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Attorneys for the Lapis Parties

Attorneys for the Chapter 11
Debtors and Debtors In Possession

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

In re:

ASTRIA HEALTH, *et al.*,

Debtors and Debtors in
Possession.¹

Chapter 11
Lead Case No. 19-01189-11
Jointly Administered

**REPLY IN SUPPORT OF JOINT
MOTION FOR AN ORDER
APPROVING: (I) PROPOSED
DISCLOSURE STATEMENT; (II)
SOLICITATION AND VOTING**

¹ The Debtors, along with their case numbers, are as follows: Astria Health (19-01189-11), Glacier Canyon, LLC (19-01193-11), Kitchen and Bath Furnishings, LLC (19-01194-11), Oxbow Summit, LLC (19-01195-11), SHC Holdco, LLC (19-01196-11), SHC Medical Center - Toppenish (19-01190-11), SHC Medical Center - Yakima (19-01192-11), Sunnyside Community Hospital Association (19-01191-11), Sunnyside Community Hospital Home Medical Supply, LLC (19-01197-11), Sunnyside Home Health (19-01198-11), Sunnyside Professional Services, LLC (19-01199-11), Yakima Home Care Holdings, LLC (19-01201-11), and Yakima HMA Home Health, LLC (19-01200-11).



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**PROCEDURES; (III) NOTICE AND
OBJECTION PROCEDURES FOR
CONFIRMATION OF FIRST
AMENDED JOINT PLAN OF
REORGANIZATION; AND (IV)
GRANTING RELATED RELIEF;
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT
THEREOF; DECLARATION OF
MICHAEL LANE IN SUPPORT**

**[RELATED TO DOCKET NOS. 1471,
1472, 1473, 1624, 1625, 1626]**

HEARING:

**Date/Time: November 6, 2020/11:00 am
(Pacific)**

Location: Telephonic Hearing

Telephone Conference: (877) 402-9757

Access Code: 7036041

1 Astria Health (“Astria”) and the affiliated debtors, the debtors and debtors in
2 possession (each a “Debtor” and, collectively, the “Debtors”) in the above-captioned
3 chapter 11 bankruptcy cases (the “Chapter 11 Cases”), and Lapis Advisers, LP as
4 lender under the Debtors’ debtor in possession facility in the Chapter 11 Cases, agent
5 under the Debtors’ prepetition credit agreement, and as investment advisor and
6 investment manager for certain funds which are beneficial holders of those certain
7 Washington Health Care Facilities Authority Revenue Bonds (collectively the “Lapis
8 Parties” and, together with the Debtors, the “Movants”), hereby file this reply to the
9 objection filed by the United States Trustee (the “UST”) [Docket No. 1626] and
10 joinder filed by TIAA Commercial Finance, Inc. (“TIAA”) [Docket No. 1625]²
11 (collectively, the “Objections”) to the Movants’ joint motion [Docket No. 1473] (the
12 “Motion”) to approve, among other things, the disclosure statement [Docket No.
13 1472] (the “Disclosure Statement”) describing the *Joint Chapter 11 Plan of*

14
15 _____
16 ² The Objection filed by TIAA joined the objections of other parties in interest to the
17 Disclosure Statement and reserved the right to supplement those objections. The
18 Committee Objection (described herein) has since been resolved and no further
19 objection was filed by TIAA. Accordingly, this Reply does not separately address
20 the TIAA Objection.

21 **REPLY IN SUPPORT OF MOTION TO
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1 *Reorganization of Astria Health and Its Debtor Affiliates* [Docket No. 1471] (the
2 “Plan”), and, in support of the Motion, respectfully state as follows:

3 **INTRODUCTION**

4 Notwithstanding the size and complexity of these Chapter 11 Cases, Movants
5 have only one unresolved objection (and one joinder therein) to their Disclosure
6 Statement.³ The Debtors have filed an amended Disclosure Statement [Docket No.
7 1968] (the “Amended Disclosure Statement”)⁴ and an amended Plan [Docket No.,
8 1967] (the “Amended Plan”) contemporaneously with this Reply. Among other
9 things, the Amended Plan reflects resolution of issues related to the now-withdrawn
10 Committee Objection, as well as issues raised by the UST and issues raised by the
11 Court at the July 21, 2020 status hearing.

12
13 _____
14 ³ The Official Committee of Unsecured Creditors (the “Committee”) also filed an
15 objection to the Motion [Docket No. 1624] (the “Committee Objection”). The
16 Committee, however, has since withdrawn the Committee Objection pursuant to the
17 Committee Plan Settlement described in the Amended Plan and Amended Disclosure
18 Statement.

19 ⁴ Capitalized terms not otherwise defined herein shall have the meaning afforded in
20 the Amended Disclosure Statement.

