution was developed in part based on the Debtors' determination that certain of the Facilities operated by the Debtors are unprofitable and that the Debtors lack the liquidity or other resources necessary to turn them around and restore them to profitable operations. These unprofitable Facilities are identified in the RSA as the "**Transfer Portfolio**." In addition, the Debtors also identified a core group of Facilities around which the Debtors could develop a successful restructuring strategy. These Facilities are identified in the RSA as the "**Restructuring Portfolio**."

With the Debtors' Facilities thus differentiated between those that could support a successful restructuring and those that would undermine it, the Debtors, the Omega Parties, and the Plan Sponsor negotiated the two-step restructuring contemplated in the RSA, which comprises:

a) a "**Transfer Transaction**"[11] whereby 4 West and certain of its affiliates will transfer the Transfer Portfolio, including all of the assets necessary for the operation of such properties, to one or more new operators designated by the Omega Parties under corresponding Operations Transfer Agreements; and

b) a "**Restructuring Transaction**"[12] whereby the Restructuring Portfolio will be transferred to the Plan Sponsor under the terms of the Plan.

The Debtors have determined, after extensive diligence and in consultation with their advisors and key stakeholders that maximizing the value of the Debtors' estates is best accomplished through the Transfer Transaction and the Restructuring Transaction. This global resolution with the Omega Parties represents the best available alternative for the Debtors and, significantly, effectuating the transactions contemplated under the RSA will reduce the risk of potentially expensive and protracted litigation. Taken together, the Transfer Transaction and the Restructuring Transaction through a chapter 11 process will allow the Debtors to resolve their legacy and contingent liabilities in a comprehensive manner, remove the litigation overhang, transfer certain underperforming Facilities to new operators in an efficient and structured manner, and above all, provide certainty regarding the Debtors' future operations for all of the Debtors' stakeholders including, most importantly, the Debtors' residents, employees, and vendors.

Lastly, because there exists some overlap of indirect beneficial ownership of the Debtors and the Plan Sponsor, and, in accordance with the Supreme Court's decision in *Bank of America Nat'l Trust and Savings Assoc. v. 203 N. LaSalle Partnership*, 526 U.S. 434 (1999), the Plan Sponsor may not have the sole right to sponsor the Plan. As further described herein, through implementation of the competitive marketing and plan sponsorship process, the Debtors seek to determine whether an alternative bidder can provide a greater recovery to the Debtors' estates in exchange for some or all of the rights and assets that the Plan Sponsor is receiving under the Restructuring Transaction. To the extent an alternative transaction(s) proves to provide higher and better value to the Debtors' Estates, the Debtors may be required to resolicit votes for an alternative chapter 11 plan.

III.
SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE

[11] The Transfer Portfolio and the Transfer Transaction are set forth in greater detail in the RSA and the 9019 Motion.

[12] The Restructuring Portfolio and the Restructuring Transaction are set forth in greater detail in the RSA and the Plan.

A. CONTINUATION OF THE BUSINESS AFTER THE PETITION DATE

The Debtors are operating their business in the ordinary course as debtors in possession pursuant to section 1107 and 1108 of the Bankruptcy Code. Immediately following the Petition Date, the Debtors devoted substantial efforts to stabilizing their operations and preserving and restoring their relationships with, among others, vendors that the Debtors believed could be impacted by the commencement of the Chapter 11 Cases. As a result of these initial efforts, the Debtors were able to minimize, as much as practicable, the negative impacts of the commencement of the Chapter 11 Cases.

B. FIRST AND SECOND DAY PLEADINGS AND CERTAIN RELATED RELIEF

Commencing on the Petition Date, the Debtors filed a number of motions and applications (collectively referred to herein as "**First and Second Day Pleadings**") with the Bankruptcy Court. Following the hearings conducted on March 8, 2018 and April 16, 2018, the Bankruptcy Court entered several orders in connection with the First and Second Day Pleadings to: (i) prevent interruptions to the Debtors' businesses; (ii) ease the strain on the Debtors' relationships with certain essential constituents, including critical vendors; (iii) provide access to cash collateral and capital; and (iv) allow the Debtors to retain certain advisors to assist with the administration of the Chapter 11 Cases (collectively, the "**First and Second Day Orders**").

1. Procedural Motions

To facilitate a smooth and efficient administration of the Chapter 11 Cases, the Bankruptcy Court entered certain "procedural" First and Second Day Orders, by which the Bankruptcy Court (a) approved joint administration of the Chapter 11 Cases, (b) approved an extension of time to file the Debtors' Schedules (as defined below) to April 12, 2018, (c) established procedures to protect confidential patient information, (d) approved the retention of the Voting and Claims Agent (e) established procedures with respect to interim compensation of the Debtors' bankruptcy-related advisors.

2. Stabilizing Operations

Recognizing that any interruption of the Debtors' businesses, even for a brief period of time, would negatively impact their operations, relationships with the vendors, revenue and profits, the Debtors filed a number of First and Second Day Pleadings to help facilitate the stabilization of its operations and effectuate, as much as possible, a smooth transition into operations as debtors in possession. Specifically, the Debtors sought and obtained First and Second Day Orders authorizing the Debtors to:

- maintain the existing cash management system;
- continue to pay employee wages and maintain employee benefits;
- determine adequate assurance for future utility service and establish procedures for utility providers to object to such assurance;
- remit and pay certain taxes and fees;
- continue to maintain the Debtors' insurance programs; and
- continue the Debtors' refund policies.

In addition to the foregoing relief, to prevent the imposition of the automatic stay from disrupting their businesses and to ensure continued services on favorable terms, the Debtors sought and obtained Bankruptcy Court approval to pay the prepetition claims of certain vendors who the Debtors believe are essential to the ongoing operation of their businesses. The Debtors' ability to pay the claims of these vendors was and remains critical to maintaining ongoing business operations due to the Debtors' inability to acquire essential replacement goods and services of the same quality, reliability, cost or availability from other sources.

3. Debtor-in-Possession Financing and Use of Cash Collateral

A critical goal of the Debtors' business stabilization efforts was to ensure the Debtors maintained sufficient liquidity to operate their businesses during the pendency of the Chapter 11 Cases. On the Petition

Date, the Debtors filed the *Debtors' Motion (I) Pursuant to 11 U.S.C. §§ 105, 361, 362, 363 and 364 Authorizing the Debtors to (A) Obtain Senior Secured Priming Superpriority Postpetition Financing, (B) Grant Liens and Superpriority, Administrative Expense Status, (C) Use Cash Collateral of Prepetition Secured Parties, and (D) Grant Adequate Protection to Prepetition Secured Parties; (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(b) and 4001(c); and (III) Granting Related Relief* [Docket No. 18].

At the hearing held on March 8, 2018, the Bankruptcy Court approved the Interim DIP Order, which, among other things, (a) authorized the Debtors to obtain postpetition secured debtor-in-possession financing in an aggregate principal amount of up to $25,000,000 (the "**DIP Facility**"), comprising a $14,234,361.05 term loan, which was used to pay off the Sterling Obligations; and a $10,765,638.95 revolving loan, which was used to fund the administration of the chapter 11 cases; (b) authorized the Debtors to use cash collateral; and (c) provided certain secured parties with adequate protection.

On May 14, 2018, the Bankruptcy Court entered the Final DIP Order, authorizing, among other things, an additional $5,000,000 of borrowing under the DIP Facility, which, in the aggregate, totals $30,000,000. This additional borrowing will enable the Debtors to fund the Chapter 11 Cases through the Effective Date.

The DIP Facility has allowed the Debtors to (a) continue their businesses in an orderly manner; (b) maintain their valuable relationships with vendors and service providers; and (c) support their working capital, general corporate and overall operational needs, all of which are essential to the preservation and maintenance of the going-concern value of the Debtors' businesses and, ultimately, a successful reorganization.

4. Employment of Advisors

To assist the Debtors in carrying out their duties as debtors in possession and to represent their interests in the Chapter 11 Cases, the Bankruptcy Court entered an order on March 9, 2018 authorizing the Debtors to retain and employ Rust Consulting/Omni Bankruptcy as the Voting and Claims Agent [Docket No. 65]. The Bankruptcy Court also entered orders on April 18, 2018, authorizing the Debtors to retain and employ the following advisors: (a) DLA Piper LLP (US), as counsel [Docket No. 264]; (b) Ankura Consulting Group, LLC, to provide restructuring and interim management services [Docket No. 263]; (c) Houlihan Lokey Capital, Inc. as investment banker [Docket No. 255], (d) Crowe Horwath LLP, as financial advisor [Docket No. 266], and (e) other professionals utilized by the Debtors in the ordinary course of the Debtors' businesses [Docket No. 265].

On March 19, 2018, the U.S. Trustee appointed the official committee of unsecured creditors (the "**Committee**") in these Chapter 11 Cases [Docket No. 117] comprising the following seven creditors: (i) Pharmerica Corporation (Committee Co-Chair), (ii) Healthcare Services Group (Committee Co-Chair), (iii) Medline Industries, (iv) Alana Healthcare, (v) Omnicare Inc., (vi) Joerns Healthcare LLC, and (vii) Regional Ambulance.

The Bankruptcy Court entered the following orders in connection with Committee professionals: (a) on May 1, 2018, authorizing the Committee's retention of Pepper Hamilton LLP as co-counsel [Docket No. 313]; (b) on May 14, 2018, authorizing the Committee's retention of Norton Rose Fulbright US LLP as co-counsel [Docket No. 372]; and (c) on May 14, 2018, authorizing the Committee's retention of CohnReznick LLP as financial advisor [Docket No. 378].

5. Critical Vendors

On the Petition Date, the Debtors filed the *Motion of the Debtors for Entry of Interim and Final Orders Authorizing Debtors to Pay or Honor Prepetition Obligations to Critical Vendors* [Docket No. 16] (the "**Critical Vendor Motion**"), which sought approval to pay certain vendors which were identified by the Debtors to be most critical to continued operations. On March 9, 2018, the Bankruptcy Court entered an interim order approving the Critical Vendor Motion, but such relief was limited to the Debtors' payment of Health Care Services Group, Inc. ("**HSG**"), up to $3,000,000, on account of its prepetition claim [Docket No. 54]. HSG provides critical dietary, laundry and housekeeping goods and services at each of the Debtors' facilities. On

April 18, 2018, the Bankruptcy Court approved the Critical Vendor Motion on a final basis, authorizing the Debtors to pay critical vendor claims in the aggregate amount up to $4,200,000 [Docket No. 261] (the "**Critical Vendor Order**"). As of the date hereof, the Debtors have made payments (or otherwise allocated for such payments) under the Critical Vendor Order in an aggregate amount of $3,416,095, of which $3,216,095 has been paid to HSG. Further, the Debtors have analyzed (and continue to assess) potential preferential payments made prior to the Petition Date and believe that certain payments made to HSG in the 90 days prior to the Petition Date may be avoided or avoidable under section 547 of the Bankruptcy Code.

6. Patient Care Ombudswoman

On March 28, 2018, the Court entered the *Agreed Order Directing Appointment of a Patient Care Ombudsman Pursuant to 11 U.S.C. § 333* [Docket No. 180]. On March 29, 2018, the U.S. Trustee appointed Melanie L. Cyganowski as the patient care ombudswoman (the "**Ombudswoman**") in these Chapter 11 Cases. The Ombudswoman has begun to schedule visits to a number of the Debtors' facilities and will be interviewing certain representatives of the Debtors regarding the current operations and care provided to the residents. The Ombudswoman will provide periodic reports to the Bankruptcy Court, with the first report being a status conference to be held on May 30, 2018. The Ombudswoman is seeking to retain Otterbourg P.C. as her counsel [Docket No. 361].

C. FILING OF THE SCHEDULES AND ESTABLISHMENT OF THE CLAIMS BAR DATE

1. Filing of the Schedules

Each of the Debtors filed its respective schedules of assets and liabilities, schedules of executory contracts, and statements of financial affairs (collectively, the "**Schedules**") with the Bankruptcy Court pursuant to section 521 of the Bankruptcy Code on April 12, 2018. A copy of the Schedules may be obtained by (a) calling the Voting and Claims Agent at (844) 378-1143; (b) writing to 4 West Holding, Inc., et al., c/o Omni Management Group, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; (c) emailing the Voting and Claims Agent at: 4west@omnimgt.com; and/or (d) visiting the Debtors' restructuring website at: http://www.omnimgt.com/4west (documents may be downloaded for free). Parties may also obtain any documents filed in the Chapter 11 Cases for a fee via PACER at http://www.txnb.uscourts.gov.

TO THE EXTENT OF ANY INCONSISTENCY BETWEEN, ON THE ONE HAND, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND ANY EXHIBITS ATTACHED HERETO AND THERETO, AND ON THE OTHER HAND, THE INFORMATION CONTAINED IN THE DEBTORS' SCHEDULES OF ASSETS AND LIABILITIES AND STATEMENT OF FINANCIAL AFFAIRS, INCLUDING THE "GLOBAL NOTES AND STATEMENT OF LIMITATIONS, METHODOLOGY, AND DISCLAIMERS REGARDING THE DEBTORS' SCHEDULES OF ASSETS AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS," THE DISCLOSURE STATEMENT AND PLAN SHALL CONTROL.

2. 341 Meeting

The 341 meeting commenced on April 16, 2018 [*see* Docket No. 26] and was adjourned until May 8, 2018 [*see* Docket No. 251], when it concluded.

3. Establishment of the Bar Dates

On April 27, 2018, the Debtors filed the *Motion of Debtors for Entry of an Order Establishing Bar Dates and Procedures for Filing Proofs of Claim* [Docket No. 304] (the "**Bar Date Motion**"). On May 24, 2018, the Bankruptcy Court entered an order [Docket No. 431] granting the Bar Date Motion and establishing July 16, 2018 at 4:00 p.m. (Central Daylight Time) as the General Bar Date (as defined in the Bar Date Motion) and establishing September 4, 2018 at 4:00 p.m. (Central Daylight Time) as the Governmental Bar Date (as defined in the Bar Date Motion).

D. EXCLUSIVE PERIOD FOR FILING A PLAN AND SOLICITING VOTES

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptance of a plan or plans of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief. If a debtor files a plan within this exclusive period, then the debtor has the exclusive right for 180 days from the petition date to solicit acceptances to the plan. During these exclusive periods, no other party in interest may file a competing plan of reorganization; however, a court may extend these periods upon request of a party in interest and "for cause."

The Debtors' initial exclusive period to file a plan expires on July 5, 2018, and their initial exclusive period to solicit acceptances of a plan expires on September 2, 2018.

E. DEADLINE TO ASSUME OR REJECT LEASES OF NONRESIDENTIAL REAL PROPERTY

Pursuant to section 365(d)(4) of the Bankruptcy Code, the time within which the Debtors have to assume or reject unexpired leases of non-residential real property is scheduled to expire on July 5, 2018, unless extended by order of the Bankruptcy Court.

F. LITIGATION

1. Non-Bankruptcy Actions

As of the Petition Date, the Debtors are defendants to a number of lawsuits pending in the various states in which they operate, including professional liability, general liability, and employment-related litigation. The Debtors have filed notices of suggestion of bankruptcy in those cases to notify the various courts of the imposition of the automatic stay.

On April 20, 2018, the Debtors filed the *Motion of Debtors for Entry of an Order Pursuant to Bankruptcy Code Sections 105(a) and 362(a) Extending the Automatic Stay to Certain Non-Debtors* [Docket No. 273] (the "**Stay Extension Motion**") seeking to extend the automatic stay to various non-debtor affiliates, employees, officers and Omega to the extent that proceeding forward with such litigation would (i) have an immediate adverse impact on the Debtors' estates, and/or (ii) defeat the purpose of the automatic stay because the risk of collateral estoppel would require the Debtors to continue to fully participate in those proceedings. On May 15, 2018, certain tort claimants (the "**Objecting Parties**") filed an objection to the Stay Extension Motion [Docket No.379], which was resolved in advance of the May 22, 2018 hearing by agreed language in the proposed order. On May 24, 2018, the Bankruptcy Court entered an order [Docket No. 428] approving the Stay Extension Motion (i) with respect to all non-Objecting Parties, through the Effective Date, and (ii) with respect to the Objecting Parties, through July 31, 2018 (or the next scheduled omnibus hearing date thereafter), provided that, to the extent the Effective Date has not occurred by July 31, 2018, the Debtors may, upon notice and a hearing, seek a further extension of the relief granted with respect to the Objecting Parties.

2. Causes of Action in These Chapter 11 Cases

In connection with formulating the agreements described in Section G below, in preparing for these Chapter 11 Cases and in continuing such analyses postpetition, the Debtors, in consultation with their advisors, investigated a variety of Causes Of Action that could potentially be asserted by the Debtors against certain insider and non-insider parties. These include potential fraudulent transfer actions related to the 2013 Merger and Sale Leaseback Agreement, as well as certain additional chapter 5 avoidance actions. In connection with the potential fraudulent transfer actions relating to the 2013 Merger and Sale Leaseback, the Debtors believe that the value received by the Debtors in connection with such transaction was reasonably equivalent value because, among other things, the value of the transaction was determined as part of a competitive marketing process run by a leading international investment bank. Moreover, in at least the first two years following closing of the transaction, the Debtors were cash-flow positive and able to pay their debts as they became due.

Even if the Debtors believed that a fraudulent transfer action against Omega were viable, the Debtors believe it would be difficult—if not impossible—to secure sufficient funding in order to bring litigation against Omega, given the lack of any unencumbered assets to secure alternative postpetition financing, thereby requiring that any funding source would need to prime Omega's liens on substantially all assets.

Further, the Debtors have analyzed other Causes of Action under chapter 5 of the Bankruptcy Code, including Avoidance Actions against insiders and non-insiders of the Debtors. Based upon this analysis, which has been provided to the Committee's advisors, the Debtors believe that the potential gross value of preference actions against certain affiliates and insiders of the Debtors to be between approximately $633,000 to $3,188,000, depending on the application of certain defenses. In addition, the Debtors believe that the potential value of preference actions against non-insider third parties to be approximately $1,700,000, with the largest potential exposure belonging to HSG, a member of the Committee.

Litigation is inherently risky, expensive and time-consuming, and the foregoing represents the Debtors' best estimates based upon information reasonably available to them. However, there is no guarantee of success in these potential actions. Further, the Debtors believe that in light of Omega's large unsecured deficiency claim, any proceeds obtained on account of these actions would necessarily be diluted by Omega's recovery on account of such claim. In sum, the Debtors do not believe that pursuit of these actions, including the potential fraudulent transfer action against Omega, would provide material value to the Debtors' Estates over and above that which has been accomplished through the 9019 Settlement Order, the RSA, and the Plan.

The Committee disagrees with the foregoing analysis and believes that there may be significant value to these potential Causes of Action. To the extent the Committee seeks to pursue any of these actions on behalf of the Estates, the Committee will need to seek leave from the Court for standing in order to file an action in the Debtors' stead.

G. APPROVAL OF SETTLEMENT WITH OMEGA PARTIES, BID PROCEDURES AND THE RSA

The Debtors' filing of each of the 9019 Settlement Motion, the Combined Motion, the RSA Motion (each as defined below), and the Plan, represented the culmination of months'-long prepetition negotiations among the Debtors.

1. 9019 Settlement

On March 13, 2018, the Debtors filed the *Motion of the Debtors for Entry of an Order (I) Approving the Settlement and Compromise of Certain Claims Pursuant to a Settlement Agreement; and (II) Granting Related Relief* [Docket No. 101] (the "**9019 Settlement Motion**"). Under the 9019 Settlement Motion, the Debtors sought approval to consummate the Transfer Transaction described above, whereby the Debtors would effectuate the transfer of the Transfer Portfolio, including all of the assets necessary for the operation of such properties, to one or more new operators designated by the Omega Parties pursuant to one or more Operations Transfer Agreements, the form of which was filed with the Bankruptcy Court on April 19, 2018 at Docket No. 268.

As part of the global settlement set forth under the 9019 Settlement Motion, and in exchange for the transfer of the Transfer Portfolio, the Debtors received the benefits of the DIP Facility without the necessity of a priming fight with the Omega Parties, as well as the benefits of a consensual recharacterization of the Restructuring Portfolio, which, as further described below, the Debtors are now marketing for sale. Absent consensual recharacterization, the Debtors would have needed to litigate and prevail in such litigation in order to market the Restructuring Portfolio as owned assets of the Debtors. The Omega Parties also agreed to reduced rent payments with respect to the Debtors' rented skilled nursing facilities for the duration of these Chapter 11 Cases.

After a contested evidentiary hearing was held on the 9019 Settlement Motion, the Bankruptcy Court entered the 9019 Settlement Order, approving the relief requested and authorizing the transfer of the Transfer

Portfolio to the Omega Parties. The deemed recharacterization of the Restructuring Portfolio enabled the Debtors and their investment banker, Houlihan, to formally begin marketing those assets, as further described below.

On May 18, 2018, the Committee filed its *Notice of Appeal* [Docket No. 399] (the "**Notice of Appeal**"), appealing the Bankruptcy Court's approval of the 9019 Settlement Order to the United States District Court for the Northern District of Texas (the "**District Court**"). The Notice of Appeal has been docketed in the District Court at Case No. 3:18-cv-01310-B, and has been assigned to Judge Jane J. Boyle. The Debtors and the Omega Parties believe that the appeal is without merit and will oppose it in the District Court.

2. Bid Procedures

The Debtors have disclosed from the outset of these Chapter 11 Cases that the Debtors and the Plan Sponsor share indirect beneficial ownership. Because of that, the Debtors, recognizing that the Plan Sponsor may not have the sole right to sponsor the Plan, sought approval of certain bidding and auction procedures, which govern the submission and consideration of alternative transactions to the Plan Sponsor, under the *Combined Motion of the Debtors for Entry of Orders (I) Approving (A) Plan Funding Commitment and Stock Purchase Agreement With Plan Sponsor, (B) Stalking Horse Bid Protections, (C) Bidding and Auction Procedures Governing Submission and Consideration of Competing Plan Sponsorship Proposals, and (D) The Form and Manner of Notice Thereof, and (II) Approving (A) Disclosure Statement, (B) Determining Dates, Procedures, and Forms Applicable to Solicitation Process, (C) Establishing Vote Tabulation Procedures, and (D) Establishing Objection Deadline and Scheduling Plan Confirmation Hearing* [Docket No. 110] (the "**Combined Motion**"). The Combined Motion also serves as the predicate for approval of this Disclosure Statement.