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1 These proposed revisions in no way materially alter the treatment afforded
2 creditors under the Plan, or disclosures set forth in the Disclosure Statement, both of
3 which, after substantial negotiations, are proposed jointly by the Debtors and the
4 Lapis Parties to bring a consensual and expeditious resolution to these Chapter 11
5 Cases. Also, in support of the Disclosure Statement and the Motion, the Movants
6 hereby file, as **Exhibits “A”** and **“B,”** the attached proposed forms of (a)
7 Confirmation Hearing Notice and (b) Notice of Non-Voting Accepting Status and
8 Confirmation Hearing, as well as **Exhibit “C,”** a Revised Schedule of Dates and
9 Deadlines Related to Plan Confirmation.

10 The remaining objections largely do not contest the adequacy of the proposed
11 Disclosure Statement but, instead, raise concerns with the terms of the proposed Plan.
12 By their very nature, these challenges -- which include issues of consolidation for
13 claim treatment and distributions, and the scope of exculpations -- are inappropriate
14 to the disclosure statement approval process. Such objections, which the Debtors
15 aver are not legitimate, can and should be left to Plan confirmation. Other challenges,
16 including disclosure of value, are unwarranted based upon the disclosures already
17 provided. Thus, although the Debtors have made clarifying changes to the Disclosure
18 Statement, the Debtors respectfully request that the Court overrule the remaining
19 Objections as being inappropriate to the adequacy of the Disclosure Statement.

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1 Accordingly, the Plan Proponents request that the Court approve the Amended
2 Disclosure Statement.

3 **REPLY**

4 “The primary purpose of a disclosure statement is to give creditors and interest
5 holders the information they need to decide whether to accept the plan.” *In re Art &*
6 *Architecture Books of the 21st Century*, No. 2:13-bk-14135-RK, 2016 WL 1118743,
7 at *14 (Bankr. C.D. Cal. Mar. 18, 2016) (citing *Captain Blythers, Inc. v. Thompson*
8 (*In re Captain Blythers, Inc.*), 311 B.R. 530, 537 (B.A.P. 9th Cir. 2004)).
9 Accordingly, § 1125⁵ requires that a disclosure statement provide “adequate
10 information . . . of a kind, and in sufficient detail, as far as is reasonably practicable
11 in light of the nature and history of the debtor and the condition of the debtor’s books
12 and records, that would enable a hypothetical reasonable investor typical of holders
13 of claims or interests of the relevant class to make an informed judgment about the
14 plan” 11 U.S.C. § 1125(a)(1). “Precisely what constitutes adequate information
15 in any particular instance will develop on a case-by-case basis. Courts will take a
16 practical approach as to what is necessary under the circumstances of each case
17 There will be a balancing of interests in each case. In reorganization cases, there is

18 _____
19 ⁵ Unless otherwise indicated, all references to § are to sections of title 11 of the United
20 States Code, 11 U.S.C. §§ 101, et seq. (the “Bankruptcy Code”).

1 frequently great uncertainty. Therefore the need for flexibility is greatest.” *In re 3dfx*
2 *Interactive, Inc.*, No. 02-55795 JRG, 2006 Bankr. LEXIS 1498, at *20 (Bankr. N.D.
3 Cal. June 29, 2006) (*quoting Lisanti v. Lubetkin (In re Lisanti Foods, Inc.)*, 329 B.R.
4 491, 507 (D.N.J. 2005)).

5 “Ordinarily, confirmation issues are reserved for the confirmation hearing, and
6 not addressed at the disclosure statement stage.” *In re Am. Capital Equip., LLC*, 688
7 F.3d 145, 153-54 (3d Cir. 2012) (*quoting In re Larsen*, No. 09-02630, 2011 Bankr.
8 LEXIS 1621, 2011 WL 1671538, at *2 n.7 (Bankr. D. Idaho May 3, 2011)). The
9 only exception is when a plan is so fundamentally flawed that it is patently
10 nonconfirmable as a matter of law. *See In re Silberkraus*, 253 B.R. 890, 899 (Bankr.
11 C.D. Cal. 2000) (“[W]here a plan is on its face nonconfirmable, as a matter of law, it
12 is appropriate for the court to deny approval of the disclosure statement describing
13 the nonconfirmable plan.”); *In re Dakota Rail, Inc.*, 104 B.R. 138, 143 (Bankr. D.
14 Minn. 1989) (“Only where the disclosure statement on its face relates to a plan that
15 cannot be confirmed does the court have an obligation not to subject the estate to the
16 expense of soliciting votes and seeking confirmation of the plan; otherwise,
17 confirmation issues are left for later consideration.”). However, it is rare to deny
18 approval of a disclosure statement because a plan is patently unconfirmable. Here,
19 none of the Objections demonstrate that the Plan is so fundamentally flawed as to
20 warrant denial of the Disclosure Statement.

21 **REPLY IN SUPPORT OF MOTION TO
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A. Limited Consolidation is Adequately Disclosed, and Appropriate

The UST contends that limited consolidation of the Debtors’ assets and liabilities for plan purposes is inappropriate and, in turn, justifies denial of the Disclosure Statement. UST Objection, at 3-5. However, this Objection is really an objection to the substance and confirmation of the Plan and is inappropriately framed as an objection to the adequacy of a disclosure statement’s information under § 1125. *See* 11 U.S.C. § 1125; *see also In re Art & Architecture Books of the 21st Century*, 2016 WL 1118743, at *14 (“The primary purpose of a disclosure statement is to give creditors and interest holders the information they need to decide whether to accept the plan.”). Here, the Disclosure Statement fully discloses and describes the Plan’s proposal to consolidate the Debtors’ assets and liabilities only for the purpose of distributions and treatment of Claims under the Plan. *See* Disclosure Statement, § VI.M; Plan, § II.B. The UST does not contend that these provisions in the Disclosure Statement are unclear or misleading. Accordingly, the Court should overrule this Objection in its entirety.

To the extent that the Court views this Objection as an argument that the Plan is patently not confirmable, this is simply not true. The UST’s Objection is based on the mistaken premise that the Debtors seek approval of substantive consolidation. In

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1 reality, the Plan only contemplates consolidation of the Debtors’ assets and liabilities
2 for the limited purpose of making distributions to creditors. It is not unusual for
3 courts to allow debtors to consolidate their assets and liabilities for plan purposes.
4 *See, e.g., In re Verity Health Sys. of Cal., Inc., et al.*, Case No. 2:18-bk-20151-ER
5 (Bankr. C.D. Cal. Aug. 14, 2020) [Docket No. 5504] (confirming chapter 11 plan
6 which deems the debtors’ assets and liabilities consolidated for plan purposes); *In re*
7 *Bashas’ Inc.*, 437 B.R. 874, 928 (Bankr. D. Ariz. 2010) (consolidation of debtor
8 assets and liabilities for plan purposes appropriate); *see also In re Owens Corning*,
9 419 F.3d 195, 202 (3d Cir. 2005) (allowing consolidation for plan purposes,
10 explaining that deemed consolidation will “not result in the merger of or the transfer
11 or commingling of any assets of the Debtors . . . [which] will continue to be owned
12 by the respective Debtors”). As such, there is no basis to find that the Plan is patently
13 nonconfirmable on the basis of the proposed claim and distribution treatment and, as
14 such, approval of the Disclosure Statement should not be denied.

15 Moreover, the proposed treatment for creditor claim and distribution purposes
16 is appropriate to avoid both the impact of a complete substantive consolidation
17 (which is not being requested) of the legal entities on matters such as licensing and
18 other post-confirmation issues relating to the Debtors’ hospitals, while at the same
19 time avoiding the time and costs (and reduced assets for distribution) that would
20 result if absolute separation were sought. The Debtors’ finances and operations have

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1 always been and remain significantly interconnected. *See* Declaration of Michael
2 Lane attached hereto (the "Lane Declaration"), ¶ 3. Funds have routinely flowed on
3 an intercompany basis from stronger performing Debtors to support the weaker
4 performing Debtors. *Id.* While vendor liabilities are reported specific to the
5 individual hospitals, there was significantly higher liabilities at the ARMC facility as
6 compared to the Sunnyside and Toppenish hospitals. *Id.* Many of the vendors
7 provided goods and services to all hospitals and often linked shipments based upon
8 aging of the accounts at all the hospitals. *Id.* Sunnyside hospital not only borrowed
9 funds in January 2019 for vendor management but also provided significant funding
10 from cash reserves to allow ARMC, and to a lesser extent Toppenish, to purchase
11 goods and services. *Id.* It would be difficult if not impossible to reconcile and
12 allocate cash funding for acquisition purposes, operations or vendor management.
13 *Id.*, ¶ 4. In addition, there would be little or no cash funding available to separate
14 creditors of ARMC as assets sold are claimed by the secured creditor and accounts
15 receivable have largely been collected and unavailable for ARMC creditors. *Id.*
16 Given this relationship, it is would be economically costly and time-consuming to
17 attempt to analyze and determine which debts are owed by which specific Debtor
18 entities, and then to unwind or otherwise bring intercompany actions to obtain
19 recoveries. *Id.* The cost of the analysis alone would be at the expense of recoveries
20

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1 to unsecured creditors in these Chapter 11 Cases. *Id.* Accordingly, the interests of
2 creditors are best served by deemed substantive consolidation. *Id.*

3 For the reasons stated above, the Debtors maintain that the Disclosure
4 Statement sufficiently informs parties in interest of the proposed deemed
5 consolidation under the Plan for purposes of satisfying § 1125, and, moreover, that
6 such consolidation is appropriate in these Chapter 11 Cases. In fact, each of the major
7 parties in this case, including the Committee and the Lapis Parties, support the
8 Debtors' Plan, including the contemplated deemed substantive consolidation of the
9 Debtors' assets for distribution purposes. Accordingly, the Debtors request that the
10 Court overrule this Objection to the Motion.