In the Combined Motion, the Debtors sought approval of bidding and auction procedures specifically in connection with a competing plan sponsorship proposal. After receiving initial feedback from the Committee, and in response to, among other things, the Committee's April 11, 2018 omnibus objection [Docket No. 207], the Debtors revised the proposed bidding and auction procedures in that certain April 30, 2018 *Supplement to Debtor's Motion for Entry of an Order Approving Bidding and Auction Procedures Governing Submission and Consideration of Competing Plan Sponsorship Proposals* [Docket No. 308] (the "**Bid Procedures Supplement**"). In the Bid Procedures Supplement, the Debtors proposed an expanded marketing and bid process, led by Houlihan, by which the Debtors would accept bids in the form of plan sponsorship or asset sale proposals, and for all or a portion of the Debtors' Restructuring Portfolio.

The Bid Procedures Supplement also further disclosed the Debtors' affiliate relationships in detail, and set forth certain additional governance protections adopted by the Debtors to address perceived concerns regarding the Debtors' motives in implementing the Restructuring Transaction. The Debtors contemporaneously appointed Mr. John Brecker of Drivetrain Advisors, LLC as an independent director of 4 West Holdings, Inc., whose duties include, among other things, oversight of the marketing and bid process, and ultimate decision-making authority in connection with determining, among competing bids (if any), the "highest or best" bid. The Bankruptcy Court authorized the Debtors to enter into an independent director agreement with Mr. Brecker by order entered on May 16, 2018 [Docket No. 383].

After a contested evidentiary hearing was held on the Bid Procedures, the Bankruptcy Court entered the Bid Procedures Order on May 14, 2018 [Docket No. 377]. The Bid Procedures Order authorized the Debtors to enter into the Stock Purchase Agreement with the Plan Sponsor as Stalking Horse, and the Stock Purchase Agreement was approved solely to the extent necessary to implement the Bidding Procedures (defined and further described in Exhibit 1 to the Bid Procedures Order).

The Bid Procedures Order sets the Bid Deadline at **June 11, 2018 at 5:00 p.m. (Central Daylight Time)**. An Auction, if necessary, will be held on **June 19, 2018 at 11:00 a.m. (Eastern Daylight Time)** at the offices of the Debtors' counsel, DLA Piper LLP (US), 1251 Avenue of the Americas, New York, NY 10020 or such other location as may be announced prior to the Auction. The Bid Procedures Order also authorizes payment to the Plan Sponsor of the Bid Protections, comprising a Break-Up Fee in the amount of $4,000,000

and an Expense Reimbursement in an amount up to $500,000, in the event that certain conditions are met as further set forth in the Stock Purchase Agreement. The Bid Protections are deemed an administrative expense of the Debtors' estates.

In evaluating the value of bids received by the Debtors prior to the Bid Deadline, the Debtors are not limited to evaluating the dollar amount of a bid, but may also consider other factors affecting the speed, certainty and value of the proposed transaction. For instance, to the extent an alternative bidder submits a bid that allows for the retention of certain assets of the Debtors' Estates, such as potential claims against Released Parties under the Plan, the Debtors may determine that such bid may provide enhanced value based on such non-cash consideration when compared to the Plan Sponsor's consideration under the Stock Purchase Agreement and the Plan.

The Debtors believe that consummating a transfer of the Restructuring Portfolio pursuant to the Stock Purchase Agreement, as opposed to an asset sale, is in the best interests of the Debtors' estates. As described in the Bid Procedures Supplement, one of the benefits of the stock sale (as opposed to a sale of assets) is the fact that it greatly simplifies the licensing and other regulatory issues associated with the transfer of ownership, thereby expediting the timing to close the transaction. This will be considered, among other factors, if and when the Debtors are required to assess alternative proposals against the Plan Sponsor's Stalking Horse proposal. To the extent an alternative proposal, however, is deemed the highest or best bid following the Auction, the Debtors will, if necessary, re-solicit votes for approval of the Plan (as appropriately amended), or an alternative chapter 11 plan.

3. Marketing Process and Summary to Date

Houlihan designed, and is currently executing, a two-phase sale process for the Restructuring Portfolio. Houlihan has approached a wide range of buyers, including (i) strategic operators with interests in the Southeast region, capable of integrating sizable "tuck-in" acquisitions; (ii) financial sponsors, particularly those with a known interest in the skilled nursing sector; and (iii) REITS with interests in distressed mergers-and-acquisitions opportunities, and for which the Restructuring Portfolio represents an attractive portfolio. Marketing materials that have been made available to potential buyers include a three-page portfolio overview, an 85-page confidential information memorandum ("**CIM**"), with three-page detailed profiles on each facility, and a virtual data room with over 475 documents and over 13,000 pages of information.

Specifically, marketing materials were made available as early as March 7, 2018, and CIMs were distributed to parties under a non-disclosure agreement ("**NDA**") as early as March 19, 2018. Three non-binding indications of interest (each, an "**IOI**") were received on April 4, 2018, with an additional IOI received on April 11, 2018, and another in May. After discussions with the Committee's financial advisor, CohnReznick, key parties were re-contacted beginning on April 16, 2018 to make clear that parties could submit bids on individual or select assets, and in the form of stock or asset purchase agreements. On April 26, 2018, Houlihan began facility tours.

To date, Houlihan has contacted over 70 parties. In addition to the five IOIs received (excluding the Stalking Horse), three additional parties are assessing the opportunity to bid on the Restructuring Portfolio.

4. RSA

On the Petition Date, the Debtors filed the RSA, which is more fully described in the above Executive Summary, as an exhibit to the *Declaration of Louis E. Robichaux IV in Support of Chapter 11 Petitions and First Day Pleadings* [Docket No. 19-2]. On April 3, 2018, the Debtors filed the First Amendment to the RSA [Docket No. 195-2], and on May 4, 2018, the Debtors filed the Second Amendment to the RSA [Docket No. 330-2]. On May 4, 2018, the Debtors filed the *Motion of the Debtors for Entry of an Order Authorizing the Debtors' Assumption of the Restructuring Support Agreement* [Docket No. 331] (the "**RSA Motion**"), seeking Bankruptcy Court approval for the Debtors to assume the RSA, which is a prepetition executory contract. On May 23, 2018, the Committee filed an objection to the RSA Motion [Docket No. 424]. A hearing on the RSA

Motion took place on May 30, 2018 at 2:00 p.m. (Central Daylight Time), and the Bankruptcy Court entered an order [_______________].

IV.
SUMMARY OF THE PLAN

THIS SECTION IV IS INTENDED ONLY TO PROVIDE A SUMMARY OF THE MATERIAL TERMS OF THE PLAN AND IS QUALIFIED BY REFERENCE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN AND SHOULD NOT BE RELIED ON FOR A COMPREHENSIVE DISCUSSION OF THE PLAN. TO THE EXTENT THERE ARE ANY INCONSISTENCIES OR CONFLICTS BETWEEN THIS SECTION IV AND THE PLAN, THE TERMS AND CONDITIONS SET FORTH IN THE PLAN SHALL CONTROL AND GOVERN.

A. ADMINISTRATIVE CLAIMS, PROFESSIONAL FEE CLAIMS, DIP FACILITY CLAIMS AND PRIORITY CLAIMS

1. Administrative Claims

Subject to sub-paragraph 1 below, on the later of the Effective Date and the date on which an Administrative Claim becomes an Allowed Administrative Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Claim (other than an Allowed Professional Fee Claim (the treatment of which is set forth in Article II.B of the Plan)) will receive, in full satisfaction, settlement, discharge and release of, and in exchange for, such Claim either (i) Cash equal to the amount of such Allowed Administrative Claim; or (ii) such other less favorable treatment as to which the Debtors or the Distribution Trust, as applicable, after consultation with Omega, and the Holder of such Allowed Administrative Claim shall have agreed upon; *provided*, *however*, that Administrative Claims incurred by any Debtor in the ordinary course of business shall be paid in the ordinary course of business by such applicable Debtor, consistent with past practice and in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court and, in the event such Administrative Claim is not paid by such applicable Debtor on or before the Effective Date, such Administrative Claim shall be paid by the Distribution Trust.

Any Claim for damages arising from medical malpractice or personal injury based on acts or omissions occurring exclusively after the Petition Date but before the Effective Date shall be treated as an Administrative Claim under the Plan. The Debtors reserve the right to establish a procedure to deal with any such medical malpractice and personal injury Administrative Claim, as may be set forth in the Plan Supplement or the Confirmation Order.

Bar Date for Administrative Claims

Except as otherwise provided in Article II.A of the Plan and section 503(b)(1)(D) of the Bankruptcy Code, unless previously Filed or paid, requests for payment of Administrative Claims arising from the Petition Date to the Effective Date must be Filed and served on the Debtors or the Distribution Trust, as applicable, pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order or the occurrence of the Effective Date (as applicable) no later than the Administrative Claims Bar Date; provided that the foregoing shall not apply to either the Holders of Claims arising under section 503(b)(1)(D) of the Bankruptcy Code or the Bankruptcy Court or United States Trustee as the Holders of Administrative Claims. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims that do not File and serve such a request by the applicable Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors, the Reorganized Debtors, the Distribution Trust and their respective Estates and property and such Administrative Claims shall be deemed discharged as of the Effective Date. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Article X.G of the Plan. Nothing in Article II.A of the Plan shall limit, alter, or impair the terms and conditions of the Claims Bar Date Order with respect

to the Claims Bar Date for filing administrative expense claims arising under Section 503(b)(9) of the Bankruptcy Code.

Objections to such requests must be Filed and served on the Distribution Trust and the requesting party by the later of (a) the Claims Objection Deadline and (b) 60 days after the Filing of the applicable request for payment of Administrative Claims, if applicable, as the same may be modified or extended from time to time by Final Order of the Bankruptcy Court.

Professional Fee Claims

Professionals asserting a Professional Fee Claim for services rendered before the Effective Date must File and serve on the Distribution Trust and such other Entities who are designated in the Confirmation Order an application for final allowance of such Professional Fee Claim no later than the Professional Fees Bar Date; provided that the Distribution Trust shall pay Professionals in the ordinary course of business for any work performed after the Effective Date, including those reasonable and documented fees and expenses incurred by Professionals in connection with the implementation and consummation of the Plan, in each case without further application or notice to or order of the Bankruptcy Court; provided, further, that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation and reimbursement of expenses from the Debtors and Distribution Trust for services rendered before the Effective Date pursuant to the Ordinary Course Professionals Order, in each case without further application or notice to or order of the Bankruptcy Court.

Objections to any Professional Fee Claim must be Filed and served on the Distribution Trust and the requesting party by no later than twenty (20) days after the Filing of the applicable final request for payment of the Professional Fee Claim.

Each Holder of an Allowed Professional Fee Claim shall be paid in full in Cash by the Distribution Trust, within five (5) Business Days after entry of the order approving such Allowed Professional Fee Claim.

2. DIP Facility Claims

The DIP Facility Claims shall be deemed to be Allowed Secured Claims and superpriority Administrative Claims in the full amount due and owing under the DIP Facility Loan Agreement as of the Effective Date, inclusive of the Distribution Trust Reserve Amount.

The DIP Facility Claims shall be paid in full, in Cash, on or before the Effective Date (but in any event prior to the transfer of any assets to the Distribution Trust) in full and final satisfaction, settlement and discharge of, and in exchange for, the DIP Facility Claims from the Accounts Receivable (or, at the discretion of Omega, from such other assets of the Debtors other than those being conveyed to the Plan Sponsor, including without limitation, Cash on hand with the Debtors on or immediately prior to the Effective Date pursuant to Article V.Q of the Plan). Thereafter, other than obligations that may arise and survive by their terms under the DIP Facility Loan Agreement or DIP Orders, all obligations under the DIP Facility Loan Agreement shall terminate.

Priority Tax Claims

Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Priority Tax Claim is an Allowed Priority Tax Claim as of the Effective Date or (ii) the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Priority Tax Claim, at the election of the Debtors or the Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Priority Tax Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Priority Tax Claim shall have agreed upon in writing; (C) such other treatment such that it will not be Impaired pursuant to section 1124 of the Bankruptcy Code or (D) pursuant to and in

accordance with sections 1129(a)(9)(C) and 1129(a)(9)(D) of the Bankruptcy Code, Cash in an aggregate amount of such Allowed Priority Tax Claim payable in regular installment payments over a period ending not more than five (5) years after the Petition Date, plus simple interest at the rate required by applicable non-bankruptcy law on any outstanding balance from the Effective Date, or such lesser rate as is agreed to in writing by a particular taxing authority and the Debtors or Distribution Trust, as applicable, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; provided, however, that Priority Tax Claims incurred by any Debtor in the ordinary course of business may be paid in the ordinary course of business by such Debtor in accordance with such applicable terms and conditions relating thereto without further notice to or order of the Bankruptcy Court. Any installment payments to be made under clause (C) or (D) above shall be made in equal quarterly Cash payments beginning on the first applicable Subsequent Distribution Date, and continuing on each Subsequent Distribution Date thereafter until payment in full of the applicable Allowed Priority Tax Claim.

3. Other Priority Claims

Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Other Priority Claim is an Allowed Other Priority Claim as of the Effective Date or (ii) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Other Priority Claim, at the election of the Debtors or the Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Other Priority Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Other Priority Claim shall have agreed upon in writing; or (C) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code; provided, however, that Other Priority Claims incurred by any Debtor in the ordinary course of business may be paid in the ordinary course of business by such Debtor in accordance with the terms and conditions of any agreements relating thereto without further notice to or order of the Bankruptcy Court.

B. CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

1. Summary

The Plan is premised upon the substantive consolidation of the Debtors, as set forth in more detail below, solely for the purposes of voting, determining which Claims have accepted the Plan, confirmation of the Plan, and the resultant treatment of Claims and Equity Interests and Distributions under the terms of the Plan. Accordingly, the Plan shall serve as a motion for entry of a Bankruptcy Court order approving the substantive consolidation of the Debtors for these limited purposes. All Claims and Equity Interests, except Administrative Claims, DIP Facility Claims, Priority Tax Claims and Other Priority Claims, are placed in the Classes set forth below.

The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including, without limitation, for voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remaining portion of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid, released, disallowed or otherwise settled prior to the Effective Date.

2. Classification and Treatment of Claims and Equity Interests

(i) Class 1 – Omega Secured Claim

(a) *Classification*: Class 1 consists of the Omega Secured Claim.

(b) *Treatment*: On the Effective Date, each Holder of an Omega Secured Claim shall receive, in full satisfaction, settlement, discharge and release of, and in exchange for such Omega Secured Claim, (i) the Plan Sponsor Consideration; and (ii) any remaining Distribution Trust Assets, other than the General Unsecured Claims Cash Amount, following payment in Cash of, or adequate reserve for, Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Secured Tax Claims and Allowed Other Secured Claims.

(c) *Voting:* Class 1 is Impaired, and Holders of Claims in Class 1 are entitled to vote to accept or reject the Plan.

(ii) Class 2 - Secured Tax Claims

(a) *Classification*: Class 2 consists of the Secured Tax Claims.

(b) *Treatment*: Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Class 2 Claim is an Allowed Class 2 Claim as of the Effective Date or (ii) the date on which such Class 2 Claim becomes an Allowed Class 2 Claim, each Holder of an Allowed Class 2 Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 2 Claim, at the election of the Debtors or the Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Class 2 Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Class 2 Claim shall have agreed upon in writing; (C) the Collateral securing such Allowed Class 2 Claim; *provided*, *however*, that to the extent such Collateral relates to the Restructuring Portfolio, only upon the consent of the Plan Sponsor; (D) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code or (E) pursuant to and in accordance with sections 1129(a)(9)(C) and 1129(a)(9)(D) of the Bankruptcy Code, Cash in an aggregate amount of such Allowed Class 2 Claim payable in regular installment payments over a period ending not more than five (5) years after the Petition Date, plus simple interest at the rate required by applicable non-bankruptcy law on any outstanding balance from the Effective Date, or such lesser rate as is agreed to in writing by a particular taxing authority and the Debtors or Distribution Trust, as applicable. Any installment payments to be made under clause (E) above shall be made in equal quarterly Cash payments beginning on the first applicable Subsequent Distribution Date, and continuing on each Subsequent Distribution Date thereafter until payment in full of the applicable Allowed Class 2 Claim.

(c) *Voting:* Class 2 is Unimpaired, and the Holders of Claims in Class 2 shall be conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Claims in Class 2 are not entitled to vote to accept or reject the Plan.

(iii) Class 3 - Other Secured Claims

(a) *Classification*: Class 3 consists of the Other Secured Claims.

(b) *Treatment*: Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Class 3 Claim is an Allowed Class 3 Claim as of the Effective Date or (ii) the date on which such Class 3 Claim becomes an Allowed Class 3 Claim, each Holder of an Allowed Class 3 Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 3 Claim, at the election of the Debtors or the

Distribution Trust, as applicable, after consultation with Omega: (A) Cash equal to the amount of such Allowed Class 3 Claim; (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Class 3 Claim shall have agreed upon in writing; (C) the Collateral securing such Allowed Class 3 Claim; *provided*, *however*, that to the extent such Collateral relates to the Restructuring Portfolio, only upon the consent of the Plan Sponsor or (D) such other treatment such that it will not be impaired pursuant to section 1124 of the Bankruptcy Code.

(c) *Voting*: Class 3 is Unimpaired, and the Holders of Claims in Class 3 are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 3 are not entitled to vote to accept or reject the Plan.

(iv) Class 4 – General Unsecured Claims

(a) *Classification:* Class 4 consists of the General Unsecured Claims, including, but not limited to, the Omega Unsecured Claim.

(b) *Allowance*: All General Unsecured Claims, including the Omega Unsecured Claim, shall be allowed under Section 502 of the Bankruptcy Code unless subject to any objection and the resolution process set forth in Article VIII of the Plan.

(c) *Treatment:* Subject to Article VIII of the Plan, on, or as soon as reasonably practicable after, the later of (i) the Initial Distribution Date if such Class 4 Claim is an Allowed Class 4 Claim as of the Effective Date or (ii) the date on which such Class 4 Claim becomes an Allowed Class 4 Claim, each Holder of an Allowed Class 4 Claim shall receive in full satisfaction, settlement, discharge and release of, and in exchange for, such Allowed Class 4 Claim, at the election of the Debtors or the Distribution Trust, as applicable: (A) its Pro Rata share of the General Unsecured Claims Cash Amount, or (B) such other less favorable treatment as to which the Debtors or Distribution Trust, as applicable, and the Holder of such Allowed Class 4 Claim shall have agreed upon in writing.

(d) *Voting:* Class 4 is Impaired, and Holders of Claims in Class 4 (including, for the avoidance of doubt, Holders of the Omega Unsecured Claim) are entitled to vote to accept or reject the Plan.

(v) Class 5 – Subordinated Claims

(a) *Classification*: Class 5 consists of Subordinated Claims.

(b) *Treatment:* Subordinated Claims are subordinated pursuant to the Plan and section 510 of the Bankruptcy Code. The holders of Subordinated Claims shall not receive or retain any property under the Plan on account of such Claims, and the obligations of the Debtors and the Reorganized Debtors on account of Subordinated Claims shall be discharged.

(c) *Voting:* Class 5 is Impaired. Because the Holders of such Subordinated Claims are not expected to receive any distributions pursuant to the Plan, they are therefore conclusively deemed, pursuant to section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

(vi) Class 6 - Equity Interests

(d) *Classification*: Class 6 consists of the Equity Interests.

(e) *Treatment*: On the Effective Date, subject to the Restructuring Transactions, the Equity Interests will be cancelled without further notice to, approval of or action by any Person or Entity, and each Holder of an Equity Interest shall not receive any distribution or retain any property on account of such Equity Interest.

(f) *Voting*: Class 6 is Impaired. Because the Holders of such Equity Interests are not expected to receive any distributions pursuant to the Plan, they are therefore conclusively deemed, pursuant to section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

3. Special Provision Governing Unimpaired Claims

Except as otherwise provided herein, nothing under the Plan shall affect or limit the Debtors' or the Reorganized Debtors' rights and defenses (whether legal or equitable) in respect of any Unimpaired Claims, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

4. Elimination of Vacant Classes

Any Class of Claims that is not occupied as of the commencement of the Confirmation Hearing by an Allowed Claim or a claim temporarily allowed under Bankruptcy Rule 3018, or as to which no vote is cast, shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

C. ACCEPTANCE OR REJECTION OF THE PLAN

1. Presumed Acceptance of Plan

Classes 2 and 3 are Unimpaired under the Plan. Therefore, the Holders of Claims or Equity Interests in such Classes are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

2. Presumed Rejection of Plan

Classes 5 and 6 are Impaired under the Plan. Because the Holders of Claims or Equity Interests in such Classes are not expected to receive any distributions pursuant to the Plan, they are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

3. Voting Classes

Classes 1 and 4 are Impaired under the Plan. The Holders of Claims in such Classes as of the Voting Record Date are entitled to vote to accept or reject the Plan.

4. Acceptance by Impaired Classes of Claims

Pursuant to section 1126(c) of the Bankruptcy Code and except as otherwise provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims has accepted the Plan if the Holders of at least

two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims in such Class actually voting have voted to accept the Plan.

5. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by either Class 1 or Class 4. The Debtors request confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Debtors reserve the right to modify the Plan or any Exhibit or Plan Schedule in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

6. Votes Solicited in Good Faith

The Debtors have, and upon the Confirmation Date shall be deemed to have, solicited votes on the Plan from the Voting Classes in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, sections 1125 and 1126 of the Bankruptcy Code, and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with the solicitation. Accordingly, the Debtors, the Reorganized Debtors, and each of their respective Related Persons shall be entitled to, and upon the Confirmation Date are hereby granted, the protections of section 1125(e) of the Bankruptcy Code.