11 **B. The Exculpation Clauses Are Adequately Disclosed, and**
12 **Appropriate**

13 The UST next objects to the proposed scope of exculpation clauses in the Plan.
14 UST Objection, at 5-6. Similar to the consolidated treatment of claims and
15 distributions, this Objection is similarly improper as they go to the substance of the
16 Plan and is not appropriately framed as an objection to the adequacy of a disclosure
17 statement's information under § 1125. In fact, the exculpation clauses in the Plan are
18 copied verbatim in the Disclosure Statement and the UST even grudgingly admits
19 that the disclosure of these provisions "may be legally sufficient." UST Objection,
20 at 6. Accordingly, the Court should overrule these objections in their entirety.

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1 Nevertheless, the scope of the Plan’s proposed exculpation provisions are
2 proper under applicable Ninth Circuit precedent. Exculpation of estate fiduciaries
3 and plan proponents is widely accepted in chapter 11. Indeed, the Ninth Circuit has
4 approved exculpation provisions that extend to plan proponents, including non-
5 debtor plan proponents. *See Blixseth v. Credit Suisse*, 961 F.3d 1074 (9th Cir. 2020)
6 (approving exculpation of debtor’s largest creditor that became a plan “proponent
7 through its direct participation in the negotiations that preceded the adoption of the
8 Plan”); *see also In re Yellowstone Mt. Club, LLC*, 460 B.R. 254, 277 (Bankr. D. Mont.
9 2011) (approving exculpation that extended to “the Debtors, Committee [of
10 Unsecured Creditors], Credit Suisse and CrossHarbor, who all became, in essence,
11 plan proponents”); *In re Fraser’s Boiler Serv.*, 593 B.R. 636, 641-42 (Bankr. W.D.
12 Wash. 2018) (“it appears common among bankruptcy courts within the Ninth Circuit
13 to allow exculpation clauses that do not include exceptions for breaches of fiduciary
14 duty, legal malpractice, or ordinary negligence.”).

15 Plan exculpations may also extend to non-estate fiduciaries when the
16 exculpated parties make substantial contributions to the reorganization, the
17 exculpations are important to such parties’ participation in the reorganization efforts,
18 and the exculpations are limited “in both scope and time” to actions related to the
19 chapter 11 cases. *See In re Yellowstone Mountain Club*, 460 B.R. at 272; *Meritage*
20 *Homes of Nev. Inc. v. JPMorgan Chase Bank, N.A. (In re S. Edge LLC)*, 478 B.R.

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1 403, 415-16 (D. Nev. 2012) (approving exculpation of third party nondebtors because
2 exculpation “sets a standard of care to be applied in the bankruptcy proceeding” and
3 “does not improperly release third party nondebtors”); *Lazo v. Roberts*, No. CV15-
4 7037-CAS(PJWx), 2016 WL 738273, at *7 (C.D. Cal. Feb. 22, 2016) (“Increasingly,
5 however, [t]he trend among bankruptcy courts [more generally] has been to confirm
6 chapter 11 plans with express discharge or indemnification provisions for nondebtors
7 if they meet certain tailored criteria or overall necessity. This overall trend is evident
8 in the Ninth Circuit.”) (internal quotation marks and citations omitted); *see also In*
9 *re Stearns Holdings, LLC*, 607 B.R. 781, 790 (Bankr. S.D.N.Y. 2019) (holding that
10 exculpation could extend to parties “who make a substantial contribution to a debtor’s
11 reorganization and play an integral role in building consensus in support of a debtor’s
12 restructuring”). Exculpation clauses are without a doubt essential in cases like this
13 one that are heavily litigated. *See In re Yellowstone Mountain Club*, 460 B.R. at 274
14 (“An exculpation clause in this case was certainly advisable given the litigious
15 posture of the parties.”).

16 Despite the UST’s assertion that the Plan’s exculpation provisions are akin to
17 a “global” release (UST Objection, at 5), the provisions are narrow in both time and
18 scope. The exculpation provision the Court upheld in *Blixseth* is particularly
19 instructive. *See* 961 F.3d 1074. There, as here, the exculpation provision was limited
20 both temporally and in scope to actions related to the reorganization; specifically,

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1 “any act or omission in connection with, relating to or arising out of the Chapter 11
2 Cases, the formulation, negotiation, implementation, confirmation or consummation
3 of this Plan, the Disclosure Statement, or any contract, instrument, release or other
4 agreement or document entered into during the Chapter 11 Cases or otherwise created
5 in connection with this Plan.” *Id.* at 1078-79. Furthermore, like here, the exculpation
6 clause extended to major stakeholders, including the provider of debtor in possession
7 financing and the largest creditor in the case, who had negotiated the plan, leading
8 the plan to be essentially a collaborative effort, of which the exculpation was a
9 “cornerstone.” *Id.*; *see also Yellowstone Mountain Club*, 460 B.R. at 277. The
10 exculpation clause also similarly covered the various agents, professionals, and other
11 related parties of the exculpated parties—specifically, “with respect to each of the
12 foregoing Persons, each of their respective directors, officers, employees, agents . . .
13 representatives, shareholders, partners, members, attorneys, investment bankers,
14 restructuring consultants and financial advisors.” 460 B.R. at 267. Here, the Plan
15 exculpation extends to the major stakeholders in this case who entered into
16 settlements with the Debtors to allow the Plan to become effective and collaborated
17 with the Debtors in the countless hours of negotiation that culminated in reaching
18 agreements that became the “cornerstones” of the Plan. Finally, as with the
19 exculpation in *Blixseth*, the Plan exculpation excludes willful misconduct and gross
20 negligence. *Compare* 961 F.3d at 1079 with Plan § VII.E.

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1 For the reasons stated above, the Debtors maintain that the Disclosure
2 Statement sufficiently informs parties in interest of the proposed exculpations under
3 the Plan for purposes of satisfying § 1125, and, moreover, that such exculpations are
4 appropriate in these Chapter 11 Cases. Accordingly, the Debtors request that the
5 Court overrule this Objection to the Motion.

6 **C. The Disclosure Statement Adequately Describes the Value of the**
7 **Debtors' Assets.**

8 The other primary Objection raised by the UST focuses on the description of
9 the value of the Debtors' assets. The UST asserts that the Debtors should add the
10 going concern or enterprise value of their assets in the Disclosure Statement.

11 The Court should take particular note that the Plan is supported by the Lapis
12 Parties and the Committee who represent the interests of the parties with an economic
13 interest in the outcome of this reorganization. Moreover, the Debtors accurately and
14 sufficiently describe the current value of their assets in the Disclosure Statement. As
15 of March 5, 2020, before the full impact of the COVID-19 pandemic was being
16 experienced, the Debtors' hospitals and medical office building (the "MOB") were

1 appraised at a going concern value totaling \$143.3 million.⁶ Lane Declaration, ¶ 5.
2 Also, prior to filing the Plan, the Debtors, with the assistance of their investment
3 banker, Piper Sandler & Co. (“Piper Sandler”), extensively marketed *substantially*
4 *all of their assets* for sale and, alternatively, attempted to refinance their secured debt.
5 See Fifth Status Conference Report [Docket No. 1190]; Sixth Status Conference
6 Report [Docket No. 1285]. However, given the difficulties in the capital market
7 caused by the recent and ongoing COVID-19 pandemic, the Debtors received no
8 offers to purchase their assets or refinance their debt. *Id.* Nevertheless, the Debtors
9 have continued to market the assets and, recently accepted an offer to sell ARMC
10 and the MOB for \$20 million. The Court entered an order approving the sale on
11 October 26, 2020. [Docket No. 1950]. In September 2020, Piper Sandler contacted
12 a limited universe of financial institutions previously interested in providing exit
13 financing for the Debtors, in an attempt to raise existing financing. Lane Declaration,
14 ¶ 8. To date, those efforts have been unsuccessful in securing a binding commitment
15 for exit financing. *Id.*

16
17 _____
18 ⁶ Sunnyside hospital was valued at \$67.5 million, Toppenish was valued at \$16.2
19 million and ARMC was valued at \$46 million (based on 2019 revenues). The
20 Debtors’ MOB was valued at \$13.6 million.

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1 As demonstrated by the Liquidation Analysis attached to the Disclosure
2 Statement as Exhibit B, unsecured creditors will recover less in a chapter 7
3 liquidation where the Debtors' hospitals are closed and assets liquidated than they
4 would under the Plan. Specifically, the appraised liquidation value of the Debtors'
5 remaining hospitals is \$31.05 million.⁷ Lane Declaration, ¶ 6. But even if the Debtors
6 assume a sale of their remaining hospitals will generate \$57,375,000 (the average of
7 the pre-COVID-19 going concern value of the hospitals and the current appraised
8 liquidation value), this amount, together with the \$20 million of sale proceeds from
9 the sale of ARMC and the MOB and an estimated liquidation value of \$15 million
10 for the Debtors' outstanding receivables, only total approximately \$92,375,000.
11 Lane Declaration, ¶ 7. This amount available for distribution to creditors is less than
12 the approximately \$95 million of secured debt outstanding. *Id.* Accordingly, a
13 liquidation of the Debtors' assets will not produce sufficient assets to make *any*
14 distribution to unsecured creditors and is, therefore, not in the best interests of the
15 Debtors' estates and creditors.

16 The UST also complains that “[t]he Disclosure Statement does not provide any
17 comparison of the loss or gain in the merger or transfer at the member level regarding

18 _____
19 ⁷ The liquidation value of Sunnyside hospital is \$18 million and Toppenish hospital
20 is \$13.05 million.