D. MEANS FOR IMPLEMENTATION OF THE PLAN

1. Substantive Consolidation

Except as expressly provided in the Plan, each Debtor shall continue to maintain its separate corporate existence for all purposes other than the treatment of Claims under the Plan and distributions from the Distribution Trust. On the Effective Date, (i) all Distribution Trust Assets (and all proceeds thereof), and all liabilities each of the Debtors shall be deemed merged or treated as though they were merged into and with the assets and liabilities of each other, (ii) all Intercompany Claims among the Debtors shall be eliminated and there shall be no distributions on account of such Intercompany Claims, (iii) any obligation of a Debtor and any guarantee thereof by any other Debtor shall be deemed to be one obligation, and any such guarantee shall be eliminated, (iv) each Claim filed or to be filed against more than one Debtor shall be deemed filed only against one consolidated Debtor and shall be deemed a single Claim against and a single obligation of the Debtors, and (v) any joint or several liability of the Debtors shall be deemed one obligation of the Debtors. On the Effective Date, and in accordance with the terms of the Plan, all Claims based upon guarantees of collection, payment or performance made by one Debtor as to the obligations of another Debtor shall be released and of no further force and effect. Such substantive consolidation shall not (other than for purposes relating to the Plan) affect the legal and corporate structures of the Reorganized Debtors.

While the Fifth Circuit has not adopted its own criteria for determining when substantive consolidation is appropriate, courts in the Fifth Circuit have applied both a "traditional multi-factor test" and a "harm balancing test." Recently, Judge Stacey Jernigan of the Bankruptcy Court for the Northern District of Texas applied both tests in *In re ADPT DFW Holdings, LLC*, 574 B.R. 87, 94-100 (Bankr. N.D. Tex. 2017) ("***Adeptus***") in substantively consolidating 140 debtor entities.

Under the traditional multi-factor test, courts look to a myriad of factors, including: (i) the presence or absence of consolidated financial statements; (ii) the unity of interests and ownership between the various corporate entities; (iii) the existence of parent and intercorporate loan guaranties; (iv) the degree of difficulty in segregating and ascertaining individual assets and liabilities; (v) the transfer of assets without formal observance of corporate formalities; (vi) the commingling of assets and business functions; (vii) the profitability of consolidation at a single physical location; (viii) whether the parent corporation owns all or a majority of the capital stock of the subsidiaries; (ix) whether the parent and subsidiaries have common officers and directors; (x) whether the parent finances the subsidiaries; (xi) whether the parent is responsible for incorporation of the subsidiaries; (xii) whether the subsidiaries have grossly inadequate capital; (xiii) whether the parent pays

salaries, expenses, or losses of the subsidiaries; (xiv) the subsidiaries have essentially no business except with the parent; (xv) the subsidiaries have essentially no assets except those conveyed by the parent; (xvi); the parent refers to the subsidiaries as departments or divisions of the parent; (xvii) the directors or officers of the subsidiaries do not act in the interests of the subsidiaries, but take direction from the parent; and (xviii) the formal legal requirements of the subsidiaries as separate and independent corporations are not observed. *Adeptus*, 574 B.R. at 94-95.

These myriad of factors have been distilled into two key factors: (1) whether creditors dealt with the entities as a single economic unit and did not rely on their separate identities in extending credit, and (2) whether the affairs of the debtors are so entangled that consolidation will benefit all creditors.

In *Adeptus*, Judge Jernigan began her analysis with two significant observations, both of which are applicable here. First, she noted that the *Adeptus* case involved 140 debtors, and "while there is no magic number that should necessarily change the legal analysis, surely all reasonably minds must recognize that having 140 related debtors in a bankruptcy together is ***rare*** and creates unique challenges in order to both: (a) protect stakeholders' legal rights, but at the same time (b) preserve limited resources and not unnecessarily drive up administrative expenses." *Adeptus*, 574 B.R. at 102 (emphasis in original). Judge Jernigan's second observation was that no party challenged that the debtors' assets were worth between $113 million and $137 million. She noted that all debtors were liable on the DIP financing loan and 80 debtors were liable on the secured debt owed to the prepetition secured parties. She found that the remaining 60 debtors were not "cash cows" that might benefit creditors of those specific entities. In fact, 49 of those 60 were inactive or had no assets and the remaining 11 were not shown to have any material value. *Id.*

At the Confirmation Hearing, the Debtors intend to demonstrate that an analysis of the relevant factors favors substantive consolidation, as follows: First, like in *Adeptus*, the sheer number of Debtors (135), even if not dispositive, supports substantive consolidation in order to preserve limited estate resources and protect stakeholders' legal rights and interests. Second, like in *Adeptus*, all Debtors are liable on the DIP Facility, and a majority are liable on the prepetition secured debt. Moreover, a review of the enumerated factors described above also weighs in favor of substantive consolidation, including that (i) the Debtors file income tax returns on a consolidated basis, with 4 West Holdings, Inc. as the common parent; (ii) 4 West Investors, LLC is a common parent to all direct and indirect subsidiaries; (iii) as set forth in the global notes to the Debtors' Schedules and SOFAs, liabilities of the Debtors are difficult to allocate on an entity-by-entity basis because payments were made primarily out of the OHS account; (iv) the Debtors' main operating account is at OHS, where most of the funds are held and transferred out to pay vendors and employees (and payroll for more than approximately 5,000 employees is effectuated from this account); (v) the Debtors maintained a centralized cash management system (with the exception of Palladium); (vi) nearly all of the Debtors are controlled by common directors and officers, and 4 West Holdings, Inc., directly or indirectly, controls the affairs of all of the Debtors; and (vii) the Master Leases provided for a single rent obligation of the Debtors and were not severable. Certain of these factors all support substantive consolidation under the harm balancing test, particularly that liabilities and contracts of the Debtors are so intertwined that unsorting them would cause an extreme burden on the Debtors and their estates. *Adeptus*, 574 B.R. at 104. Even if separating the Debtors were possible or practicable in these Chapter 11 Cases, the Debtors believe that doing so would harm the Debtors' creditors.

In the event the Bankruptcy Court does not approve the substantive consolidation of all of the Estates for the purposes set forth in the Plan: (a) the Plan shall be treated as a separate plan of reorganization for each Debtor not substantively consolidated and (b) the Debtors shall not be required to resolicit votes with respect to the Plan.

The Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the Chapter 11 Cases for the limited purposes set forth in the Plan. If no objection to substantive consolidation is timely filed and served by any Holder of an Impaired Claim on or before the deadline to object to the confirmation of the Plan, or such other date as may be fixed by the Court and the Debtors meet their burden of introducing evidence to establish that substantive consolidation is merited under the standards of applicable bankruptcy law, the Confirmation Order, which shall be deemed to substantively consolidate the Debtors for the limited purposes set forth in the Plan, may be entered by the Court. If any such objections are

timely filed and served, a hearing with respect to the substantive consolidation of the Chapter 11 Cases and the objections thereto shall be scheduled by the Court, which hearing shall coincide with the Confirmation Hearing.

2. Restructuring Transactions

Without limiting any rights and remedies of the Debtors or Reorganized Debtors under the Plan or applicable law, but in all cases subject to the terms and conditions of the Restructuring Documents and any consents or approvals required thereunder, the entry of the Confirmation Order shall constitute authorization for the Reorganized Debtors to take, or to cause to be taken, all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, including such actions as may be necessary or appropriate to effectuate a corporate restructuring of their respective businesses (whether for tax purposes or otherwise), to simplify the overall corporate structure of the Reorganized Debtors, to transfer or re-domesticate certain of the Debtors from their existing jurisdiction of formation to other jurisdictions for purposes of continuing their formation, organization or incorporation, as applicable, or to change the classification of any of the Reorganized Debtors or Affiliates of the Debtors for United States federal income tax purposes. Such restructuring may include one or more mergers, consolidations, conversions, transfers, restructures, dispositions, liquidations or dissolutions, creations of one or more new Entities, or the making of any tax classification elections, in each case, as may be determined by (i) prior to the Effective Date, the Debtors (with the written consent of the Plan Sponsor) or (ii) on or after the Effective Date, the Reorganized Debtors, to be necessary or appropriate (collectively, the "**Restructuring Transactions**"). To the extent known, any such Restructuring Transactions will be summarized in the Description of Structure, and in all cases, such transactions shall be subject to the terms and conditions of the Plan and the Restructuring Documents and any consents or approvals required hereunder or thereunder.

All such Restructuring Transactions taken, or caused to be taken, shall be deemed to have been authorized and approved by the Bankruptcy Court subject to the Confirmation Order. The actions to effectuate the Restructuring Transactions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, disposition, liquidation, or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable state law and such other terms to which the applicable Entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, duty, or obligation on terms consistent with the terms of the Plan and having such other terms to which the applicable Entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation, conversion, transfer or dissolution pursuant to applicable state law; (iv) the creation of one or more new Entities; (v) the filing of appropriate election forms with the IRS or other tax authorities; and (vi) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable state law in connection with such transactions, but in all cases subject to the terms and conditions of the Plan and the Restructuring Documents and any consents or approvals required thereunder.

3. Continued Corporate Existence

Subject to the Restructuring Transactions permitted by Article V.B of the Plan, after the Effective Date, the Reorganized Debtors shall continue to exist as separate legal entities in accordance with the applicable law in the respective jurisdictions in which they are incorporated, organized or formed and pursuant to their respective certificates of formation and limited liability company agreements, or other applicable organizational documents, in effect immediately prior to the Effective Date, except to the extent such certificates of formation and limited liability company agreements, or other applicable organizational documents, are amended, restated or otherwise modified under the Plan, or as otherwise contemplated in the Description of Structure.

4. Vesting of Assets Free and Clear of Liens and Claims

Except as otherwise expressly provided in the Plan, the Confirmation Order, or any Restructuring Document, pursuant to sections 1123(a)(5), 1123(b)(3), 1141(b) and (c) and other applicable provisions of the Bankruptcy Code, on and after the Effective Date, all property (real and personal) and assets of the Estates of the Debtors, including all claims, rights, and Causes of Action of the Debtors, and any other assets or property

acquired by the Debtors or the Reorganized Debtors during the Chapter 11 Cases or under or in connection with the Plan (which shall include, without limitation, the real and personal property comprising the Restructuring Portfolio transferred by the Omega Parties to the Debtors on the Effective Date pursuant to the terms of Article V.E. of the Plan), other than (i) the assets relating to the Transfer Portfolio transferred to, or otherwise deemed to be the property of, Omega or its designees, and (ii) the Distribution Trust Assets, shall automatically, without the notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, rule or any requirement of further action, vote or other approval or authorization of the security holders, equity owners, members, managers, officers or directors of the Debtors, the Reorganized Debtors or the other applicable Entity or by any other person (except for those expressly required pursuant hereto or by the Restructuring Documents), vest in the Reorganized Debtors free and clear of all Claims, Liens, charges, and other encumbrances, subject to the Restructuring Transactions and Liens, if any, which survive the occurrence of the Effective Date as described in the Plan. On and after the Effective Date, the Reorganized Debtors may operate their respective businesses and use, acquire, and dispose of their respective property, without notice to, supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than restrictions expressly imposed by the Plan or the Confirmation Order.

On the Effective Date, except as otherwise provided in the Plan and Confirmation Order, the Distribution Trust Assets shall automatically vest in the Distribution Trust free and clear of all Claims, Liens, charges, and other encumbrances.

For the avoidance of doubt, and notwithstanding anything to the contrary contained in the Plan, the Debtors shall not transfer or be deemed to have transferred to (or otherwise vest in) the Reorganized Debtors any claims or Causes of Action (i) released pursuant to Article X.B.1 of the Plan or (ii) exculpated pursuant to Article X.E of the Plan to the extent of any such exculpation.

5. Omega Compromise

In exchange for the Plan transactions contemplated hereunder, including the releases, exculpations, injunctions and other consideration set forth in Article X of the Plan, and as more fully set forth in the 9019 Settlement Order and the Confirmation Order, and in accordance with the terms thereof, the Debtors and Omega agree, on or prior to the Effective Date, to, among other things: (i) subject to approval by the Bankruptcy Court at or prior to the Confirmation Hearing, the allowance of the Omega Secured Claims; (ii) subject to approval by the Bankruptcy Court at or prior to the Confirmation Hearing, the allowance of the Omega Unsecured Claim; (iii) the approval of the transfer of the Transfer Portfolio to Omega or its designees pursuant to the terms of the 9019 Settlement Order, the Plan, Operations Transfer Agreements and related documentation; (iv) recharacterization of the Restructuring Portfolio and transfer of all real and personal property comprising the Restructuring Portfolio from the Omega Parties to the Debtors on the Effective Date; and (v) carve-out of the Distribution Trust Assets for the benefit of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Secured Tax Claims, Allowed Other Secured Claims and Allowed General Unsecured Claims.

On or prior to the Effective Date, and pursuant to the terms of the 9019 Settlement Order and in exchange for good and valuable consideration including, without limitation, the Omega Compromise and the treatment afforded Omega under this Plan, the operating assets of the Transfer Portfolio, which shall not include the Accounts Receivable associated with the Transfer Portfolio, comprising Facilities located in Mississippi, Tennessee, North Carolina, Indiana, Georgia and Virginia, shall be transferred to the New Operators pursuant to Operations Transfer Agreements and related documentation. Upon the transitioning of each Facility in the Transfer Portfolio, the applicable Master Leases shall be deemed severed as to such Facility, including the Debtors' option to purchase such Facility. In the event that some or all Facilities in the Transfer Portfolio are not transitioned by the Effective Date of the Plan, the Distribution Trust shall be authorized and directed in the Confirmation Order to enter into or otherwise assume all obligations of the Debtors under the Operations Transfer Agreements relating to such Facilities and to consummate all such transfers in accordance therewith. In addition, after the Effective Date, if reasonably requested by the New Operators, the Reorganized Debtors shall provide such records, data, access to personnel for information, questions, or other similar kind of assistance that the New Operators may reasonably request in order to address any transition matters for the Transfer Portfolio. Notwithstanding anything to the contrary in the 9019 Settlement Order, the Operations

Transfer Agreements or the Plan, to the extent that some or all of the operating assets of the Transfer Portfolio have not transferred to New Operators as of the Effective Date for any reason whatsoever, including without limitation, that the 9019 Settlement Order is not a Final Order, the transactions contemplated in the 9019 Settlement Order shall be deemed to be part and parcel of the Omega Compromise and approved pursuant to the Plan and the Confirmation Order.

On or prior to the Effective Date, and pursuant to the terms of the 9019 Settlement Order and the Confirmation Order, and in exchange for good and valuable consideration including, without limitation, the Omega Compromise and the treatment afforded Omega under the Plan, the real and personal property comprising the Restructuring Portfolio shall be transferred by the Omega Parties to the Debtors and shall vest free and clear in the Reorganized Debtors under Article V.D of the Plan.

The Omega Compromise is made as a settlement, without admitting any wrongdoing of any kind, of any potential claims, known or unknown, that could be asserted against Omega and any of its Related Persons.

6. Plan Sponsor Note and Exit Facility Documents

On the Effective Date, the Debtors and the Reorganized Debtors, as applicable, shall be authorized to execute and deliver, and to consummate the transactions contemplated by, the Plan Sponsor Note (in form and substance acceptable to the Plan Sponsor and Omega) and the Exit Facility Documents (in form and substance acceptable to the Plan Sponsor and Omega) and without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than as expressly required by the Plan Sponsor Note or the Exit Facility Documents). On the Effective Date, the Plan Sponsor Note and the Exit Facility Documents shall constitute legal, valid, binding and authorized indebtedness and obligations of the Reorganized Debtors and/or one or more other applicable Entities as set forth in greater detail in the Description of Structure, enforceable in accordance with their respective terms and such indebtedness and obligations shall not be, and shall not be deemed to be, enjoined or subject to discharge, impairment, release or avoidance under the Plan, the Confirmation Order or on account of the Confirmation or Consummation of the Plan.

7. New Equity Interests

On the Effective Date, subject to the terms and conditions of the Restructuring Transactions, Reorganized Parent and/or another applicable Person or Entity, as set forth in greater detail in the Description of Structure, shall issue the New Equity Interests pursuant to the Plan and the New Governance Documents to the Plan Sponsor. Except as otherwise expressly provided in the Restructuring Documents, the Reorganized Parent shall not be obligated to register the New Equity Interests under the Securities Act or to list the New Equity Interests for public trading on any securities exchange.

Distributions of the New Equity Interests to the Plan Sponsor may be made by delivery or book-entry thereof by the applicable Distribution Agent in accordance with the Plan and the New Governance Documents. Upon the Effective Date, after giving effect to the transactions contemplated hereby, the authorized units or other equity securities of Reorganized Parent shall be that number of units of New Equity Interests as may be designated in the New Governance Documents.

8. New Governance Documents

Subject to the Restructuring Transactions permitted by Article V.B of the Plan, on or before the Effective Date, the Debtors and/or the Reorganized Debtors (as applicable), and/or any applicable Entity as set forth in the Description of Structure, as applicable, shall enter into the New Governance Documents, which shall become effective and binding in accordance with its terms and conditions upon the parties thereto, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity (other than as expressly required by the New Governance Documents).

On and as of the Effective Date, all of the Holders of New Equity Interests shall be deemed to be parties to the applicable New Governance Documents, without the need for execution by such Holder. The New Governance Documents, as applicable, shall be binding on all Persons receiving, or to which the New Equity Interests are issued or distributed and all Holders of the New Equity Interests (and such Persons' or Holders' respective successors and assigns), whether such New Equity Interest is received or to be received on or after the Effective Date and regardless of whether such Person executes or delivers a signature page to the New Governance Documents.

9. Plan Securities and Related Documentation; Exemption from Securities Laws

On and after the Effective Date, the Debtors, the Reorganized Debtors and any other applicable Entity as set forth in the Description of Structure, as applicable, are authorized to and shall provide or issue, as applicable, the New Equity Interests to the Plan Sponsor and any and all other securities to be distributed or issued under the Plan (collectively, the "**Plan Securities**") and any and all other notes, units, instruments, certificates, and other documents or agreements required to be distributed, issued, executed or delivered pursuant to or in connection with the Plan (collectively, the "**Plan Securities and Documents**"), in each case in form and substance acceptable to the Plan Sponsor, and without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Entity.

The distribution and issuance, as applicable, of the Plan Securities and Documents under the Plan shall be exempt from registration under applicable securities laws (including Section 5 of the Securities Act or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer of a security) pursuant to section 1145(a) of the Bankruptcy Code, Section 4(a)(2) of the Securities Act and/or other applicable exemptions. An offering of Plan Securities provided in reliance on the exemption from registration under the Securities Act pursuant to section 1145(a) of the Bankruptcy Code may be sold without registration to the extent permitted under section 1145 of the Bankruptcy Code and is deemed to be a public offering, and such Plan Securities may be resold without registration to the extent permitted under section 1145 of the Bankruptcy Code. Any Plan Securities and Documents provided in reliance on the exemption from registration under the Securities Act provided by Section 4(a)(2) of such act will be provided in a private placement.

10. Release of Liens and Claims

To the fullest extent provided under section 1141(c) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided herein or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to Article VII of the Plan, all Liens and Claims against the assets or property of the Debtors or the Estates shall be fully released, canceled, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Person or Entity. The filing of the Confirmation Order with any federal, state, or local agency or department shall constitute good and sufficient evidence of, but shall not be required in order to effect, the termination of such Liens or Claims and other interests to the extent provided in the immediately preceding sentence. Any Entity holding such Liens, Claims or interests shall, pursuant to section 1142 of the Bankruptcy Code, promptly execute and deliver to the Reorganized Debtors such instruments of termination, release, satisfaction and/or assignment (in recordable form) as may be reasonably requested by the Reorganized Debtors. For the avoidance of doubt, the release set forth in Article V.J of the Plan shall not apply to (i) obligations under the Plan Sponsor Note, (ii) any liens granted pursuant to the Exit Facility Documents, or (iii) any obligations of the Debtors to facilitate the transition of the Transfer Portfolio pursuant to the 9019 Settlement Order, the Plan or the Confirmation Order.

11. Distribution Trust

On the Effective Date, the Debtors shall enter into the Distribution Trust Agreement. The Distribution Trust Agreement may provide powers, duties and authorities in addition to those explicitly stated herein, but

only to the extent that such powers, duties, and authorities do not affect the status of the Distribution Trust as a "liquidating trust" for United States federal income tax purposes. The Distribution Trust shall be established for the sole purpose of liquidating and distributing the assets of the Debtors that contributed to such Distribution Trust in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

The Distribution Trust shall be administered by the Distribution Trustee, who shall be selected by Omega in consultation with the Debtors, the Committee and the Plan Sponsor, pursuant to the Distribution Trust Agreement and the Plan. In the event of an inconsistency between the Plan and the Distribution Trust Agreement as such conflict relates to anything other than the establishment of the Distribution Trust, the Distribution Trust Agreement shall control. All compensation for the Distribution Trustee and other costs of administration shall be paid from the Distribution Trust Assets in accordance with the Distribution Trust Agreement.

If requested by the Distribution Trust, the Reorganized Debtors shall provide such data, records, access to personnel for information or questions, or other similar kind of assistance that the Distribution Trust may reasonably request in order for the Distribution Trust to liquidate its assets, resolve and pay claims, or otherwise complete its duties as set forth in the Plan or the Distribution Trust Agreement.

Notwithstanding anything to the contrary contained herein (except with respect to the General Unsecured Claims Cash Amount, which shall be the sole source of funds to satisfy Allowed General Unsecured Claims), the Distribution Trust Assets shall be used solely to the extent necessary to pay Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Secured Tax Claims and Allowed Other Secured Claims. In the event that the amount of the Distribution Trust Assets exceeds the amount necessary to satisfy Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, Allowed Secured Tax Claims, Allowed Other Secured Claims, any such remainder shall be disbursed to Holders of Class 1 Omega Secured Claim.

12. Organizational Documents of the Reorganized Debtors

The respective organizational documents of each of the Debtors shall be amended and restated or replaced (as applicable) in form and substance satisfactory to the Plan Sponsor as necessary to satisfy the provisions of the Plan and the Bankruptcy Code. Such organizational documents shall: (i) to the extent required by section 1123(a)(6) of the Bankruptcy Code, include a provision prohibiting the issuance of non-voting equity securities; (ii) authorize the issuance of New Equity Interests to the Plan Sponsor; (iii) to the extent necessary or appropriate, include restrictions on the transfer of New Equity Interests; and (iv) to the extent necessary or appropriate, include such provisions as may be needed to effectuate and consummate the Plan and the transactions contemplated herein. After the Effective Date, the Reorganized Debtors may, subject to the terms and conditions of the Restructuring Documents, amend and restate their respective organizational documents as permitted by applicable law.

13. New Board and Officers of the Reorganized Debtors

The New Board or other governing body of the Reorganized Debtors and/or one or more applicable Entities as set forth in the Description of Structure shall be identified in the Plan Supplement as Plan Schedule 2 and shall be subject to approval of the Bankruptcy Court pursuant to section 1129(a)(5) of the Bankruptcy Code. Pursuant to and to the extent required by section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose, at or prior to the Confirmation Hearing, the identity and affiliations of any Person proposed to serve on the initial board or other governing body or as an officer of each of the Reorganized Debtors and/or applicable Entities, and, to the extent such Person is an insider other than by virtue of being a managing member, manager, director or an officer, the nature of any compensation for such Person. Each such manager, director, managing member and/or officer shall serve from and after the Effective Date pursuant to applicable law and the terms of the New Governance Documents and the other constituent and organizational documents of the applicable Reorganized Debtors and/or Entity. The existing boards of director, manager or members and other governing bodies of the Debtors will be deemed to have resigned on and as of the Effective Date, in each case

without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Person or Entity.

14. Corporate Action

Each of the Debtors, the Reorganized Debtors and/or any other applicable Entity as set forth in the Description of Structure may take any and all actions to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan, including, without limitation, the approval and implementation of the Omega Compromise, the issuance and the distribution of the securities to be issued pursuant hereto, in each case in form and substance acceptable to the Plan Sponsor, and without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the security holders, equity owners, members, managers, officers or directors of the Debtors, the Reorganized Debtors or other applicable Entity or by any other Person (except for those expressly required pursuant hereto or by the Restructuring Documents).

Prior to, on or after the Effective Date (as appropriate), all matters provided for pursuant to the Plan that would otherwise require approval of the unitholders, equity owners, directors, officers, managers or members of the Debtors (as of prior to the Effective Date) shall be deemed to have been so approved and shall be in effect prior to, on or after the Effective Date (as appropriate) pursuant to applicable law and without any requirement of further action by the unitholders, equity owners, directors, officers, managers or members of the Debtors, the Reorganized Debtors or other applicable Entity, or the need for any approvals, authorizations, actions or consents of any Person.

As of the Effective Date, all matters provided for in the Plan involving the legal or corporate structure of the Debtors, the Reorganized Debtors or other applicable Entity (including, without limitation, the adoption of the New Governance Documents and similar constituent and organizational documents, and the selection of directors, managers, managing members and/or officers for, each of the Reorganized Debtors), and any legal or corporate action required by the Debtors, the Reorganized Debtors or other applicable Person or Entity in connection with the Plan, shall be deemed to have occurred and shall be in full force and effect in all respects, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by the unitholders, equity owners, directors, officers, managers or members of the Debtors, the Reorganized Debtors or other applicable Entity or by any other Person.

On and after the Effective Date, the appropriate officers of the Debtors, the Reorganized Debtors and any other applicable Entity are authorized to issue, execute, and deliver, and consummate the transactions contemplated by, the contracts, agreements, documents, guarantees, pledges, consents, securities, certificates, resolutions and instruments contemplated by or described in the Plan in the name of and on behalf of the Debtors, the Reorganized Debtors or other applicable Entity, in each case in form and substance acceptable to the Reorganized Debtors and without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person. The secretary and any assistant secretary of the Debtors, the Reorganized Debtors and such other applicable Entity shall be authorized to certify or attest to any of the foregoing actions.

15. Cancellation of Notes, Equity Interests, Certificates, and Instruments

On the Effective Date, except to the extent otherwise expressly provided herein, all notes, units, equity interests, indentures, instruments, certificates, agreements and other documents evidencing or relating to any Impaired Claim and/or the Equity Interests and the Equity Interests themselves shall be canceled, and the obligations of the Debtors thereunder or in any way related thereto shall be fully released, terminated, extinguished and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or any requirement of further action, vote or other approval or authorization by any Person.

16. Sources of Consideration for Plan Distributions

The Debtors or the Distribution Trust, as applicable, shall make distributions under the Plan, with: (a) the Plan Sponsor Consideration; (b) the Debtors' Cash on hand, including the Accounts Receivable; and (c) the General Unsecured Claims Cash Amount, as provided under the Plan. The Distribution Trust Assets shall be used to pay Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, all Allowed Claims in Classes 2 and 3 (in the event the collateral is not returned to the Allowed Secured Tax Claim holder or Allowed Other Secured Claim holder) and Allowed Class 4 General Unsecured Claims.

Each distribution and issuance referred to in Article III of the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments or other documents evidencing or relating to such distribution or issuance, and which terms and conditions shall bind each Entity receiving such distribution or issuance.

17. Continuing Effectiveness of Final Orders

Payment authorization granted to the Debtors under any prior Final Order entered by the Bankruptcy Court shall continue in effect after the Effective Date. Accordingly, the Debtors or the Reorganized Debtors may pay or otherwise satisfy any Claim to the extent permitted by, and subject to, the applicable Final Order without regard to the treatment that would otherwise be applicable to such Claim under the Plan.

18. Payment of Fees and Expenses of Certain Creditors

Subject to the procedures under the DIP Orders, the Debtors or the Distribution Trust, as applicable shall, on and after the Effective Date and to the extent invoiced, pay the Omega Fees and Expenses (in each case whether accrued prepetition or postpetition and to the extent not otherwise paid during the Chapter 11 Cases), without application by any such parties to the Bankruptcy Court, and without notice and a hearing pursuant to section 1129(a)(4) of the Bankruptcy Code or otherwise; provided, however, except to the extent otherwise provided in the DIP Orders, if the Debtors or Distribution Trust and any such Entity cannot agree with respect to the reasonableness of the fees and expenses (incurred prior to the Effective Date) to be paid to such party, the reasonableness of any such fees and expenses shall be determined by the Bankruptcy Court (with any undisputed amounts to be paid by the Debtors on or after the Effective Date (as applicable) and any disputed amounts to be escrowed by the Distribution Trust). Notwithstanding anything to the contrary in the Plan, the fees and expenses described in this paragraph shall not be subject to either Administrative Claims Bar Date.

19. General Unsecured Claims

Notwithstanding any other provision of the Plan to the contrary, the Debtors and the Distribution Trust shall only be obligated to satisfy Allowed General Unsecured Claims from the General Unsecured Claims Cash Amount, and no other asset or property of the Debtors, the Reorganized Debtors, the Distribution Trust or their respective property or Estates shall be required to be used or otherwise monetized to pay or otherwise fund such Allowed Claims.

E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

1. Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Contracts and Unexpired Leases of the Debtors will be rejected by the Debtors in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except for those Executory Contracts and Unexpired Leases that:

i have been assumed by the Debtors by prior order of the Bankruptcy Court, including those Executory Contracts and Unexpired Leases that have been, or are contemplated to be, assumed and assigned pursuant to the 9019 Settlement Order and the Transfer Portfolio;

ii are associated with one or more of the Facilities comprising the Transfer Portfolio that have not yet been transferred to New Operators pursuant to the 9019 Settlement Order, Operations Transfer Agreements and related documentation;

iii are the subject of a motion to assume by the Debtors (with the consent of the Plan Sponsor) pending on the Effective Date;

iv are identified by the Debtors (with the written consent of the Plan Sponsor) on Plan Schedule 3 hereto or in the Plan Supplement, in either case which Plan Schedule may be amended by the Debtors (with the written consent of the Plan Sponsor) to add or remove Executory Contracts and Unexpired Leases by filing with the Bankruptcy Court an amended Plan Schedule and serving it on the affected non-Debtor contract parties any time prior to the Effective Date; or

v are assumed or assumed and assigned by the Debtors (with the written consent of the Plan Sponsor) pursuant to the terms of the Plan.

Without amending or altering any prior order of the Bankruptcy Court approving the assumption or rejection of any Executory Contract or Unexpired Lease, entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions or rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

To the extent any provision in any Executory Contract or Unexpired Lease assumed or assumed and assigned (as applicable) pursuant to the Plan or any prior order of the Bankruptcy Court (including, without limitation, any “change of control” provision) prohibits, restricts or conditions, or purports to prohibit, restrict or condition, or is modified, breached or terminated, or deemed modified, breached or terminated by, (i) the commencement of these Chapter 11 Cases or the insolvency or financial condition of any Debtor at any time before the closing of its respective Chapter 11 Case, (ii) any Debtor’s or any Reorganized Debtor’s assumption or assumption and assignment (as applicable) of such Executory Contract or Unexpired Lease or (iii) the Confirmation or Consummation of the Plan, then such provision shall be deemed modified such that the transactions contemplated by the Plan shall not entitle the non-debtor party thereto to modify or terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights or remedies with respect thereto, and any required consent under any such contract or lease shall be deemed satisfied by the Confirmation of the Plan.

Each Executory Contract and Unexpired Lease assumed and/or assigned pursuant to the Plan shall revest in and be fully enforceable by the applicable Reorganized Debtor or the applicable assignee in accordance with its terms and conditions, except as modified by the provisions of the Plan, any order of the Bankruptcy Court approving its assumption and/or assignment, or applicable law.

The inclusion or exclusion of a contract or lease on any schedule or exhibit shall not constitute an admission by any Debtor that such contract or lease is an Executory Contract or Unexpired Lease or that any Debtor has any liability thereunder.

2. Cure of Defaults; Assignment of Executory Contracts and Unexpired Leases

Any defaults under each Executory Contract and Unexpired Lease to be assumed, or assumed and assigned, pursuant to the Plan shall be satisfied by the Plan Sponsor, pursuant to and to the extent required by section 365(b)(1) of the Bankruptcy Code, by payment of the applicable default amount in Cash on the Effective

Date or on such other terms as the Bankruptcy Court may order or the parties to such Executory Contracts or Unexpired Leases may otherwise agree in writing (the "**Cure Claim Amount**").

In the event of an assumption, or an assumption and assignment, of an Executory Contract or Unexpired Lease under the Plan, at least seven (7) days prior to the Plan Objection Deadline, the Debtors shall File and serve upon counterparties to such Executory Contracts and Unexpired Leases, a notice (each, an "**Assumption Notice**") of the proposed assumption, or proposed assumption and assignment, which will: (a) list the applicable Cure Claim Amount, if any; (b) if applicable, identify the party to which the Executory Contract or Unexpired Lease will be assigned; (c) describe the procedures for filing objections thereto; and (d) explain the process by which related disputes will be resolved by the Bankruptcy Court. The Filing and service of any such Assumption Notice shall not obligate the Debtors to assume or assume and assign any Executory Contract or Unexpired Lease set forth in such Assumption Notice.

Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption, or proposed assumption and assignment under the Plan, or any related cure amount, must be Filed, served and actually received by the Debtors and the Plan Sponsor on or prior to the later of (i) the Plan Objection Deadline or (ii) seven (7) days after the filing and service of an Assumption Notice that first identifies such Executory Contract or Unexpired Lease. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption, or proposed assumption and assignment, or cure amount will be deemed to have consented to such matters and will be deemed to have forever released and waived any objection to such proposed assumption, proposed assumption and assignment, and cure amount. The Confirmation Order shall constitute an order of the Bankruptcy Court approving each proposed assumption, or proposed assumption and assignment, of Executory Contracts and Unexpired Leases pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

In the event of a dispute regarding (a) the amount of any Cure Claim Amount, (b) the ability of any Debtor or assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or assumed and assigned or (c) any other matter pertaining to assumption or assignment, the applicable payment of the Cure Claim Amount required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving such assumption, or assumption and assignment. If such objection is sustained by Final Order of the Bankruptcy Court, the Plan Sponsor may elect the Debtors to reject such Executory Contract or Unexpired Lease in lieu of assuming it. The Debtors (with the consent of the Plan Sponsor) or the Reorganized Debtors, as applicable, shall be authorized to effect such rejection by filing a written notice of rejection with the Bankruptcy Court and serving such notice on the applicable counterparty within thirty (30) days of the entry of such Final Order.

Subject to any cure claims Filed with respect thereto, assumption or assumption and assignment of any Executory Contract or Unexpired Lease pursuant to the Plan shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption or assumption and assignment, in each case as provided in section 365 of the Bankruptcy Code. Any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed or assumed and assigned by Final Order shall be deemed disallowed and expunged (subject to any cure claims Filed with respect thereto), without further notice to or action, order, or approval of the Bankruptcy Court.

With respect to any Executory Contract or Unexpired Lease assumed and assigned pursuant to the Plan, upon and as of the Effective Date, the Plan Sponsor or its assignee shall be deemed to be substituted as a party thereto for the applicable Debtor party to such assigned Executory Contract or Unexpired Lease and, accordingly, the Debtors and the Reorganized Debtors shall be relieved, pursuant to and to the extent set forth in section 365(k) of the Bankruptcy Code, from any further liability under such assigned Executory Contract or Unexpired Lease.

3. Rejection of Executory Contracts and Unexpired Leases

Unless otherwise identified under Article VI.A or otherwise, all Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date. The Confirmation Order shall constitute an order of the Bankruptcy Court approving the rejections described in Article VI of the Plan pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of any preexisting obligations owed to the Debtors or the Reorganized Debtors, as applicable, under such Executory Contracts or Unexpired Leases.

4. Claims on Account of the Rejection of Executory Contracts or Unexpired Leases

All Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be filed with the Bankruptcy Court within thirty (30) days after service of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection.

Any Entity that is required to file a Proof of Claim arising from the rejection of an Executory Contract or an Unexpired Lease that fails to timely do so shall be forever barred, estopped and enjoined from asserting such Claim, and such Claim shall not be enforceable, against the Distribution Trust, the Debtors, the Reorganized Debtors, or the Estates, and the Distribution Trust, the Debtors, the Reorganized Debtors, and their Estates and their respective assets and property shall be forever discharged from any and all indebtedness and liability with respect to such Claim unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Article X.G of the Plan.

5. Extension of Time to Assume or Reject

Notwithstanding anything to the contrary set forth in Article VI of the Plan, in the event of a dispute as to whether a contract is executory or a lease is unexpired, the right of the Reorganized Debtors to move to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after entry of a Final Order by the Bankruptcy Court determining that the contract is executory or the lease is unexpired. The deemed assumption provided for in Article VI.A of the Plan shall not apply to any such contract or lease, and any such contract or lease shall be assumed or rejected only upon motion of the Reorganized Debtors or the filing of a notice following the Bankruptcy Court's determination that the contract is executory or the lease is unexpired.

6. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed by the Debtors or the Reorganized Debtors pursuant to the Plan shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing has been previously rejected or repudiated or is rejected or repudiated hereunder. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

7. Insurance Policies

Notwithstanding anything contained in the Plan or the Confirmation Order to the contrary, unless specifically rejected by order of the Bankruptcy Court or under the Plan, all Insurance Policies shall be assumed under the Plan as executory contracts, and nothing in the Plan or the Confirmation Order shall alter the rights and obligations of the Debtors or the insurers under the Insurance Policies (which rights and obligations shall

be determined under the applicable Insurance Policies and applicable non-bankruptcy law relating thereto) or modify the coverage thereunder, and all of the Insurance Policies shall continue in full force and effect according to their terms and conditions; provided, however, in the event the underlying claim arose prior to the Petition Date, the Reorganized Debtors shall have no obligation to fund any self-insured retention.

F. PROVISIONS GOVERNING DISTRIBUTIONS

1. Distributions for Claims Allowed as of the Effective Date

Except as otherwise provided in the "Treatment" sections in Article III of the Plan or as ordered by the Bankruptcy Court, initial distributions to be made on account of Claims that are Allowed Claims as of the Effective Date shall be made on the Initial Distribution Date or as soon thereafter as is practicable. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day. Distributions on account of Disputed Claims that first become Allowed Claims after the Effective Date shall be made pursuant to Article VIII of the Plan.

2. No Postpetition Interest, Fees, and Costs on Claims

Unless otherwise specifically provided for in the Plan, the Confirmation Order or Final Order of the Bankruptcy Court, or required by applicable bankruptcy law (including, without limitation, as required pursuant to section 506(b) or section 511 of the Bankruptcy Code), postpetition interest, fees (including attorneys' fees), costs or charges shall not accrue or be paid on any Claims and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

3. Distributions by the Distribution Trust or Other Applicable Distribution Agent

Other than as specifically set forth below, the Distribution Trust or other applicable Distribution Agent shall make all distributions required to be distributed under the Plan. The Distribution Trust may employ or contract with other entities to assist in or make the distributions required by the Plan and may pay the reasonable fees and expenses of such entities and the Distribution Agents in the ordinary course of business. No Distribution Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

From and after the Effective Date, any Distribution Agent, solely in its capacity as Distribution Agent, shall be exculpated by all Persons and Entities, including, without limitation, Holders of Claims and Equity Interests and other parties in interest, from any and all claims, Causes of Action, and other assertions of liability arising out of the discharge of the powers and duties conferred upon such Distribution Agent by the Plan or any order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan, or applicable law, except for actions or omissions to act arising out of the Distribution Agent's gross negligence, willful misconduct, fraud, malpractice, criminal conduct, or *ultra vires* acts. No Holder of a Claim or Equity Interest or other party in interest shall have or pursue any claim or Cause of Action against a Distribution Agent, solely in its capacity as Distribution Agent, for making payments in accordance with the Plan or for implementing provisions of the Plan, except for actions or omissions to act arising out of such Distribution Agent's gross negligence, willful misconduct, fraud, malpractice, criminal conduct, or *ultra vires* acts.

4. Delivery and Distributions; Undeliverable or Unclaimed Distributions

(a) Record Date for Distributions

On the Distribution Record Date, the Claims Register shall be closed. Accordingly, the Debtors, the Distribution Trust or other applicable Distribution Agent will have no obligation to recognize the assignment, transfer or other disposition of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute securities, property, notices and other documents only to those Holders of Allowed Claims who are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date.

The Distribution Trust or other applicable Distribution Agent shall be entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the Claims Register, or their books and records, as of the close of business on the Distribution Record Date.

(b) Delivery of Distributions in General

Except as otherwise provided herein, the Debtors, the Distribution Trust or other applicable Distribution Agent, as applicable, shall make distributions to Holders of Allowed Claims, or in care of their authorized agents, as appropriate, at the address for each such Holder or agent as indicated on the Debtors' or other applicable Distribution Agent's books and records as of the date of any such distribution; *provided*, *however*, that the manner of such distributions shall be determined in the discretion of the applicable Distribution Agent; provided further, that the address for each Holder of an Allowed Claim shall be deemed to be the address set forth in the latest Proof of Claim Filed by such Holder pursuant to Bankruptcy Rule 3001 as of the Distribution Record Date.

(c) Minimum Distributions

Notwithstanding anything herein to the contrary, no Distribution Agent shall be required to make distributions or payments of less than $25.00 (whether in Cash or otherwise) or to make partial distributions or payments of fractions of dollars with respect to Impaired Claims. With respect to Impaired Claims, whenever any payment or distribution of a fraction of a dollar under the Plan would otherwise be called for, the actual payment or distribution will reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or more being rounded up to the next higher whole number and with less than half dollars being rounded down to the next lower whole number.

No Distribution Agent shall have any obligation to make a distribution on account of an Allowed Claim that is Impaired under the Plan if: (a) the aggregate amount of all distributions authorized to be made on the Subsequent Distribution Date in question is or has an economic value less than $25,000.00, unless such distribution is a final distribution; or (b) the amount to be distributed to the specific Holder of an Allowed Claim on such Subsequent Distribution is or has an economic value less than $25.00, which shall be treated as an undeliverable distribution under Article VII.D.4 below.

(d) Undeliverable Distributions

(i) Holding of Certain Undeliverable Distributions

If the distribution to any Holder of an Allowed Claim is returned to the Distribution Agent as undeliverable or is otherwise unclaimed, no further distributions shall be made to such Holder unless and until the Distribution Agent is notified in writing of such Holder's then current address, at which time all currently due but missed distributions shall be made to such Holder on the next Subsequent Distribution Date (or such earlier date as determined by the applicable Distribution Agent). Undeliverable distributions shall remain in the possession of the Distribution Trust, subject to Article VII.D.4(b) of the Plan, until such time as any such distributions become deliverable. Undeliverable distributions shall not be entitled to any additional interest, dividends or other accruals of any kind on account of their distribution being undeliverable.

(ii) Failure to Claim Undeliverable Distributions

Any Holder of an Allowed Claim (or any successor or assignee or other Person or Entity claiming by, through, or on behalf of, such Holder) that does not assert a right pursuant to the Plan for an undeliverable or unclaimed distribution within one (1) year after the later of the Effective Date or the date such distribution is due shall be deemed to have forfeited its rights for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such rights for an undeliverable or unclaimed distribution against the Debtors or their Estates, the Reorganized Debtors or their respective assets or property, or any Distribution Agent. In such case, (i) for Claims in Class 1, any Cash, Plan Securities, or other property reserved for distribution on account of such Claim shall become the property of the Estates free and clear of any

Claims of such Holder with respect thereto and notwithstanding any federal or state escheat laws to the contrary, and (ii) for Claims other than in Class 1, any Cash, Plan Securities and Documents, and/or other property, as applicable, held for distribution on account of such Claim shall be allocated Pro Rata by the applicable Distribution Agent for distribution among the other Holders of Claims in such Class. Nothing contained in the Plan shall require the Debtors, the Reorganized Debtors, or any Distribution Agent to attempt to locate any Holder of an Allowed Claim.