21 **REPLY IN SUPPORT OF MOTION TO
APPROVE DISCLOSURE STATEMENT**

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1 the entity or the intercompany claims.” UST Objection, at 2. While it is not exactly
2 clear what proof the UST may be seeking, it appears that the Objection is referencing
3 the Plan provisions that contemplate a transfer of the sole membership interest in
4 Astria Health to non-debtor AH System, which will, in turn, assume all non-
5 discharged debt of the Debtors and issue the Exchange Debt. This transaction is
6 considered a membership substitution and not a merger. Lane Declaration, ¶ 9.
7 There is no gain or loss on the transaction that substitutes one sole member for
8 another. *Id.*

9 Further, contrary to the UST’s assertion, the Debtors’ unbilled noninsider
10 accounts receivable have not “disappeared.” *See* UST Objection, at 2. In fact, post-
11 petition, receivables have been billed and collected in the normal course of operations
12 as reported in the Debtors’ monthly operating and weekly cash flow reports. Lane
13 Declaration, ¶ 10. In addition, pre-petition receivables were billed and followed up
14 for collection by the Debtor’s new revenue cycle vendor to collect older aged
15 accounts. *Id.* Weekly cash flow and monthly operating reports continue to reflect
16 collection of current and aged accounts receivables. *Id.* Reporting of accounts
17 receivable on the financial statements of the individual hospitals remains consistent
18 post-petition with pre-petition reporting. *Id.* The Disclosure Statement plainly
19 explains that the Plan contemplates the transfer of all assets of the Debtors not
20 necessary for the operation of the core health care businesses of the Debtors to the

21 **REPLY IN SUPPORT OF MOTION TO
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1 Liquidation Trust. These Liquidation Trust Assets include the remaining receivables
2 of ARMC as well as 180 day and older days aged accounts receivable of Sunnyside
3 and Toppenish hospitals. *Id.* The value of these receivables are all included on the
4 individual hospital financial statements at their expected collectible value, net of
5 applicable reserves. *Id.*

6 Accordingly, this Objection should also be overruled.

7 **D. Reply to Other UST Objections**

8 The UST also reiterates comments made by the Court that the Disclosure
9 Statement must disclose who will manage the Reorganized Debtors as well as their
10 compensation. The Amended Plan and Amended Disclosure Statement provide that
11 management's compensation will be disclosed under seal.

12 The Amended Plan and Amended Disclosure Statement also address the
13 UST's concerns regarding payment of UST quarterly fees. The Amended Plan and
14 Amended Disclosure Statement clarify that, although the Liquidation Trust will pay
15 the UST fees, if the Liquidation Trust fails to pay the fees the Reorganized Debtors
16 will be obligated to pay the fees and may seek indemnification from the Liquidation
17 Trust.

18 The Trustee also takes issue with the fact that the Definitive Documents have
19 not yet been provided. The Plan Proponents are in the process of preparing the
20 Definitive Documents and will submit them at least ten days prior to the deadline for

1 parties to vote on the Plan. The Plan Proponents will also file signature pages to the
2 Amended Plan prior to the Confirmation Hearing.

3 The UST also argues that Class 2C should be listed as impaired in the Plan.
4 To address this objection, the Amended Plan and Amended Disclosure Statement
5 have been revised to provide that Class 2C is impaired.

6 **RESERVATION OF RIGHTS**

7 The Plan Proponents reserve the right to further amend the Plan and Disclosure
8 Statement and to submit additional documents, declarations, exhibits, and other
9 supporting documents and evidence in connection with the hearing on the adequacy
10 of the Disclosure Statement or any Amended Disclosure Statement, confirmation of
11 the Plan or any Amended Plan, or otherwise. While the objections to the Motion are
12 limited to those timely raised in the written Objections filed by the objection deadline,
13 to the extent any additional or modified objections are raised in connection with the
14 adequacy hearing, the Movants reserve the right to respond to the same and/or to
15 argue they are untimely and should be raised solely in connection with the
16 confirmation hearing.

17 **CONCLUSION**

18 WHEREFORE, the Movants respectfully request that the Bankruptcy Court
19 enter an order: (i) granting the Motion; (ii) overruling the Objections; (iii) approving
20 the Disclosure Statement, as may be amended; (iv) approving the solicitation and

21 **REPLY IN SUPPORT OF MOTION TO
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1 voting procedures; (v) approving the proposed notice and objection procedures for
2 confirmation of the Plan, as may be amended; (vi) approving the revised dates and
3 deadlines related to confirmation of the Plan; and (vii) granting such other and further
4 relief as the Bankruptcy Court deems just and proper.

5 Dated: November 4, 2020

DENTONS US LLP

6

By: /s/ Samuel R. Maizel

7

Samuel R. Maizel
Sam J. Alberts
Geoffrey M. Miller

8

Counsel to the *Debtors and Debtors In Possession*

9

10 Dated: November 4, 2020

MINTZ, LEVIN, COHN, FERRIS,
GLOVSKY AND POPEO, P.C.