(iii) Failure to Present Checks

Checks issued by the Distribution Agent on account of Allowed Claims shall be null and void if not negotiated within 180 days after the issuance of such check. In an effort to ensure that all Holders of Allowed Claims receive their allocated distributions, no later than 90 days after the issuance of such checks, the Distribution Trust shall File with the Bankruptcy Court a list of the Holders of any un-negotiated checks. This list shall be maintained and updated periodically in the sole discretion of the Distribution Trust for as long as the Chapter 11 Cases stay open. Requests for reissuance of any check shall be made directly to the Distribution Agent by the Holder of the relevant Allowed Claim with respect to which such check originally was issued. Any Holder of an Allowed Claim holding an un-negotiated check that does not request reissuance of such un-negotiated check within 365 days after the date of mailing or other delivery of such check shall have its Claim for such un-negotiated check discharged and be forever barred, estopped and enjoined from asserting any such Claim against the Distribution Trust, the Debtors or their Estates, the Reorganized Debtors or their respective assets or property. In such case, any Cash held for payment on account of such Claims shall be distributed to the applicable Distribution Agent for distribution or allocation in accordance with the Plan, free and clear of any Claims of such Holder with respect thereto and notwithstanding any federal or state escheat laws to the contrary.

5. Compliance with Tax Requirements

In connection with the Plan and all distributions thereunder, the Distribution Trust or other applicable Distribution Agent shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions thereunder shall be subject to any such withholding and reporting requirements. The Distribution Trust or other applicable Distribution Agent shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. All Persons holding Claims shall be required to provide any information necessary to effect information reporting and the withholding of such taxes, and each Holder of an Allowed Claim shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Unit, including income, withholding, and other tax obligations, on account of such distribution.

6. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for income tax purposes to the principal amount of the Claim first and then, to the extent that the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

7. Means of Cash Payment

Payments of Cash made pursuant to the Plan shall be in U.S. dollars and shall be made, at the option of the Debtors or the Distribution Trust (as applicable), by checks drawn on, or wire transfer from, a domestic bank selected by the Debtors or the Distribution Trust (as applicable). Cash payments to foreign creditors may be made, at the option of the Debtors or the Distribution Trust (as applicable), in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

8. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the "Treatment" sections in Article III of the Plan or as ordered by the Bankruptcy Court, on the Initial Distribution Date (or if a Claim is not an Allowed Claim on the Effective Date, on the Subsequent Distribution Date occurring after such Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in the applicable class treatment or in Article VIII of the Plan. Except as otherwise provided herein, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

9. Setoffs

Without altering or limiting any of the rights and remedies of the Debtors and the Distribution Trust under section 502(d) of the Bankruptcy Code, all of which rights and remedies are hereby reserved, the Debtors or the Distribution Trust may, but shall not be required to, withhold (but not setoff except as set forth below) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, Causes of Action of any nature that the Debtors, the Reorganized Debtors or the Distribution Agent may hold against the Holder of any such Allowed Claim; provided that, at least ten (10) days prior to effectuating such withholding, the Debtors or the Distribution Trust (after consultation with Omega), shall provide written notice thereof to the applicable Holder of such Claim, and all objections and defenses of such Holder to such withholding are preserved. In the event that any such claims or Causes of Action are adjudicated by Final Order or otherwise resolved against the applicable Holder, the Debtors or the Distribution Trust may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant hereto on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), the amount of such adjudicated or resolved claims or Causes of Action, and pursuant to section 558 of the Bankruptcy Code, to the extent any Holder of an Allowed Claim holds (i) an Allowed Claim that is an Other Secured Claim, a Priority Tax Claim, an Other Priority Claim, or an Administrative Claim, and also (ii) an Allowed Claim that is a General Unsecured Claim, any rights of setoff shall be exercised first against such Holders' Other Secured Claim, Priority Tax Claim, Other Priority Claim, or Administrative Claim. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors or the Distribution Trust of any such claims or Causes of Action, all of which are reserved unless expressly released or compromised pursuant to the Plan or the Confirmation Order.

G. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

1. Resolution of Disputed Claims

(a) Allowance of Claims

After the Effective Date, and except as otherwise provided in the Plan and the Distribution Trust shall have and shall retain any and all available rights and defenses that the Debtors had with respect to any Claim, including, without limitation, the right to assert any objection to Claims based on the limitations imposed by section 502 of the Bankruptcy Code. The Debtors and the Distribution Trust may contest the amount and validity of any Disputed Claim or contingent or unliquidated Claim in the ordinary course of business in the manner and venue in which such Claim would have been determined, resolved or adjudicated if the Chapter 11 Cases had not been commenced.

(b) Prosecution of Objections to Claims

After the Confirmation Date but before the Effective Date, the Debtors, and after the Effective Date, the Distribution Trust shall have the authority to File objections to Claims (other than Claims that are Allowed under the Plan) and settle, compromise, withdraw or litigate to judgment objections to any and all such Claims, regardless of whether such Claims are in an Unimpaired Class or otherwise; *provided*, *however*, this provision shall not apply to Professional Fee Claims, which may be objected to by any party-in-interest in these Chapter 11 Cases. From and after the Effective Date, the Distribution Trust may settle or compromise any Disputed Claim without any further notice to or action, order or approval of the Bankruptcy Court. The Distribution Trust shall have the sole authority to administer and adjust the Claims Register and their respective books and records to reflect any such settlements or compromises without any further notice to or action, order or approval of the Bankruptcy Court.

(c) Claims Estimation

After the Confirmation Date but before the Effective Date, the Debtors, and after the Effective Date, the Distribution Trust may at any time request that the Bankruptcy Court estimate any Disputed Claim or contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any such Claim, whether for allowance or to determine the maximum amount of such Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court. The rights and objections of all parties are reserved in connection with any such estimation.

(d) Deadline to File Objections to Claims

Any objections to Claims shall be Filed by no later than the Claims Objection Deadline; provided that nothing contained herein shall limit the Distribution Trust's right to object to Claims, if any, Filed or amended after the Claims Objection Deadline. Moreover, notwithstanding the expiration of the Claims Objection Deadline, the Distribution Trust shall continue to have the right to amend any claims or other objections and to File and prosecute supplemental objections and counterclaims to a Disputed Claim until such Disputed Claim is or becomes Allowed by Final Order of the Bankruptcy Court.

(e) Limited Amendments to Claims After the Effective Date Absent Bankruptcy Court Order

After the Effective Date, no Holder of a Claim may amend its Claim (except to decrease the amount of the Claim) absent an order of the Bankruptcy Court finding good cause for such amendment, and any amended Claim submitted in the absence of such order may be disregarded by the Distribution Trust.

2. No Distributions Pending Allowance

Notwithstanding any other provision of the Plan to the contrary, no payments or distributions of any kind or nature 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 has become an Allowed Claim pursuant to a Final Order.

3. Distributions on Account of Disputed Claims Once They Are Allowed and Additional Distributions on Account of Previously Allowed Claims

On each Subsequent Distribution Date (or such earlier date as determined by the Reorganized Debtors in their sole discretion), the Distribution Trust or other applicable Distribution Agent will make distributions (a) on account of any Disputed Claim that has become an Allowed Claim during the preceding calendar quarter, and (b) on account of previously Allowed Claims of property that would have been distributed to the Holders of such Claim on the dates distributions previously were made to Holders of Allowed Claims in such Class had the

Disputed Claims that have become Allowed Claims or Disallowed Claims by Final Order of the Bankruptcy Court been Allowed or disallowed, as applicable, on such dates. Such distributions will be made pursuant to the applicable provisions of Article VII of the Plan. For the avoidance of doubt, but without limiting the terms or conditions of Article VII.B or Paragraph B of Article VIII of the Plan, any dividends or other distributions arising from property distributed to holders of Allowed Claims in a Class and paid to such Holders under the Plan shall also be paid, in the applicable amounts, to any Holder of a Disputed Claim in such Class that becomes an Allowed Claim after the date or dates that such dividends or other distributions were earlier paid to holders of Allowed Claims in such Class.

4. Reserve for Disputed Claims

The Debtors or the Distribution Trust, as applicable, after consultation with Omega, may, in their respective discretion, establish such appropriate reserves for Disputed Claims in the applicable Class(es) as they determine necessary and appropriate. Without limiting the foregoing, reserves (if any) for Disputed Claims shall equal, as applicable, an amount of Cash equal to 100% of distributions to which Holders of Disputed Claims in each applicable Class would otherwise be entitled under the Plan as of such date if such Disputed Claims were Allowed Claims in their respective Face Amount (or based on the Debtors' books and records if the applicable Holder has not yet Filed a Proof of Claim and the Claims Bar Date has not yet expired); provided, however, that the Debtors and the Distribution Trust, as applicable, shall have the right to file a motion seeking to estimate any Disputed Claims.

5. Tort Claims

No distributions under the Plan shall be made on account of Allowed Claims until the Holder of such Allowed Claim has exhausted all remedies with respect to the Debtors' Insurance Policies. To the extent that one or more of the Debtors' Insurers agrees to satisfy in full a Claim (if and to the extent adjusted by a court of competent jurisdiction), then immediately upon such Insurers' agreement, such Claim may be expunged without a Claims objection having to be filed and without any further notice to or action, order or approval of the Bankruptcy Court.

The automatic stay of Bankruptcy Code section 362(a) shall remain in effect on and after the Effective Date unless and until the holder of a Claim that is in the nature of an unliquidated Tort Claim arising under personal liability, general liability or tort theory complies with all of the following procedures: (A) the Debtors or the Distribution Trust (as applicable) shall, within sixty (60) days following the Effective Date (which such date may be extended by further order of the Bankruptcy Court) submit to such holder of a filed Tort Claim either (i) a request for additional documentation to be provided to evidence such Claim or (ii) submit a written counterproposal for an Allowed General Unsecured Claim to such holder; (B) the holder of such Tort Claim may accept the counterproposal within thirty (30) days of the mailing of such counterproposal and, in the event that a counterproposal is rejected by such claimant, the claimant (or a representative or attorney for the claimant) and the Debtors or the Distribution Trust (as applicable) shall confer and negotiate in good faith in an attempt to agree upon an Allowed General Unsecured Claim amount; (C) if no settlement is reached pursuant to paragraphs (A) and (B), above, the Debtors or the Distribution Trust (as applicable) and the claimant shall participate in a nonbinding mediation process before the Bankruptcy Court or may otherwise agree to submit the Claim to binding arbitration under the rules of the American Arbitration Association as to the issues of the Debtors' liability and the amount of such Allowed General Unsecured Claim. Solely in the event that the foregoing procedures have been complied with and the parties are unable to reach an agreement on the allowance and amount of such Claim, the automatic stay under section 362(a) of the Bankruptcy Code and the injunction set forth in Article X.G of the Plan, if and to the extent applicable, shall be deemed lifted without further order of the Bankruptcy Court, solely to permit a limited lifting of the automatic stay for the sole purpose of liquidating the amount of any such Claim or, in the alternative, the Debtors the Distribution Trust (as applicable) may file an objection to such Claim and a motion to withdraw the reference of such Claim pursuant to 28 U.S.C. § 157, and thereafter to disallow, liquidate or estimate such Claim.

H. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

1. Conditions Precedent to Confirmation

It shall be a condition to Confirmation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C of the Plan:

a) The Plan and the Restructuring Documents shall be in form and substance acceptable to the Debtors, Omega and the Plan Sponsor;

b) There shall be no default or Event of Default (as defined in the DIP Orders) under the DIP Orders or the DIP Facility Loan Agreement; and

c) The Confirmation Order shall have been entered by the Bankruptcy Court.

2. Conditions Precedent to Consummation

It shall be a condition to Consummation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C of the Plan.

a) The Confirmation Order shall have become a Final Order and such order shall not have been amended, modified, vacated, stayed, or reversed;

b) The Confirmation Date shall have occurred;

c) The Bankruptcy Court shall have entered one or more Final Orders (which may include the Confirmation Order), in form and substance acceptable to the Debtors, Omega and the Plan Sponsor, authorizing the assumption, or, if applicable, assumption and assignment of the Executory Contracts and Unexpired Leases by the Debtors as contemplated in the Plan and the Plan Supplement that are necessary for the Reorganized Debtors to operate the business of the Debtors (other than those Executory Contracts and Unexpired Leases otherwise assumed and assigned pursuant to the 9019 Settlement Order and the Transfer Portfolio);

d) The Plan and the Restructuring Documents shall not have been amended or modified other than in a manner acceptable to the Debtors, Omega and the Plan Sponsor;

e) The Restructuring Documents shall have been filed, tendered for delivery, and been effectuated or executed by all Persons party thereto (as appropriate), and in each case in full force and effect. All conditions precedent to the effectiveness of such Restructuring Documents shall have been satisfied or waived pursuant to the terms of such applicable Restructuring Documents (or shall be satisfied concurrently with the occurrence of the Effective Date);

f) All consents, actions, documents, certificates and agreements necessary to implement the Plan and the transactions contemplated by the Plan (including, without limitation, all governmental, regulatory, environmental and third party approvals, authorizations, certifications, rulings, no-action letters, opinions, waivers and/or consents) shall have been, as applicable, obtained and not otherwise subject to unfulfilled conditions, effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws, and in each case in full force and effect. For the avoidance of doubt, Article IX.B.6 of the Plan does not include the transactions contemplated by the Omega Compromise;

g) All governmental approvals and consents, including Bankruptcy Court approval, that are applicable and legally required for the consummation of the Plan shall have been obtained, not be subject to unfulfilled conditions and be in full force and effect, and all applicable waiting

periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall have expired;

h) The New Board shall have been selected;

i) The conditions to the effectiveness of the Plan Sponsor Note shall have been satisfied or waived and the Plan Sponsor Note shall have been executed and delivered to Omega or will be executed and delivered to Omega simultaneously with the effectiveness of the Plan;

j) The Plan Sponsor Consideration shall have been paid or shall be paid contemporaneously with the occurrence of the Effective Date, and the General Unsecured Claims Cash Amount shall have been reserved from such amount;

k) The Exit Facility Documents (a) shall be in form and substance reasonably acceptable to (i) the Debtors, (ii) the Plan Sponsor and (iii) Omega and (b) either (i) shall be in full force and effect or (ii) shall become in full force and effect simultaneously with the effectiveness of the Plan;

l) The 9019 Settlement Order shall have been entered, and the closing of the Transfer Transaction shall have occurred or otherwise the Confirmation Order shall authorize such transfers, and that the Distribution Trust shall assume all obligations of the Debtors under the Operations Transfer Agreements relating to any Facility in the Transfer Portfolio not transitioned by the Effective Date (subject to such assistance that may be required of the Reorganized Debtors under the Plan to assist in such transition).

3. Waiver of Conditions

Subject to section 1127 of the Bankruptcy Code, the conditions to Confirmation and Consummation of the Plan set forth in Article IX of the Plan that are capable of being waived may be waived by the Debtors, with the consent of Omega and Plan Sponsor, without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan. The failure of any of the foregoing parties to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each right shall be deemed an ongoing right that may be asserted at any time.

4. Effect of Non-Occurrence of Conditions to Confirmation or Consummation

If the Confirmation or the Consummation of the Plan does not occur with respect to one or more of the Debtors, then the Plan shall, with respect to such applicable Debtor or Debtors, be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; (3) constitute an Allowance of any Claim or Equity Interest; or (4) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders or any other Entity in any respect.

I. RELEASE, DISCHARGE, INJUNCTION AND RELATED PROVISIONS

1. General

Pursuant to section 1123 of the Bankruptcy Code, and in consideration for the classification, distributions, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Equity Interests and controversies resolved pursuant to the Plan. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Equity Interests and controversies, as well as a finding by the Bankruptcy Court that any such compromise or settlement is in the

best interests of the Debtors, their Estates, and any Holders of Claims and Equity Interests and is fair, equitable and reasonable.

Notwithstanding anything contained herein to the contrary, the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions (if any) and treatments under the Plan, takes into account the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise. As of the Effective Date, any and all contractual, legal and equitable subordination rights, whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise, relating to the allowance, classification and treatment of all Allowed Claims and Equity Interests and their respective distributions (if any) and treatments under the Plan, are settled, compromised, terminated and released pursuant hereto; *provided*, *however*, that nothing contained herein shall preclude any Person or Entity from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered under or in connection with the Plan.

Notwithstanding anything contained to the contrary herein, nothing in Article X of the Plan shall be deemed to release, discharge or enjoin the enforcement of any obligations of any Person or Entity under the Plan Sponsor Note or any other agreement entered into on or after the Effective Date.

2. Release of Claims and Causes of Action

***Release by the Debtors and Their Estates*. Pursuant to section 1123(b) and any other applicable provisions of the Bankruptcy Code, and except as otherwise expressly provided in the Plan, effective as of the Effective Date, for good and valuable consideration provided by each of the Released Parties, the adequacy and sufficiency of which is hereby confirmed, the Debtors and the Reorganized Debtors, in their respective individual capacities and as debtors-in-possession, and on behalf of themselves and their respective Estates, including, without limitation, any successor to the Debtors or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code (collectively, the "Debtor Releasing Parties") will be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever provided a full discharge, waiver and release to each of the Released Parties (and each such Released Party so released shall be deemed forever released, waived and discharged by the Debtor Releasing Parties) and their respective assets and properties (the "Debtor Release") from any and all Claims, Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, whether directly or derivatively held, existing as of the Effective Date or thereafter arising, in law, at equity or otherwise, whether for tort, contract, violations of federal or state securities laws, or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way in whole or in part to any of (i) the Debtors, the Chapter 11 Cases, the marketing of any of the Debtors' assets, the Disclosure Statement, the Plan and the Restructuring Documents, (ii) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan, (iii) the business or contractual arrangements between any Debtor and any Released Parties, including, but not limited to, the Master Leases and the Omega Working Capital Loan Agreement, (iv) the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the Restructuring Documents, or related agreements, instruments or other documents, including the Omega Compromise, (v) the restructuring of Claims or Equity Interests prior to or during the Chapter 11 Cases, (vi) the purchase, sale, or rescission of the purchase or sale of any Claim or Equity Interest of the Debtors or the Reorganized Debtors, and/or (vii) the Confirmation or Consummation of the Plan or the solicitation of votes on the Plan that such Debtor Releasing Party would have been legally entitled to assert (whether individually or collectively) or that any Holder of a Claim or Equity Interest or other Entity would have been legally entitled to assert for, or on behalf or in the name of, any Debtor, its respective Estate or any Reorganized Debtor (whether directly or derivatively) against any of the Released Parties; *provided*, *however*, that the foregoing provisions of this Debtor Release shall not operate to waive, release or otherwise impair: (i) any Causes of Action arising from willful misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction and/or (ii) the rights of such**

Debtor Releasing Party to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to Final Order of the Bankruptcy Court.

The foregoing release shall be effective as of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Person and the Confirmation Order will permanently enjoin the commencement or prosecution by any Person or Entity, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities released pursuant to this Debtor Release. Notwithstanding the foregoing, nothing in Article X.B of the Plan shall or shall be deemed to prohibit the Debtors or the Reorganized Debtors from asserting and enforcing any claims, obligations, suits, judgments, demands, debts, rights, Causes of Action or liabilities they may have against any Person that is based upon an alleged breach of a confidentiality or non-compete obligation owed to the Debtors or the Reorganized Debtors unless otherwise expressly provided for in the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Debtor Release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that the Debtor Release is: (i) in exchange for the good and valuable consideration provided by the Released Parties, including the Omega Compromise; (ii) a good faith settlement and compromise of the Claims released by the Debtor Release; (iii) in the best interest of the Debtors and their Estates; (iv) fair, equitable and reasonable; and (v) given and made after due notice and opportunity for hearing.

***Release by Third Parties*. Except as otherwise expressly provided in the Plan, effective as of the Effective Date, to *the* fullest extent permitted by applicable law, for good and valuable consideration provided by each of the Released Parties, the adequacy and sufficiency of which is hereby confirmed, and without limiting or otherwise modifying the scope of the Debtor Release provided by the Debtor Releasing Parties above, each Non-Debtor Releasing Party (together with the Debtor Releasing Parties, the "Releasing Parties") will be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever provided a full discharge, waiver and release to each of the Released Parties (and each such Released Party so released shall be deemed forever released, waived and discharged by the Non-Debtor Releasing Parties) and their respective assets and properties (the "Third Party Release") from any and all Claims, Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, whether directly or derivatively held, existing as of the Effective Date or thereafter arising, in law, at equity or otherwise, whether for tort, contract, violations of federal or state securities laws, or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way in whole or in part to any of (i) the Debtors, the Chapter 11 Cases, the Disclosure Statement, the Plan and the Restructuring Documents, (ii) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan, (iii) the business or contractual arrangements between any Debtor and any Released Parties, including, but not limited to, the Master Leases, (iv) the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the Restructuring Documents, or related agreements, instruments or other documents, including the Omega Compromise, (v) the restructuring of Claims or Equity Interests prior to or during the Chapter 11 Cases, (vi) the purchase, sale or rescission of the purchase or sale of any Claim or Equity Interest of the Debtors or the Reorganized Debtors, and/or (vii) the Confirmation or Consummation of the Plan or the solicitation of votes on the Plan that such Non-Debtor Releasing Party would have been legally entitled to assert (whether individually or collectively) against any of the Released Parties; provided, however, that the foregoing provisions of this Third Party Release shall not operate to waive, release or otherwise impair: (i) any Causes of Action arising from willful misconduct, actual fraud, or gross negligence of such applicable Released Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction; (ii) any of the indebtedness and obligations of the Debtors and/or the Reorganized Debtors under the Plan and the contracts, instruments, releases, indentures, and other agreements and documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to Final Order of the Bankruptcy Court; (iii) the**

rights of such Non-Debtor Releasing Party to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements and documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to Final Order of the Bankruptcy Court; and/or (iv) any objections with respect to any Professional's final fee application or accrued Professional Fee Claims in these Chapter 11 Cases.

The foregoing release shall be effective as of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Person and the Confirmation Order will permanently enjoin the commencement or prosecution by any Person or Entity, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities released pursuant to this Third Party Release.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Third Party Release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that the Third Party Release is: (i) in exchange for the good and valuable consideration provided by the Released Parties, including the Omega Compromise; (ii) a good faith settlement and compromise of the Claims released by the Third Party Release; (iii) in the best interest of the Debtors and all Holders of Claims and Equity Interests; (iv) fair, equitable and reasonable; and (v) given and made after due notice and opportunity for hearing.