11

By: /s/ William Kannel

12

William Kannel
Ian A. Hammel

13

Counsel to the *Lapis Parties*

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REPLY IN SUPPORT OF MOTION TO APPROVE DISCLOSURE STATEMENT

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DECLARATION OF MICHAEL LANE

I, Michael Lane, declare that if called on as a witness, I would and could testify of my own personal knowledge as follows:

1. I am the Chief Restructuring Officer (“CRO”) of Astria Health (“Astria”). I am employed by AHM, Inc. (“AHM”), a nondebtor entity that provides management services to Astria and its affiliated debtors and debtors in possession (collectively, the “Debtors”) in these chapter 11 cases (the “Chapter 11 Cases”).

2. The statements herein are based upon my personal knowledge of the facts and information gathered by me in my capacity as CRO for Astria.

3. The Debtors’ finances and operations have always been and remain significantly interconnected. Funds have routinely flowed on an intercompany basis from stronger performing Debtors to support the weaker performing Debtors. While vendor liabilities are reported specific to the individual hospitals, there was significantly higher liabilities at the ARMC facility as compared to the Sunnyside and Toppenish hospitals. Many of the vendors provided goods and services to all hospitals and often linked shipments based upon aging of the accounts at all the hospitals. Sunnyside hospital not only borrowed funds in January 2019 for vendor management but also provided significant funding from cash reserves to allow ARMC, and to a lesser extent Toppenish, to purchase goods and services.

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1 4. It would be difficult if not impossible to reconcile and allocate cash
2 funding for acquisition purposes, operations or vendor management. In addition,
3 there would be little or no cash funding available to separate creditors of ARMC as
4 assets sold are claimed by the secured creditor and accounts receivable have largely
5 been collected and unavailable for ARMC creditors. Given this relationship, it is
6 would be economically costly and time-consuming to attempt to analyze and
7 determine which debts are owed by which specific Debtor entities, and then to
8 unwind or otherwise bring intercompany actions to obtain recoveries. The cost of
9 the analysis alone would be at the expense of recoveries to unsecured creditors in
10 these Chapter 11 Cases. Accordingly, I believe that the interests of creditors are best
11 served by deemed substantive consolidation in these Chapter 11 Cases.

12 5. As of March 5, 2020, before the full impact of the COVID-19 pandemic
13 was being experienced, Sunnyside hospital's going concern value was \$67.5 million,
14 Toppenish hospital's going concern value was \$16.2 million, ARMC's going concern
15 value was \$46 million (based on 2019 revenues) and the Debtors' medical office
16 building (the "MOB")'s going concern value was \$13.6 million.

17 6. Also, as of March 5, 2020, the liquidation value of Sunnyside hospital
18 was \$18 million and Toppenish hospital was \$13.05 million.

19 7. If the Debtors assume a sale of their remaining hospitals will generate
20 \$57,375,000 (the average of the pre-COVID-19 going concern value of the hospitals

21 **REPLY IN SUPPORT OF MOTION TO
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1 and the current appraised liquidation value), this amount, together with the \$20
2 million of sale proceeds from the sale of ARMC and the MOB and an estimated
3 liquidation value of \$15 million for the Debtors' outstanding receivables, only total
4 approximately \$92,375,000. This amount available for distribution to creditors is
5 less than the approximately \$95 million of secured debt outstanding.

6 8. In September 2020, after the sale of ARMC and the MOB, the Debtors,
7 with the assistance of their investment banker, Piper Sandler & Co., have contacted
8 a limited universe of financial institutions previously interested in providing exit
9 financing for the Debtors, in an attempt to raise existing financing. To date, those
10 efforts have been unsuccessful in securing a binding commitment for exit financing.

11 9. Certain Plan provisions contemplate a transfer of the sole membership
12 interest in Astria Health to non-debtor AH System, which will, in turn, assume all
13 non-discharged debt of the Debtors and issue the Exchange Debt. This transaction is
14 considered a membership substitution and not a merger. There is no gain or loss on
15 the transaction that substitutes one sole member for another.

16 10. Post-petition, the Debtors' receivables have been billed and collected in
17 the normal course of operations as reported in the Debtors' monthly operating and
18 weekly cash flow reports. In addition, pre-petition receivables were billed and
19 followed up for collection by the Debtor's new revenue cycle vendor to collect older
20 aged accounts. Weekly cash flow and monthly operating reports continue to reflect

21 **REPLY IN SUPPORT OF MOTION TO
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1 collection of current and aged accounts receivables. The Debtors' reporting of
2 accounts receivable on the financial statements of the individual hospitals remains
3 consistent post-petition with pre-petition reporting. The Liquidation Trust Assets
4 under the Plan include the remaining receivables of ARMC as well as 180 day and
5 older days aged accounts receivable of Sunnyside and Toppenish hospitals. The
6 value of these receivables are all included on the individual hospital financial
7 statements at their expected collectible value, net of applicable reserves.