3. Waiver of Statutory Limitations on Releases

Each of the Releasing Parties in each of the releases contained above expressly acknowledges that although ordinarily a general release may not extend to Claims which the Releasing Party does not know or suspect to exist in its favor, which if known by it may have materially affected its settlement with the party released, they have carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or claims. Without limiting the generality of the foregoing, each Releasing Party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to claims which the claimant does not know or suspect to exist in its favor at the time of providing the release, which if known by it may have materially affected its settlement with the released party. The releases contained in the Plan are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

4. Discharge of Claims and Equity Interests

To the fullest extent provided under section 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code, except as otherwise expressly provided by the Plan or the Confirmation Order, effective as of the Effective Date, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims, Equity Interests and Causes of Action of any kind or nature whatsoever against the Debtors or any of their respective assets or properties, including any interest accrued on such Claims or Equity Interests from and after the Petition Date, and regardless of whether any property shall have been abandoned by order of the Bankruptcy Court, distributed or retained pursuant to the Plan on account of such Claims, Equity Interests or Causes of Action.

Except as otherwise expressly provided by the Plan or the Confirmation Order, upon the Effective Date, the Debtors and their Estates shall be deemed discharged and released under and to the fullest extent provided under sections 524 and 1141(d)(1)(A) and other applicable provisions of the Bankruptcy Code from any and all Claims of any kind or nature whatsoever, including, but not limited to, demands and liabilities that arose before the Confirmation Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code. Such discharge shall void any judgment obtained against the Debtors or the Reorganized Debtors at any time, to the extent that such judgment relates to a discharged Claim.

Except as otherwise expressly provided by the Plan or the Confirmation Order, upon the Effective Date: (i) the rights afforded herein and the treatment of all Claims and Equity Interests shall be in exchange for and

in complete satisfaction, settlement, discharge, and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors or any of their respective assets, property, or Estates; (ii) all Claims and Equity Interests shall be satisfied, discharged, and released in full, and each of the Debtor's liability with respect thereto shall be extinguished completely without further notice or action; and (iii) all Entities shall be precluded from asserting against the Debtors, the Estates, the Reorganized Debtors, each of their respective successors and assigns, and each of their respective assets and properties, any such Claims or Equity Interests, whether based upon any documents, instruments or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date or otherwise.

5. Exculpation

Effective as of the Effective Date, the Exculpated Parties shall neither have nor incur any liability to any Entity for any claims or Causes of Action arising prior to or on the Effective Date for any act taken or omitted to be taken in connection with, or related to, formulating, negotiating, preparing, disseminating, implementing, administering, confirming or effecting the Confirmation or Consummation of the Plan, the Disclosure Statement, the Restructuring Documents or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other postpetition act taken or omitted to be taken in connection with the restructuring of the Debtors, the approval of the Disclosure Statement or Confirmation or Consummation of the Plan including the Omega Compromise; *provided*, *however*, that the foregoing provisions of this exculpation shall not operate to waive, release or otherwise impair: (i) any Causes of Action expressly set forth in and preserved by the Plan or the Plan Supplement; (ii) any Causes of Action arising from willful misconduct, actual fraud, or gross negligence of such applicable Exculpated Party as determined by Final Order of the Bankruptcy Court or any other court of competent jurisdiction; (iii) any of the indebtedness or obligations of the Debtors and/or the Reorganized Debtors under the Plan and the contracts, instruments, releases, indentures, and other agreements and documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to Final Order of the Bankruptcy Court, (iv) the rights of any Entity to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to Final Order of the Bankruptcy Court; and/or (v) any objections with respect to any Professional's final fee application or accrued Professional Fee Claims in these Chapter 11 Cases; provided, further, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning its respective duties pursuant to, or in connection with, the above referenced documents, actions or inactions.

The foregoing exculpation shall be effective as of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any Person. Notwithstanding the foregoing, nothing in Article X.E of the Plan shall or shall be deemed to prohibit the Debtors or the Reorganized Debtors from asserting and enforcing any claims, obligations, suits, judgments, demands, debts, rights, Causes of Action or liabilities they may have against any Person that is based upon an alleged breach of a confidentiality or non-compete obligation owed to the Debtors or the Reorganized Debtors, in each case unless otherwise expressly provided for in the Plan.

6. Preservation of Causes of Action

(a) Maintenance of Causes of Action

Except as otherwise provided in Article X of the Plan or elsewhere in the Plan or the Confirmation Order, after the Effective Date, the Reorganized Debtors shall retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action, whether existing as of the Petition Date or thereafter arising, in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Cases; provided, however, that the foregoing shall not be deemed to include any other claims or Causes of Action (i) released pursuant to Article X.B.1 of the Plan or (ii) exculpated pursuant to Article X.E of the Plan to the extent of any such exculpation. The Reorganized Debtors, as the successors-in-interest to the Debtors and the Estates, may, and shall have the exclusive right to, enforce, sue on, settle, compromise, transfer or assign (or decline to do any of the foregoing) any or all of such Causes of Action, in each case solely to the

extent of the Debtors' or their Estates' interest therein, without notice to or approval from the Bankruptcy Court.

(b) Preservation of All Causes of Action Not Expressly Settled or Released

The Debtors expressly reserve all Causes of Action for later adjudication by the Debtors or the Reorganized Debtors (including, without limitation, Causes of Action not specifically identified or of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances that may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after the Confirmation or Consummation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except in each case where such Causes of Action have been expressly waived, relinquished, released, compromised or settled in the Plan, the Confirmation Order or any other Final Order, including, without limitation or any other claims or Causes of Action (i) released pursuant to Article X.B.1 of the Plan or (ii) exculpated pursuant to Article X.E of the Plan to the extent of any such exculpation. In addition, the Debtors and the Reorganized Debtors expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which any of the Debtors are a plaintiff, defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

7. Injunction

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, FROM AND AFTER THE EFFECTIVE DATE, ALL PERSONS AND ENTITIES ARE, TO THE FULLEST EXTENT PROVIDED UNDER SECTION 524 AND OTHER APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, PERMANENTLY ENJOINED FROM (I) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY SUIT, ACTION OR OTHER PROCEEDING; (II) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE, OR ORDER; (III) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE; (IV) ASSERTING A SETOFF OR RIGHT OF SUBROGATION OF ANY KIND; OR (V) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND, IN EACH CASE ON ACCOUNT OF OR WITH RESPECT TO ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, EQUITY INTEREST, OR REMEDY RELEASED OR TO BE RELEASED, SETTLED OR TO BE SETTLED OR DISCHARGED OR TO BE DISCHARGED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER AGAINST ANY PERSON OR ENTITY SO RELEASED OR DISCHARGED (OR THE PROPERTY OR ESTATE OF ANY PERSON OR ENTITY SO RELEASED, DISCHARGED). ALL INJUNCTIONS OR STAYS PROVIDED FOR IN THE CHAPTER 11 CASES UNDER SECTION 105 OR SECTION 362 OF THE BANKRUPTCY CODE, OR OTHERWISE, AND IN EXISTENCE ON THE CONFIRMATION DATE, SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL THE EFFECTIVE DATE.

8. Binding Nature of the Plan

ON THE EFFECTIVE DATE, AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE PLAN SHALL BIND, AND SHALL BE DEEMED BINDING UPON, THE DEBTORS, THE REORGANIZED DEBTORS, ANY AND ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS, ALL PERSONS AND ENTITIES THAT ARE PARTIES TO OR ARE SUBJECT TO THE SETTLEMENTS, COMPROMISES (INCLUDING THE OMEGA COMPROMISE), RELEASES, DISCHARGES, AND INJUNCTIONS DESCRIBED IN THE PLAN, EACH PERSON ACQUIRING PROPERTY UNDER THE PLAN, ANY AND ALL NON-DEBTOR PARTIES TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES WITH THE DEBTORS AND THE RESPECTIVE SUCCESSORS AND ASSIGNS OF EACH OF THE FOREGOING, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND NOTWITHSTANDING WHETHER OR NOT SUCH PERSON OR ENTITY (I) WILL RECEIVE OR RETAIN ANY PROPERTY, OR INTEREST IN

PROPERTY, UNDER THE PLAN, (II) HAS FILED A PROOF OF CLAIM OR INTEREST IN THE CHAPTER 11 CASES OR (III) FAILED TO VOTE TO ACCEPT OR REJECT THE PLAN, AFFIRMATIVELY VOTED TO REJECT THE PLAN OR IS CONCLUSIVELY PRESUMED TO REJECT THE PLAN.

9. Protection Against Discriminatory Treatment

To the extent provided by section 525 of the Bankruptcy Code and the Supremacy Clause of the United States Constitution, all Persons and Entities, including Governmental Units, shall not discriminate against the Reorganized Debtors or deny, revoke, suspend or refuse to renew a license, permit, charter, franchise or other similar grant to, condition such a grant to, discriminate with respect to such a grant, against the Reorganized Debtors, or another Person or Entity with whom the Reorganized Debtors have been associated, solely because any Debtor has been a debtor under chapter 11 of the Bankruptcy Code, has been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before the Debtors are granted or denied a discharge) or has not paid a debt that is dischargeable in the Chapter 11 Cases.

10. Integral Part of Plan

Each of the provisions set forth in the Plan with respect to the settlement, release, discharge, exculpation, and injunction of, for or with respect to Claims and/or Causes of Action are an integral part of the Plan and essential to its implementation. Accordingly, each Entity that is a beneficiary of such provision shall have the right to independently seek to enforce such provision and such provision may not be amended, modified, or waived after the Effective Date without the prior written consent of such beneficiary.

11. Confidentiality of Information Related to Patient Care Ombudswoman

Except as otherwise ordered by the Bankruptcy Court, no Person or Entity may seek discovery in any form, including but not limited to, by motion, subpoena, notice of deposition or request or demand for production of documents, from the Patient Care Ombudswoman or her agents, professionals, employees, other representatives, designees, or assigns with respect to matters arising from or relating to the performance of the duties of the Patient Care Ombudswoman in the Chapter 11 Cases, including, but not limited to, pleadings, reports, or other writings filed by the Patient Care Ombudswoman in or in connection with the Chapter 11 Cases. Nothing herein shall, in any way, limit or otherwise affect the rights and obligations of the Patient Care Ombudswoman under any order of the Bankruptcy Court or under any confidentiality agreements, if any, between the Patient Care Ombudswoman and any other Person or Entity or shall, in any way, limit or otherwise affect the Patient Care Ombudswoman's obligation, under section 333(c)(1) of the Bankruptcy Code or other applicable law, to maintain patient information, including patient records, as confidential, and no such information shall be released by the Patient Care Ombudswoman without further order of the Bankruptcy Court. The Patient Care Ombudswoman and any Professional Person retained by the Patient Care Ombudswoman shall retain the right to apply for further compensation pursuant to section 330 of the Bankruptcy Code if, notwithstanding the foregoing, they are required to respond to discovery or become a party to litigation, and parties in interest shall retain the right to object to any such application or applications.

12. Preservation of Privilege and Defenses

No action taken by the Debtors or Reorganized Debtors in connection with the Plan shall be (or be deemed to be) a waiver of any privilege or immunity of the Debtors or Reorganized Debtors, as applicable, including any attorney-client privilege or work-product privilege attaching to any documents or communications (whether written or oral). The Confirmation Order shall provide that, notwithstanding the Reorganized Debtors' providing any privileged information to the Distribution Trust or any party or person associated with the Distribution Trust, such privileged information shall be without waiver in recognition of the joint and/or successorship interest in prosecuting any Claim or Cause of Action on behalf of the Estates and shall remain privileged. The Debtors (or the Reorganized Debtors) retain the right to waive their own privileges. The

Distribution Trust shall have no right to any privileged information or analysis of the Debtors or the Reorganized Debtors.

V.
CONFIRMATION AND CONSUMMATION PROCEDURES

A. SOLICITATION OF VOTES

The process by which the Debtors will solicit votes to accept or reject the Plan is summarized in Section I herein titled "Executive Summary" and set forth in detail in the Disclosure Statement Order. **PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER FOR MORE INFORMATION REGARDING VOTING REQUIREMENTS TO ENSURE THAT VOTES ARE PROPERLY AND TIMELY SUBMITTED SUCH THAT THEY ARE COUNTED AS VOTES TO ACCEPT OR REJECT THE PLAN.**

B. CONFIRMATION PROCEDURES

The proposed Confirmation process is summarized in Section I herein titled "Executive Summary" and set forth in detail in the Disclosure Statement Order.

C. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (i) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (ii) the Debtors have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (iii) the Plan has been proposed in good faith. Specifically, the Debtors believe that the Plan satisfies or will satisfy the applicable confirmation requirements of section 1129 of the Bankruptcy Code set forth below:

- The Plan complies with the applicable provisions of the Bankruptcy Code;
- The Debtors complied with the applicable provisions of the Bankruptcy Code;
- The Plan has been proposed in good faith and not by any means forbidden by law;
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the cases, has been or will be disclosed to the Bankruptcy Court, and any such payment: (a) made before the confirmation of the Plan is reasonable; or (b) if it is to be fixed after confirmation of the Plan, is subject to the approval of the Bankruptcy Court for the determination of reasonableness;
- The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtors, an affiliate of the Debtors participating in the Plan with the Debtors, or a successor to the Debtors under the Plan. The appointment to, or continuance in, such office by such individual, will be consistent with the interests of creditors and equity security holders and with public policy and the Debtors will have disclosed the identity of any insider that the Reorganized Debtors will employ or retain, and the nature of any compensation for such insider;
- Either each Holder of an Impaired Claim will have accepted the Plan, or 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 amount that such Holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code;

- Each Class of Claims that is entitled to vote on the Plan will either have accepted the Plan or will not be Impaired under the Plan, or the Plan can be confirmed without the approval of such Voting Class pursuant to section 1129(b) of the Bankruptcy Code;

- Except to the extent that the Holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that Administrative Claims and Other Priority Claims will be paid in full in Cash on the Effective Date, or as soon thereafter as is reasonably practicable, and that Priority Tax Claims will be paid in accordance with section 1129(a)(9)(C) of the Bankruptcy Code;

- At least one Class of Impaired Claims will accept the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class;

- Confirmation of the Plan will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor thereto under the Plan; and

- All outstanding fees payable pursuant to section 1930 of title 28 of the United States Code will be paid when due.

1. Best Interests of Creditors Test/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provide, with respect to each class, that each holder of a claim or an equity interest in such class either (a) has accepted the plan or (b) will receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor or debtors are liquidated under chapter 7 of the Bankruptcy Code. To make these findings, the Bankruptcy Court must: (a) estimate the cash liquidation proceeds that a chapter 7 trustee would generate if the chapter 11 cases were converted to a chapter 7 case and the assets of the particular debtors' estate were liquidated; (b) determine the liquidation distribution that each non-accepting holder of a claim or an equity interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare such holder's liquidation distribution to the distribution under the chapter 11 plan that such holder would receive if the chapter 11 plan were confirmed.

In chapter 7 cases, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no junior class receiving any payments until all amounts due to senior classes have been paid in full: (a) holders of secured claims (to the extent of the value of their collateral); (b) holders of priority claims; (c) holders of unsecured claims; (d) holders of debt expressly subordinated by its terms or by order of the bankruptcy court; and (e) holders of equity interests.

Accordingly, the Cash amount that would be available for satisfaction of claims (other than secured claims) would consist of the proceeds resulting from the disposition of the unencumbered assets of the debtors, augmented by the unencumbered Cash held by the debtors at the time of the commencement of the liquidation. Such Cash would be reduced by the amount of the costs and expenses of the liquidation and by such additional administrative and priority claims that may result from termination of the debtor's business and the use of chapter 7 for purposes of a liquidation.

As described in more detail in the liquidation analysis attached hereto as **Exhibit E** (the "**Liquidation Analysis**"), the Debtors believe that confirmation of the Plan will provide each Holder of an Allowed Claim or Equity Interest in each Class with a recovery greater than or equal to the value of any distributions if the Chapter 11 Cases were converted to a case under chapter 7 of the Bankruptcy Code because, among other reasons, proceeds received in a chapter 7 liquidation are likely to be significantly discounted due to the distressed nature of the sale of the Debtors' assets and the fees and expenses of a chapter 7 trustee would likely further reduce Cash available for distribution. In addition, distributions in a chapter 7 case may not occur for a longer period of time than distributions under the Plan, thereby reducing the present value of such distributions. In this regard, it is possible that distribution of the proceeds of a liquidation could be delayed for a significant period while the chapter 7 trustee and its advisors become knowledgeable about, among other things, the

Chapter 11 Cases and the Claims against the Debtors. As set forth in the Liquidation Analysis, Holders of Claims in Class 1 would receive less in a chapter 4 liquidation than under the Plan. Accordingly, the Plan satisfies the requirements of section 1129(a)(7) of the Bankruptcy Code with respect to such Classes.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that the bankruptcy court find that confirmation is not likely to be followed by the liquidation of the Reorganized Debtors or the need for further financial reorganization, unless the plan contemplates such liquidation. For purposes of demonstrating that the Plan meets this "feasibility" standard, the Debtors have analyzed the ability of the Reorganized Debtors to meet their obligations under the Plan and to retain sufficient liquidity and capital resources to conduct their businesses.

The Debtors believe that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed the ability of the Reorganized Debtors to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. Financial projections of the Reorganized Debtors for the twelve months ending 8/31/2019 and for the twelve months ending 8/31/2020 and 8/31/2021, along with the Debtors' consolidated historical financial statements for the year ending 12/31/2017 (the "**Historical Financials and Financial Projections**") are attached hereto as **Exhibit D**.

The Debtors believe that confirmation and consummation is not likely to be followed by the liquidation or further reorganization of the Reorganized Debtors. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code.

THE FINANCIAL PROJECTIONS, INCLUDING THE UNDERLYING ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN. WHILE THE DEBTORS BELIEVE THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED.

THE FINANCIAL PROJECTIONS HAVE NOT BEEN EXAMINED OR COMPILED BY INDEPENDENT ACCOUNTANTS. THE DEBTORS MAKE NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR THEIR ABILITY TO ACHIEVE THE PROJECTED RESULTS. MANY OF THE ASSUMPTIONS ON WHICH THE PROJECTIONS ARE BASED ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. INEVITABLY, SOME ASSUMPTIONS WILL NOT MATERIALIZE AND UNANTICIPATED EVENTS AND CIRCUMSTANCES MAY AFFECT THE ACTUAL FINANCIAL RESULTS. THEREFORE, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PERIOD OF THE FINANCIAL PROJECTIONS MAY VARY FROM THE PROJECTED RESULTS AND THE VARIATIONS MAY BE MATERIAL. ALL HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN ARE URGED TO EXAMINE CAREFULLY ALL OF THE ASSUMPTIONS ON WHICH THE FINANCIAL PROJECTIONS ARE BASED IN CONNECTION WITH THEIR EVALUATION OF THE PLAN.

BASED ON THE FINANCIAL PROJECTIONS SET FORTH IN EXHIBIT D HERETO, THE DEBTORS BELIEVE THAT THEY WILL BE ABLE TO MAKE ALL DISTRIBUTIONS AND PAYMENTS UNDER THE PLAN AND THAT CONFIRMATION OF THE PLAN IS NOT LIKELY TO BE FOLLOWED BY LIQUIDATION OF THE REORGANIZED DEBTORS OR THE NEED FOR FURTHER FINANCIAL REORGANIZATION OF THE REORGANIZED DEBTORS.

3. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or equity interests that is impaired under a plan accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is "impaired" unless the plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; (b) cures any default and reinstates the original terms of such obligation; or (c) provides that, on the consummation date, the holder of such claim or equity interest receives Cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds (2/3) in amount and a majority in number actually voting cast their ballots in favor of acceptance.

Claims in Classes 2, 3, and 8 are not Impaired under the Plan, and, as a result, the Holders of such Claims and Equity Interests are deemed to have accepted the Plan. Accordingly, the Debtors are not required to solicit their vote.

Claims in Classes 1 and 4 are Impaired under the Plan, and as a result, the Holders of Claims in Classes 1 and 4 are entitled to vote on the Plan. Pursuant to section 1129 of the Bankruptcy Code, the Holders of Claims in the Voting Classes must accept the Plan for the Plan to be confirmed without application of the "fair and equitable test" to Classes 1 and 4 and without considering whether the Plan "discriminates unfairly" with respect to Classes 1 and 4, as both standards are described herein. As explained above, each of Classes 1 and 4 will have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in amount and a majority in number of the Claims of Classes 1 and 4, as applicable (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

4. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if less than all impaired classes entitled to vote on the plan have accepted it, provided that the plan has been accepted by at least one impaired class of claims. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired Class's rejection of the Plan, the Plan will be confirmed, at the Debtors' request, in a procedure commonly known as "cram down," so long as the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to each Class of Claims or Equity Interests that is impaired under, and has not accepted, the Plan.

5. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

6. Fair and Equitable Test

This test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in

such class. As to the dissenting class, the test sets different standards depending on the type of claims or equity interests in such class:

- Secured Claims. The condition that a plan be "fair and equitable" to a non-accepting class of secured claims includes the requirements that: (a) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (b) each holder of a secured claim in the class receives deferred Cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens.

- Unsecured Claims. The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the following requirement that either: (a) the plan provides 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) the holder of any claim or any 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 junior equity interest any property.

- Equity Interests. The condition that a plan be "fair and equitable" to a non-accepting class of equity interests includes the requirements that either:

  - the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, equal to the greater of: (a) the allowed amount of any fixed liquidation preference to which such holder is entitled; (b) any fixed redemption price to which such holder is entitled; or (c) the value of such interest; or

  - if the class does not receive the amount required in the paragraph directly above, no class of equity interests junior to the non-accepting class may receive a distribution under the plan.

As noted above, the Debtors will seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code, to the extent applicable. To the extent that any of the Voting Classes vote to reject the Plan, the Debtors reserve the right to seek (a) confirmation of the Plan under section 1129(b) of the Bankruptcy Code and/or (b) modify the Plan in accordance with Article XII.D of the Plan.

The Debtors do not believe that the Plan discriminates unfairly against any Impaired Class of Claims or Equity Interests. The Debtors believe that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for non-consensual confirmation of the Plan.

D. CONSUMMATION OF THE PLAN

The Plan will be consummated on the Effective Date. For a more detailed discussion of the conditions precedent to the consummation of the Plan and the impact of failure to meet such conditions, see Article IX.B of the Plan.

VI.
PLAN-RELATED RISK FACTORS

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS THAT ARE IMPAIRED SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THESE RISK FACTORS ARE MANY, THESE FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS PRESENT IN

CONNECTION WITH THE DEBTORS' BUSINESSES, THE PLAN OR THE IMPLEMENTATION OF THE PLAN.

A. CERTAIN BANKRUPTCY LAW CONSIDERATIONS

1. Parties in Interest May Object to the Debtors' Classification of Claims and Equity Interests.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. The Debtors May Fail to Satisfy the Vote Requirement.

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

3. The Debtors May Not Be Able to Secure Confirmation of the Plan.

As discussed above, section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, findings by the bankruptcy court that: (a) such plan does not "unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that the Disclosure Statement, the balloting procedures and voting results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation were not met, including the requirement that the terms of the Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes.

Section 1129(b)(1) of the Bankruptcy Code provides that, in the event an impaired class does not vote in favor of a plan, but all other requirements of section 1129(a) are satisfied, the Bankruptcy Court may only confirm such a plan if it "does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan." There can be no assurance, however, that the Bankruptcy Court will find that the Plan satisfies the requirements of section 1129(b)(1) of the Bankruptcy Code.

Confirmation of the Plan is also subject to certain conditions as described in Article IX of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims and Equity Interests would receive with respect to their Allowed Claims or Equity Interests.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for confirmation. Any such modifications could result in less favorable treatment of any non-accepting Class, as well as any Classes junior to such non-accepting Class, than the treatment currently provided in the Plan. Such less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

4. Non-Consensual Confirmation of the Plan May Be Necessary.

In the event that any impaired class of claims or equity interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm such a plan at the proponents' request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such non-consensual confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, in the event that the Voting Classes do not accept the Plan, there can be no assurance that the Bankruptcy Court will reach this conclusion.

5. The Debtors May Object to the Amount or Classification of a Claim.

Except as otherwise provided in the Plan, the Debtors and Reorganized Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim where such Claim is or may become subject to an objection. Any Holder of a Claim that is or may become subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

6. Risk of Conversion to Cases Under Chapter 7 of the Bankruptcy Code.

If no plan can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of the Debtors' creditors, any or all of the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in no distributions being made to unsecured creditors and Debtors' equity security holders and smaller distributions being made to the Debtors' secured lenders than those provided for in the Plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time, rather than the Debtors' businesses being reorganized as a going concern; (b) additional administrative expenses involved in the appointment of a trustee; and (c) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation, and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations.

7. The Effective Date May Not Occur.

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place. Although the Debtors believe that the Effective Date may occur shortly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

8. Contingencies May Affect Votes of the Voting Classes to Accept or Reject the Plan.

The distributions available to Holders of Allowed Claims and Equity Interests under the Plan can be affected by a variety of contingencies. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims and Equity Interests under the Plan, will not affect the validity of the vote taken by the Voting Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

9. The Debtors Cannot State with Certainty What Recovery Will be Available to Holders of Allowed Claims.

The estimated Claims and creditor recoveries set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated amounts contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time the number or amount of Claims that will ultimately be Allowed. Accordingly, because certain Claims under the Plan will be paid on a Pro Rata basis, the Debtors cannot state with certainty what recoveries will be available to Holders of Allowed Claims.

10. Releases, Injunctions, and Exculpation Provisions May Not Be Approved.

Article X of the Plan provides for certain releases by the Debtors, the Reorganized Debtors and their Estates of, among others, the Debtors, the Reorganized Debtors, Omega, and the Plan Sponsor, including their respective Affiliates, current and former officers, directors, principals, employees, shareholders, and members. The Debtor Releases do not apply to Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct, actual fraud, or gross negligence. Article X.E of the Plan also includes an Exculpation provision. Creditors voting on the Plan are entitled to affirmatively opt out of the Third Party Release contained in Article X of the Plan.

However, such releases, injunctions, and exculpations are subject to objection by parties in interest and may not be approved. The Committee has raised objections with respect to the releases and does not believe that they are in the best interests of creditors. The Debtors disagree and, as stated above, believe that absent the releases, the Debtors would not have support for the Plan from certain of its key constituents, including the Plan Sponsor.

B. RISK FACTORS THAT COULD NEGATIVELY IMPACT THE REORGANIZED DEBTORS' BUSINESS OR AFFECT THE VALUE OF SECURITIES TO BE ISSUED UNDER THE PLAN AND/OR RECOVERIES UNDER THE PLAN

1. Competition

SNFs face a high level of competition and the Reorganized Debtors will compete with numerous other companies providing similar healthcare and rehabilitation services. There is no assurance that the Reorganized Debtors will be able to compete successfully and their reputation will develop and continue. Accordingly, the Debtors cannot predict what effect competitive pressures will have on the business going forward.

2. Government Regulation

The healthcare industry is heavily regulated by state and federal authorities. Each state in which the Debtors has different regulations. The Debtors are required to satisfy the regulations of each state where its facilities are located. Additionally, the Debtors and the Reorganized Debtors are required to comply with certain regulatory requirements to implement the transactions contemplated by the Plan and such transactions may require certain regulatory approval. Regulation of the healthcare industry is constantly evolving. State regulations may in the future adopt new laws, regulations, and/or policies regarding a wide variety of matters related to the healthcare industry, which could directly or indirectly affect the operation, management, and/or

ownership of the Facilities. The Debtors are unable to predict the content of any new regulations that may affect the Business or what impact new regulations may have on the Business, including future financial performance.

3. The Valuation of the Reorganized Debtors May Not Be Adopted by the Bankruptcy Court.

Parties in interest in these Chapter 11 Cases may oppose confirmation of the Plan by alleging that the value of the Reorganized Debtors is higher than estimated by the Debtors and that the Plan thereby improperly limits or extinguishes their rights to recoveries under the Plan. At the Confirmation Hearing, the Bankruptcy Court will hear evidence regarding the views of the Debtors and opposing parties, if any, with respect to the valuation of the Reorganized Debtors. Based on that evidence, the Bankruptcy Court will determine the appropriate valuation for the Reorganized Debtors for purposes of the Plan.

4. The Estimated Valuation of the Reorganized Debtors, the New Equity Interests, the Plan Securities, and the Estimated Recoveries to Holders of Allowed Claims and Equity Interests Are Not Intended to Represent the Private or Public Sale Values.

The Debtors' estimated recoveries to Holders of Allowed Claims are not intended to represent the private or public sale values of the Reorganized Debtors' securities. The estimated recoveries are based on numerous assumptions (the realization of many of which is beyond the control of Reorganized Debtors), including, without limitation: (a) the successful reorganization of the Debtors; (b) an assumed date for the occurrence of the Effective Date; (c) the Debtors' ability to achieve the operating and financial results included in the Financial Projections; and (d) the Debtors' ability to maintain adequate liquidity to fund operations.

5. The Reorganized Debtors May Not Be Able to Achieve Projected Financial Results or Service Their Debt.

Although the Financial Projections represent the Debtors' view based on current known facts and assumptions about the future operations of the Reorganized Debtors there is no guarantee that the Financial Projections will be realized. The Reorganized Debtors may not be able to meet their projected financial results or achieve projected revenues and Cash flows assumed in projecting future business prospects. To the extent the Reorganized Debtors do not meet their projected financial results or achieve projected revenues and Cash flows, the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, may be unable to service their debt obligations as they come due, or may not be able to meet their operational needs. Any one of these failures may preclude the Reorganized Debtors from, among other things: (a) taking advantage of future opportunities; (b) growing their businesses; or (c) responding to future changes in the merchant power industry. Further, a failure of the Reorganized Debtors to meet their projected financial results or achieve projected revenues and cash flows could lead to cash flow and working capital constraints, which constraints may require the Reorganized Debtors to seek additional working capital. The Reorganized Debtors may not be able to obtain such working capital when it is required.

6. The Plan Sponsor Will Control the Reorganized Debtors.

Consummation of the Plan and the effectuation of the New Governance Documents will result in the Plan Sponsor acquiring all of the New Equity Interests. Accordingly, the Plan Sponsor will exercise a controlling influence over the business and affairs of the Reorganized Debtors.

7. Transfer Restrictions

The interests to be issued pursuant to the terms of the Plan have not been, nor will they be, registered under the Securities Act, or any state or blue sky securities laws. The interests cannot be transferred without registration under the Securities Act or, if applicable, the securities laws of any state or other jurisdiction, unless such a transaction is exempt from registration.

C. RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS

1. The Financial Information Contained Herein Is Based on the Debtors' Books and Records and, Unless Otherwise Stated, No Audit Was Performed.

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

2. Financial Projections and Other Forward-Looking Statements Are Not Assured, Are Subject to Inherent Uncertainty Due to the Numerous Assumptions Upon Which They Are Based and, as a Result, Actual Results May Vary.

This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtors' operations, including the Financial Projections, that are, by their nature, forward-looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be different from the Financial Projections.

Specifically, the projected financial results contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of confirmation and consummation of the Plan in accordance with its terms; (b) the anticipated future performance of the Reorganized Debtors, including, without limitation, the Reorganized Debtors' ability to maintain or increase revenue and gross margins, control future operating expenses or make necessary capital expenditures; (c) general business and economic conditions; (d) overall industry performance and trends; and (e) anticipated future commodity prices.

DUE TO THE INHERENT UNCERTAINTIES ASSOCIATED WITH PROJECTING FINANCIAL RESULTS GENERALLY, THE PROJECTIONS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSIDERED ASSURANCES OR GUARANTEES OF THE AMOUNT OF FUNDS OR THE AMOUNT OF CLAIMS THAT MAY BE ALLOWED IN THE VARIOUS CLASSES. WHILE THE DEBTORS BELIEVE THAT THE FINANCIAL PROJECTIONS CONTAINED IN THIS DISCLOSURE STATEMENT ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT THEY WILL BE REALIZED.

D. DISCLOSURE STATEMENT DISCLAIMER

1. The Information Contained Herein Is for Soliciting Votes Only.

The information contained in this Disclosure Statement is for purposes of soliciting votes on the Plan and may not be relied upon for any other purpose.

2. This Disclosure Statement Was Not Approved by the Securities and Exchange Commission.

This Disclosure Statement has not been filed with the Securities and Exchange Commission or any state regulatory authority. Neither the Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

3. The Debtors Relied on Certain Exemptions from Registration Under the Securities Act.

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Rule 3016(b) of the Federal Rules of Bankruptcy Procedure and is not necessarily in accordance with the requirements of federal or state securities laws or other similar laws. All shares of New Equity Interests issued to Holders of Claims on account of their respective Claims will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance on section 1145(a) of the Bankruptcy Code or section 4(a)(2) of the Securities Act. To the maximum extent permitted by section 1145 of the Bankruptcy Code, the Securities Act and other applicable non-bankruptcy law, the distribution and issuance, as applicable, of the Plan Securities and Documents will be exempt from registration under the Securities Act by virtue of section 1145 of the Bankruptcy Code or section 4(a)(2) of the Securities Act.

4. This Disclosure Statement Contains Forward-Looking Statements.

This Disclosure Statement contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. The liquidation analysis, distribution projections and other information contained herein and attached hereto are estimates only, and the timing and amount of actual distributions to Holders of Allowed Claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

5. No Legal or Tax Advice Is Provided to You by this Disclosure Statement.

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Equity Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

6. No Admissions Are Made by This Disclosure Statement.

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, any Debtor) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, Holders of Allowed Claims or Equity Interests or any other parties in interest.

7. No Reliance Should be Placed on any Failure to Identify Litigation Claims or Projected Objections.

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtors may seek to investigate, file and prosecute Claims or causes of action and may object to Claims after the Confirmation Date or Effective Date of the Plan irrespective of whether the Disclosure Statement identifies such Claims, causes of action or objections to Claims.

8. Nothing Herein Constitutes a Waiver of any Right to Object to Claims or Recover Transfers and Assets.

The vote by a Holder of an Allowed Claim for or against the Plan does not constitute a waiver or release of any Claims or rights of the Debtors or the Reorganized Debtors (or any party in interest, as the case may be) to object to that Holder's Allowed Claim or recover any preferential, fraudulent or other voidable

transfer or assets, regardless of whether any Claims or Causes of Action of the Debtors or its Estate are specifically or generally identified herein.

9. The Information Used Herein Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors.

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

10. The Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update.

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

11. No Representations Made Outside the Disclosure Statement Are Authorized.

No representations concerning or relating to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to counsel to the Debtors and the United States Trustee.

VII.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE

If the Plan or an alternative chapter 11 plan of reorganization cannot be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which case, a trustee would be elected or appointed to liquidate the Debtors' assets. A discussion of the effect a chapter 7 liquidation would have on the recovery of Holders of Claims is set forth in Section V.C herein, titled "Statutory Requirements for Confirmation of the Plan." The Debtors believe that liquidation under chapter 7 would result in (i) smaller or equal distributions being made to creditors entitled to a recovery than those provided for in the Plan based on the liquidation value of the Debtors' assets and because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee, (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of unexpired leases and executory contracts in connection with the cessation of the Debtors' operations, and (iii) the failure to realize the greater, going-concern value of all of the Debtors' assets.

B. FILING OF AN ALTERNATIVE PLAN OF REORGANIZATION

If the Plan is not confirmed, the Debtors or any other party in interest could attempt to formulate a different chapter 11 plan of reorganization. Such a plan might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of the Debtors' assets. As discussed above, during the

negotiations prior to the filing of the Chapter 11 Cases and the Plan, the Debtors explored various alternatives to the Plan.

The Debtors believe that the Plan enables the Debtors to emerge from chapter 11 successfully and expeditiously, preserving their businesses and allowing their creditors to realize the highest recoveries under the circumstances. In a liquidation under chapter 11 of the Bankruptcy Code, the assets of the Debtors would be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, and a trustee need not be appointed. Accordingly, creditors would receive greater recoveries than in a chapter 7 liquidation. Although a chapter 11 liquidation is preferable to a chapter 7 liquidation, the Debtors believe that a liquidation under chapter 11 is a much less attractive alternative to creditors than the Plan because the Plan provides for a greater return to creditors.

The prolonged continuation of the Chapter 11 Cases is likely to adversely affect the Debtors' businesses and operations. Among other things, the longer the Chapter 11 Cases continue, the more likely it is that the Debtors' vendors and service providers will lose confidence in the Debtors' ability to reorganize their businesses successfully and will seek to establish alternative commercial relationships. Furthermore, so long as the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the proceedings. In addition, the Debtors may no longer be permitted to use cash collateral on a consensual basis. Under these circumstances, it is unlikely the Debtors could successfully reorganize without damage to their business operations and material decreases in recoveries for creditors.

VIII.
EXEMPTIONS FROM SECURITIES ACT REGISTRATION

SECTION 1145 OF THE BANKRUPTCY CODE AND SECTION 4(A)(2) OF THE SECURITIES ACT

All shares of New Equity Interests issued to the Plan Sponsor will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance on section 1145(a) of the Bankruptcy Code (or to the extent required, in reliance on section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder).

1. Securities Issued in Reliance on Section 1145 of the Bankruptcy Code.

Under the Plan, the Plan Securities and Documents will be issued to the Plan Sponsor in reliance upon section 1145(a)(1) of the Bankruptcy Code (collectively, the "**1145 Securities**"). Section 1145(a)(1) of the Bankruptcy Code provides that the securities registration requirements of federal and state securities laws do not apply to the offer or sale of a security by a debtor if:

- the offer or sale occurs under a plan of reorganization;
- the recipients of such security hold a claim against, an interest in or claim for administrative expense in the case concerning the debtor; and
- such security is offered in exchange for a claim against, an interest in or claim for administrative expense in the case concerning the debtor, or is offered principally in such exchange and partly for cash and property.

2. Resale of 1145 Securities.

Pursuant to section 1145(c) of the Bankruptcy Code, an offer or sale of the 1145 Securities is deemed to be a public offering. The 1145 Securities may be resold without registration under either (a) state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the several states or (b) the Securities Act pursuant to an exemption provided by section 4(a)(1) of the Securities Act, unless the holder is

an "underwriter" (as such term is defined in the Bankruptcy Code) with respect to the 1145 Securities. Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any person who:

- purchases a claim against, an interest in, or a claim for an administrative expense in the case concerning the debtor, if such purchase is with a view to distributing any security received in exchange for such a claim or interest;
- offers to sell securities offered under a plan of reorganization for the holders of such securities;
- offers to buy those securities from the holders of the securities, if the offer to buy is (i) with a view to distributing such securities and (ii) under an agreement made in connection with the plan of reorganization, the completion of the plan of reorganization or with the offer or sale of securities under the plan of reorganization; or
- is an issuer with respect to the securities, as the term "issuer" is defined in the Securities Act.

The term "issuer" is defined in section 2(a)(4) of the Securities Act; however, the reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(a)(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by or are under common control with, an issuer of securities. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "control person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of the securities of a reorganized debtor may be presumed to be a "control person."

3. Resale of the 1145 Securities by "Underwriters".

Resales by persons who receive any Plan Securities who are deemed to be "underwriters" (as such term is defined in the Bankruptcy Code) (collectively, the "**Restricted Holders**") would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act. Restricted Holders would, however, be permitted to sell the New Equity Interests or the other 1145 Securities, as applicable, without registration if they are able to comply with the provisions of Rule 144 under the Securities Act, as described further below, or if such securities are registered with the Securities and Exchange Commission pursuant to a registration agreement or otherwise. Any person who is an "underwriter" but not an "issuer" with respect to an offer of the 1145 Securities is, in addition, entitled to engage in exempt "ordinary trading transactions" within the meaning of section 1145(b)(1) of the Bankruptcy Code.

4. Resale of Plan Securities Issued Pursuant to Section 4(a)(2).

Plan Securities issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be "restricted securities." Resales of such restricted securities would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Holders of restricted securities would, however, be permitted to resell such Plan Securities without registration if they are able to comply with the applicable provisions of Rule 144, as described further below, or any other registration exemption under the Securities Act, or if such Plan Securities are registered with the Securities and Exchange Commission.

5. Rule 144.

Under certain circumstances, Restricted Holders and holders of "restricted securities" may be entitled to resell their securities pursuant to the limited safe harbor resale provisions under Rule 144 of the Securities Act, to the extent available and in compliance with applicable state and foreign securities laws.

Rule 144 provides an exemption for the public resale of "restricted securities" if certain conditions are met. These conditions vary depending on whether the holder of the restricted securities is an affiliate of the issuer. An affiliate is defined as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer."

A non-affiliate who has not been an affiliate of the issuer during the preceding three months may resell restricted securities after a six-month holding period if at the time of the sale there is available certain current public information regarding the issuer, and may sell the securities after a one-year holding period whether or not there is current public information regarding the issuer. Adequate current public information is available for a reporting issuer if the issuer has been required to and has filed all periodic reports required under section 13 or 15(d) of the Securities Exchange Act of 1934 during the twelve months preceding the sale of the restricted securities. If the issuer is a non-reporting issuer, adequate current public information is available if certain information about the issuer is made publicly available. The Debtors currently expect that the Reorganized Debtors will not be required to file periodic reports under the Exchange Act and that resales by non-affiliates will be permitted by Rule 144 only after the twelvemonth holding period expires.

An affiliate may resell restricted securities after the twelve-month holding period. However, an affiliate must also comply with the volume, manner of sale and notice requirements of Rule 144. First, the rule limits the number of restricted securities (plus any unrestricted securities) sold for the account of an affiliate (and related persons) in any three-month period to the greater of 1% of the outstanding securities of the same class being sold, or, if the class is listed on a stock exchange, the greater of 1% of the average weekly reported volume of trading in such restricted securities during the four weeks preceding the filing of a notice of proposed sale on Form 144. Second, the manner of sale requirement provides that the restricted securities must be sold in a broker's transaction, which generally means they must be sold through a broker and handled as a routine trading transaction. The broker must receive no more than the usual commission and cannot solicit orders for the sale of the restricted securities except in certain situations. Third, if the sale exceeds 5,000 restricted securities or has an aggregate sale price greater than $50,000, an affiliate must file with the SEC three copies of a notice of proposed sale on Form 144. The sale must occur within three months of filing the notice unless an amended notice is filed.

The Debtors believe that the Rule 144 exemption will not be available with respect to any Plan Securities issued pursuant to section 4(a)(2) of the Securities Act (whether held by non-affiliates or affiliates) until at least twelve months after the Effective Date. Accordingly, holders of such Plan Securities will be required to hold their Plan Securities for at least twelve months and, thereafter, to sell them only in accordance with the applicable requirements of Rule 144.

Pursuant to the Plan, certificates evidencing Plan Securities issued pursuant to section 4(a)(2) of the Securities Act will bear a legend substantially in the form below (the "**Legend**"):

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS ("**STATE ACTS**") AND MAY NOT BE SOLD, ASSIGNED, PLEDGED OR TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR STATE ACTS COVERING SUCH SECURITIES OR THE SECURITIES ARE SOLD AND TRANSFERRED IN A TRANSACTION THAT IS EXEMPT FROM OR NOT SUBJECT TO THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT OR STATE ACTS."

WHETHER OR NOT ANY PARTICULAR PERSON WOULD BE DEEMED TO BE AN "UNDERWRITER" OF SECURITIES TO BE ISSUED PURSUANT TO THE PLAN OR AN "AFFILIATE" OF REORGANIZED PARENT WOULD DEPEND UPON VARIOUS FACTS AND CIRCUMSTANCES APPLICABLE TO THAT PERSON. ACCORDINGLY, THE DEBTORS EXPRESS NO VIEW AS TO WHETHER ANY SUCH PERSON WOULD BE SUCH AN "UNDERWRITER" OR AN "AFFILIATE." IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE OF REORGANIZED PARENT, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES OF REORGANIZED PARENT. ACCORDINGLY, THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

Additionally, any of the 1145 Securities held by an identified Restricted Holder will be subject to bear the Legend on any certificates evidencing such 1145 Securities.

IX.
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. IN GENERAL

The following discussion summarizes certain U.S. federal income tax considerations with respect to the consummation of the Plan. This discussion does not address all U.S. federal income tax consequences of the consummation of the Plan, nor does it address any tax consequences other than U.S. federal income tax consequences, such as any consequences arising under any state, local or foreign tax laws. This discussion is based on the current provisions of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), applicable Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the Internal Revenue Service (the "**IRS**"). No ruling from the IRS has been sought or will be sought, nor will any opinion of counsel be rendered, regarding the U.S. federal income tax consequences discussed below. No assurance can be given that the IRS will not take a contrary position as to the U.S. federal income tax consequences of the consummation of the Plan, or that any such contrary position would not be sustained by a court.

Changes in legislative, judicial or administrative authority or interpretations may occur and may be prospective or retroactive in application. Any such changes could affect the U.S. federal income tax consequences to Holders, any other beneficial owners of Claims, the Debtors or the Reorganized Debtors, and could alter or modify the statements and conclusions set forth herein. No prediction can be made at this time whether any tax legislation will be enacted or, if enacted, whether any changes in the U.S. federal income tax laws would affect the tax consequences of the consummation of the Plan described herein.

The following discussion provides general information only and is limited to U.S. federal income tax consequences to the Holders that are entitled to vote on the Plan with respect to their Claims in Class 1 and Claims in Class 4. This discussion assumes that Holders hold their Claims as capital assets within the meaning of Section 1221 of the Tax Code (generally, property held for investment) and that all Claims denominated as indebtedness are properly treated as indebtedness for U.S. federal income tax purposes. The U.S. federal income tax consequences to any particular Holder will depend on such Holder's particular situation. This discussion does not address all U.S. federal income tax considerations that may be relevant to a Holder, including any alternative minimum tax consequences, and does not address the U.S. federal income tax consequences to a Holder whose Claim is resolved in a manner not explicitly provided for in the Plan. This discussion also does not address the U.S. federal income tax consequences to Holders subject to special rules under the U.S. federal income tax laws, including, without limitation, financial institutions, insurance companies, dealers in securities or currencies, certain securities traders, tax-exempt organizations, tax-qualified retirement plans, foreign corporations, foreign trusts, foreign estates, Holders who are not citizens or residents of the United States, Holders that hold their Claims as part of a straddle, hedge, conversion, synthetic security or other integrated instrument, Holders whose functional currency is not the U.S. dollar and Holders that acquired their Claims in connection with the performance of services.

If an entity or other arrangement treated as a partnership for U.S. federal income tax purposes holds Claims, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of any such partnerships should consult their tax advisors.

EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE CONSUMMATION OF THE PLAN, AS WELL AS ANY TAX CONSEQUENCES OTHER THAN U.S. FEDERAL INCOME TAX CONSEQUENCES, INCLUDING ANY CONSEQUENCES ARISING UNDER STATE, LOCAL OR FOREIGN TAX LAWS.

B. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF EXCHANGES OF CLAIMS IN CLASSES 1 AND 4 PURSUANT TO THE PLAN

The tax treatment of Holders of Claims in Classes 1 and 4 pursuant to the Plan, including the character, timing and amount of any gain or loss recognized as a result of the consummation of the Plan, will

depend on a number of factors, including (i) the nature and origin of the Claim, (ii) the tax status of the Holder of the Claim, (iii) the manner in which the Holder acquired the Claim, (iv) how long the Holder has held the Claim, (v) whether the Holder previously claimed a loss, bad debt deduction or other similar deduction with respect to the Claim and (vi) whether the Claim was acquired at a discount. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO THEM IN LIGHT OF THEIR PARTICULAR SITUATIONS.

1. Claims in Class 1.

The consideration to be received by Holders of Claims in Class 1 is cash in exchange for their Claims in Class 1, in addition to consideration provided under the Omega Compromise. The Holders would generally recognize gain or loss equal to the excess amount of cash received and the fair market value of consideration provided under the Omega Compromise over the Holder's adjusted tax basis in its Claims in Class 1. As discussed below, in certain circumstances all or a portion of any such gain could be treated as ordinary income under the rules relating to accrued interest, accrued original issue discount or market discount. Depending on the proper tax treatment, Holders of Claims in Class 1 may or may not recognize gain (or loss) for U.S. federal income tax purposes at the time of the exchange. Holders of Claims in Class 1 should consult their own tax advisors regarding the potential consequences of an exchange of their Claims in Class 1 pursuant to the Plan.

2. Claims in Class 4.

The consideration to be received by Holders of Claims in Class 4 is cash in exchange for their Claims in Class 4. The Holders would generally recognize gain or loss equal to the difference between the amount of cash received and the Holder's adjusted tax basis in its Claims in Class 4. As discussed below, in certain circumstances all or a portion of any such gain could be treated as ordinary income under the rules relating to accrued interest, accrued original issue discount or market discount. Depending on the proper tax treatment, Holders of Claims in Class 4 may or may not recognize gain (or loss) for U.S. federal income tax purposes at the time of the exchange. Holders of Claims in Class 4 should consult their own tax advisors regarding the potential consequences of an exchange of their Claims in Class 4 pursuant to the Plan.

3. Accrued and Unpaid Interest or Original Issue Discount.

In general, to the extent any consideration received by a Holder pursuant to the Plan is allocable to accrued but unpaid interest or to original issue discount that accrued during such Holder's holding period, such amount will be taxable to the Holder as ordinary interest income (to the extent not previously included in the Holder's gross income). Pursuant to the Plan, all distributions in respect of Claims may be treated as allocated first to the principal amount of such Claims, with any excess allocated to any accrued but unpaid interest. However, there is no assurance that such allocation will be respected by the IRS for U.S. federal income tax purposes. If the IRS were to determine that all or a portion of such distributions should be allocated to accrued but unpaid interest, a Holder could be required to recognize ordinary interest income (to the extent not previously included as interest in the Holder's gross income).

4. Market Discount.

If a Holder acquired interests in the Prepetition Credit Agreement and/or interests in another debt instrument with market discount, then any gain recognized by a Holder on a taxable exchange of Claims arising out of such interests generally would be ordinary income to the extent of the market discount that accrued thereon during the Holder's holding period, unless the Holder previously elected to include the market discount in income as it accrued. The rules regarding market discount are complex and subject to certain exceptions, and Holders should discuss with their tax advisors regarding the potential consequences of these rules.

5. Information Reporting and Backup Withholding.

The Reorganized Debtors (or an agent or payor acting on their behalf) may be obligated to provide information returns to Holders and/or to the IRS in connection with payments made to Holders and other transactions occurring pursuant to the Plan.

A Holder may also be subject to backup withholding with respect to payments received pursuant to the Plan, unless (i) such Holder is a corporation or otherwise exempt from backup withholding and demonstrates this fact when required or (ii) provides a correct U.S. federal taxpayer identification number, certifies under penalties of perjury that it is exempt from backup withholding and complies with other applicable requirements. A Holder that does not provide a correct taxpayer identification number or does not otherwise comply with the applicable requirements may be subject to penalties.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder's U.S. federal income tax liability, and Holders may obtain a refund of any excess amounts withheld by timely filing a proper claim for refund with the IRS.

C. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS

1. Cancellation of Debt Income.

Under the Tax Code, a U.S. taxpayer generally must include in gross income the amount of any cancellation of indebtedness ("**COD**") income recognized during the taxable year. COD income generally equals the excess of the adjusted issue price of the indebtedness discharged over the sum of (i) the amount of cash, (ii) the issue price of any new debt, and (iii) the fair market value of any other property (including stock) transferred by the debtor in satisfaction of such discharged indebtedness. COD income also includes any interest that has been previously accrued and deducted but remains unpaid at the time the indebtedness is discharged.

Section 108(a)(l)(A) of the Tax Code provides an exception to this rule, however, where a taxpayer is in bankruptcy and where the discharge is granted, or is effected pursuant to a plan approved, by the bankruptcy court. In such a case, instead of recognizing income, the taxpayer is required, under Section 108(b) of the Tax Code, to reduce certain of its tax attributes by the amount of COD income. The attributes of the taxpayer are to be reduced in the following order: current year Net Operating Losses ("**NOLs**") and NOL carryovers, general business and minimum tax credit carryforwards, capital loss carryforwards, the basis of the taxpayer's assets, and finally, foreign tax credit carryforwards. The reduction in the foregoing tax attributes generally occurs after the calculation of a debtor's tax for the year in which the debt is discharged. Section 108(b)(5) of the Tax Code permits a taxpayer to elect to first apply the reduction to the basis of the taxpayer's depreciable assets, with any remaining balance applied to the taxpayer's other tax attributes in the order stated above. In addition to the foregoing, Section 108(e)(2) of the Tax Code provides a further exception to the realization of COD income upon the discharge of debt in that a taxpayer will not recognize COD income to the extent that the taxpayer's satisfaction of the debt would have given rise to a deduction for federal income tax purposes.

The Debtors may realize COD income as a result of the Plan. The ultimate amount of any COD income realized by the Debtors is uncertain because, among other things, it will depend on the fair market value of all debt and equity securities issued to holders of claims issued on the Effective Date.

2. Conveyance of Property by the Debtors in Cancellation of Debt.

In general, if a debtor conveys appreciated (or depreciated) property (i.e., property having an adjusted tax basis less (or greater) than its fair market value) to a creditor in cancellation of debt, the debtor must recognize taxable gain or loss (which may be ordinary income or loss, capital gain or loss, or a combination of each) equal to the excess or shortfall, respectively, of such fair market value over the debtor's adjusted tax basis in such property. However, the Debtors expect to not have any federal income tax liability arising from any transfers under the 9019 Settlement Order and as a result of consummation of the Plan since there should be

sufficient NOLs and NOL carryovers to offset any gain recognized as a result of transfers of appreciated property to creditors in cancellation of debt. Further, to the extent that the amount of the debt to be satisfied or discharged exceeds the fair market value of any property transferred to creditors in cancellation of that debt, this will result in COD income, which will be excluded from income pursuant to chapter 11. The amount of the COD excluded from income will reduce the NOL carryovers in a like amount as of the first day of the next taxable year following consummation of the Plan.

D. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS WITH RESPECT TO THE NEW EQUITY INTERESTS

Prior to the transfers of assets pursuant to the 9019 Settlement Order and the consummation of the Plan, the Debtors had NOL carryovers of approximately $156,200,000 as of December 31, 2016. Upon the issuance of the New Equity Interests to the Sponsor, the Reorganized Parent will undergo a "change of ownership" under Section 382 of the Tax Code. As a result, use of NOLs in the future will be limited to the recognized built in gains within 5 years of the ownership change date. Further, the amount of the NOL carryovers available after the transfer of assets pursuant to the 9019 Settlement Order and the consummation of the Plan has not been determined. Consequently, if all or portion of the remaining assets were sold or if the Reorganized Parent were liquidated and reconstituted as a partnership, the remaining NOLs may be insufficient to offset any resulting tax gain. The Debtors have not yet completed the audit related to tax year ending 2017, but the estimated NOL carryovers as of May 31, 2018 are approximately $224 million.

THE FOREGOING DISCUSSION OF CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE CONSUMMATION OF THE PLAN DESCRIBED HEREIN, AS WELL AS ANY OTHER TAX CONSEQUENCES, INCLUDING ANY TAX CONSEQUENCES ARISING UNDER STATE, LOCAL OR FOREIGN TAX LAWS. NEITHER THE PROPONENTS OF THE PLAN NOR THEIR PROFESSIONALS WILL HAVE ANY LIABILITY TO ANY PERSON ARISING FROM OR RELATED TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN OR ANY OTHER TAX CONSEQUENCES OF THE PLAN OR THE FOREGOING DISCUSSION.

X.
RECOMMENDATION

In the opinion of the Debtors, the Plan is preferable to the alternatives described in this Disclosure Statement because it provides for a larger distribution to the Debtors' creditors than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims than that which is proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan support confirmation of the Plan and vote to accept the Plan.

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Respectfully submitted,

/s/ Louis E. Robichaux IV
Debtors In Possession

By: Louis E. Robichaux IV
Title: Chief Restructuring Officer

Date: May 25, 2018

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Counsel for the Debtors

Exhibit A
(Sorted Alphabetically)

	Debtor Name	Case No.	EIN
1.	4 West Holdings, Inc.	18-30777	9732
2.	4 West Investors, LLC	18-30778	6021
3.	Aiken RE, LLC	18-30850	1814
4.	Ambassador Rehabilitation and Healthcare Center, LLC	18-30879	1636
5.	Anchor Rehabilitation and Healthcare Center of Aiken, LLC	18-30868	9448
6.	Anderson RE TX, LLC	18-30774	3630
7.	Anderson RE, LLC	18-30861	1806
8.	Ark II Real Estate, LLC	18-30840	3628
9.	Ark III Real Estate, LLC	18-30847	0121
10.	Ark Mississippi Holding Company, LLC	18-30788	3765
11.	Ark Real Estate, LLC	18-30809	6014
12.	Ark South Carolina Holding Company, LLC	18-30856	0002
13.	Ark Texas Holding Company, LLC	18-30806	3739
14.	Battle Ground RE, LLC	18-30825	1818
15.	Brushy Creek Rehabilitation and Healthcare Center, LLC	18-30884	3292
16.	Bryan RE, LLC	18-30775	3633
17.	Burleson RE, LLC	18-30759	1777
18.	Capstone Rehabilitation and Healthcare Center, LLC	18-30878	7871
19.	Charlottesville Pointe Rehabilitation and Healthcare Center, LLC	18-30801	4467
20.	Charlottesville RE, LLC	18-30829	0836
21.	Cleveland RE, LLC	18-30811	6013
22.	Clinton RE, LLC	18-30812	8109
23.	Cobblestone Rehabilitation and Healthcare Center, LLC	18-30869	1612
24.	Collierville RE, LLC	18-30841	8845
25.	Columbia RE, LLC	18-30815	8838
26.	Columbia Rehabilitation and Healthcare Center, LLC	18-30795	6772
27.	Comfort RE, LLC	18-30764	1902
28.	Connersville RE, LLC	18-30833	9824
29.	Corinth RE, LLC	18-30814	1777
30.	Cornerstone Rehabilitation and Healthcare Center, LLC	18-30800	8841
31.	Crystal Rehabilitation and Healthcare Center, LLC	18-30807	8842
32.	Delta Rehabilitation and Healthcare Center of Cleveland, LLC	18-30792	7212
33.	Descending Dove, LLC	18-30842	8081
34.	Diboll RE, LLC	18-30766	1939
35.	Easley RE II, LLC	18-30857	1819
36.	Easley RE, LLC	18-30854	1817
37.	Edgefield RE, LLC	18-30836	3574
38.	Farmville RE, LLC	18-30831	3442
39.	Farmville Rehabilitation and Healthcare Center, LLC	18-30804	4464
40.	Fleetwood Rehabilitation and Healthcare Center, LLC	18-30888	9615
41.	Fortress Health & Rehab of Rock Prairie, LLC	18-30765	1314
42.	Granbury RE, LLC	18-30769	1999
43.			

	Debtor Name	Case No.	EIN
	Great Oaks RE, LLC	18-30819	1731
44.	Great Oaks Rehabilitation and Healthcare Center, LLC	18-30780	4357
45.	Greenville RE II, LLC	18-30846	1798
46.	Greenville RE, LLC	18-30843	1797
47.	Greenville Rehabilitation and Healthcare Center, LLC	18-30882	3920
48.	Greenwood RE, LLC	18-30816	1654
49.	Greer RE, LLC	18-30839	1795
50.	Greer Rehabilitation and Healthcare Center, LLC	18-30859	9462
51.	Grenada RE, LLC	18-30821	1623
52.	Grenada Rehabilitation and Healthcare Center, LLC	18-30786	8843
53.	Heritage Park Rehabilitation and Healthcare Center, LLC	18-30787	9055
54.	Hillsville RE, LLC	18-30834	2195
55.	Hillsville Rehabilitation and Healthcare Center, LLC	18-30808	4463
56.	Holly Lane Rehabilitation and Healthcare Center, LLC	18-30797	9103
57.	Holly RE, LLC	18-30830	1816
58.	Holly Springs RE, LLC	18-30823	1559
59.	Holly Springs Rehabilitation and Healthcare Center, LLC	18-30789	6524
60.	Indianola RE, LLC	18-30822	6022
61.	Indianola Rehabilitation and Healthcare Center, LLC	18-30779	7203
62.	Italy RE, LLC	18-30761	2086
63.	Iva RE, LLC	18-30852	1801
64.	Iva Rehabilitation and Healthcare Center, LLC	18-30874	0384
65.	Johns Island Rehabilitation and Healthcare Center, LLC	18-30891	4898
66.	Joy of Bryan, LLC	18-30837	4072
67.	Lampstand Health & Rehab of Bryan, LLC	18-30767	2002
68.	Linley Park Rehabilitation and Healthcare Center, LLC	18-30890	0525
69.	Macon Rehabilitation and Healthcare Center, LLC	18-30880	9644
70.	Magnified Health & Rehab of Anderson, LLC	18-30773	9060
71.	Manna Rehabilitation and Healthcare Center, LLC	18-30863	9441
72.	Marietta RE, LLC	18-30867	1809
73.	McCormick RE, LLC	18-30864	1808
74.	McCormick Rehabilitation and Healthcare Center, LLC	18-30873	3193
75.	Memphis RE, LLC	18-30844	8846
76.	Midland RE, LLC	18-30832	5138
77.	Midland Rehabilitation and Healthcare Center, LLC	18-30799	9679
78.	Moultrie RE, LLC	18-30848	9943
79.	Mountain View Rehabilitation and Healthcare Center, LLC	18-30798	9227
80.	Natchez RE, LLC	18-30818	6019
81.	Natchez Rehabilitation and Healthcare Center, LLC	18-30803	6773
82.	New Ark Master Tenant, LLC	18-30885	7893
83.	New Ark Operator Holdings, LLC	18-30893	7623
84.	New Redeemer Health & Rehab of Pickens, LLC	18-30881	5321
85.	Olive Leaf Holding Company, LLC	18-30845	0129
86.	Olive Leaf, LLC	18-30866	0001
87.	Omega Health & Rehab of Greenville, LLC	18-30870	9461
88.	Orianna Health Systems, LLC	18-30785	5160
89.	Orianna Holding Company, LLC	18-30784	1323
90.			

	Debtor Name	Case No.	EIN
	Orianna Investment, Inc.	18-30781	1141
91.	Orianna SC Operator Holdings, Inc.	18-30871	0383
92.	Palladium Hospice and Palliative Care, LLC	18-30887	1873
93.	Patewood Rehabilitation and Healthcare Center, LLC	18-30865	9457
94.	Picayune RE, LLC	18-30827	9749
95.	Picayune Rehabilitation and Healthcare Center, LLC	18-30793	9183
96.	Pickens RE II, LLC	18-30862	1823
97.	Pickens RE, LLC	18-30860	1821
98.	Piedmont RE, LLC	18-30849	1800
99.	Poinsett Rehabilitation and Healthcare Center, LLC	18-30876	0713
100.	Poplar Oaks Rehabilitation and Healthcare Center, LLC	18-30813	4771
101.	Portland RE, LLC	18-30826	1822
102.	Provo RE, LLC	18-30835	3568
103.	Rainbow Rehabilitation and Healthcare Center, LLC	18-30802	4772
104.	River Falls Rehabilitation and Healthcare Center, LLC	18-30886	9788
105.	Riverside Rehabilitation and Healthcare Center, LLC	18-30883	3951
106.	Rock Prairie RE, LLC	18-30772	3636
107.	Rocky Mount RE, LLC	18-30838	5904
108.	Rocky Mount Rehabilitation and Healthcare Center, LLC	18-30810	4466
109.	Roy RE, LLC	18-30817	5142
110.	Scepter Rehabilitation and Healthcare Center, LLC	18-30872	1630
111.	Scepter Senior Living Center, LLC	18-30875	1621
112.	Simpsonville RE II, LLC	18-30858	1804
113.	Simpsonville RE, LLC	18-30855	1802
114.	Simpsonville Rehabilitation and Healthcare Center, LLC	18-30889	3564
115.	Snellville RE, LLC	18-30851	9933
116.	Southern Oaks Rehabilitation and Healthcare Center, LLC	18-30877	1141
117.	The Bluffs Rehabilitation and Healthcare Center, LLC	18-30796	9314
118.	The Ridge Rehabilitation and Healthcare Center, LLC	18-30892	1456
119.	Trinity Mission Health & Rehab of Connersville, LLC	18-30805	8787
120.	Trinity Mission of Burleson, LLC	18-30762	2585
121.	Trinity Mission of Comfort, LLC	18-30763	2573
122.	Trinity Mission of Diboll, LLC	18-30768	2581
123.	Trinity Mission of Granbury, LLC	18-30771	2582
124.	Trinity Mission of Italy, LLC	18-30760	2576
125.	Trinity Mission of Winnsboro, LLC	18-30776	2583
126.	Utah Valley Rehabilitation and Healthcare Center, LLC	18-30782	9661
127.	Vicksburg RE, LLC	18-30828	0150
128.	Victory Rehabilitation and Healthcare Center, LLC	18-30794	9485
129.	Wadesboro RE, LLC	18-30853	9929
130.	Wide Horizons RE, LLC	18-30820	5144
131.	Wide Horizons Residential Care Facility, LLC	18-30790	9387
132.	Winnsboro RE, LLC	18-30770	2134
133.	Woodlands Rehabilitation and Healthcare Center, LLC	18-30791	9127
134.	Yazoo City RE, LLC	18-30824	8844
135.	Yazoo City Rehabilitation and Healthcare Center, LLC	18-30783	7216

EXHIBIT B

(Chapter 11 Plan)

EXHIBIT C

(Disclosure Statement Order)

EXHIBIT D

(Financial Projections)

EXHIBIT E

(Liquidation Analysis)