8 I declare under penalty of perjury under the laws of the United States of
9 America that the foregoing is true and correct.

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Dated: November 4, 2020

ASTRIA HEALTH

By: 

Michael Lane
Chief Restructuring Officer

REPLY IN SUPPORT OF MOTION TO APPROVE DISCLOSURE STATEMENT

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EXHIBIT A

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Attorneys for the Lapis Parties

HONORABLE WHITMAN L.
HOLT

12 UNITED STATES BANKRUPTCY COURT
13 EASTERN DISTRICT OF WASHINGTON

14 In re:
15 ASTRIA HEALTH, *et al.*,
16 Debtors and Debtors in
17 Possession.¹

Chapter 11
Lead Case No. 19-01189-11
Jointly Administered
**NOTICE OF (I) APPROVAL OF THE
DISCLOSURE STATEMENT, (II)
DEADLINE FOR VOTING ON THE
PLAN, (III) HEARING TO
CONSIDER CONFIRMATION OF
THE PLAN, AND (IV) DEADLINE
FOR FILING OBJECTIONS TO
CONFIRMATION OF THE PLAN**

18 ¹ The Debtors, along with their case numbers, are as follows: Astria Health (19-
19 01189-11), Glacier Canyon, LLC (19-01193-11), Kitchen and Bath Furnishings,
LLC (19-01194-11), Oxbow Summit, LLC (19-01195-11), SHC Holdco, LLC (19-
20 01196-11), SHC Medical Center - Toppenish (19-01190-11), SHC Medical Center -
Yakima (19-01192-11), Sunnyside Community Hospital Association (19-01191-11),
Sunnyside Community Hospital Home Medical Supply, LLC (19-01197-11),
Sunnyside Home Health (19-01198-11), Sunnyside Professional Services, LLC (19-
21 01199-11), Yakima Home Care Holdings, LLC (19-01201-11), and Yakima HMA
Home Health, LLC (19-01200-11).

1 **PLEASE TAKE NOTICE OF THE FOLLOWING:**

2 **APPROVAL OF DISCLOSURE STATEMENT**

3 1. By Order dated November [*], 2020 [Docket No. ****] (the
4 “Disclosure Statement Order”), the United States Bankruptcy Court for the Eastern
5 District of Washington (the “Bankruptcy Court”) (a) approved the *Disclosure*
6 *Statement Relating to the First Amended Joint Chapter 11 Plan of Reorganization*
7 *of Astria Health and its Debtor Affiliates* [Docket No. 1968] (including all exhibits
8 thereto and as amended, modified, or supplemented from time to time, the
9 “Disclosure Statement”) filed by Astria Health (“Astria”) and the above-referenced
10 affiliated debtors, the debtors and debtors in possession in the above-captioned
11 chapter 11 bankruptcy cases (each a “Debtor” and, collectively, the “Debtors”) and
12 the Lapis Parties (together with the Debtors, the “Plan Proponents”), as containing
13 adequate information within the meaning of § 1125 of Title 11 of the United States
14 Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and (b) authorized the Plan
15 Proponents to solicit votes to accept or reject the *First Amended Joint Chapter 11*
16 *Plan of Reorganization of Astria Health and its Debtor Affiliates* [Docket No. 1967]
17 (including all exhibits thereto, any plan supplement, and as amended, modified, or
18 supplemented from time to time, the “Plan”). All capitalized terms used but not
19 defined herein shall have the same meanings ascribed to them in the Plan, the
20 Disclosure Statement, or the Disclosure Statement Order, as applicable.

12 **RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS**
13 **CONTAINED IN PLAN**

14 2. SECTION VII OF THE PLAN CONTAINS CERTAIN RELEASE,
15 INJUNCTION, AND EXCULPATION PROVISIONS, INCLUDING THOSE SET
16 FORTH BELOW. YOU ARE ADVISED TO CAREFULLY REVIEW AND
17 CONSIDER THE PLAN, INCLUDING THE RELEASE, INJUNCTION AND
18 EXCULPATION PROVISIONS THEREIN, AS YOUR RIGHTS MAY BE
19 AFFECTED.

17 3. **Sections VII.F and VII.H of the Plan contain the following**
18 **Releases:**

19 (a) Debtors’ Releases. On the Effective Date of the Plan and to the
20 fullest extent authorized by applicable law, the Released Parties and their respective
21 property will be expressly, unconditionally, generally and individually and

21 **NOTICE OF CONFIRMATION**
 HEARING

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1 collectively released, acquitted and discharged by the Debtors on behalf of
2 themselves, their estates, the Reorganized Debtors, the GUC Distribution Trust and
3 the Liquidation Trust (such that the Reorganized Debtors, the GUC Distribution
4 Trust and the Liquidation Trust will not hold any Claims or Causes of Action released
5 pursuant to this Plan), for the good and valuable consideration provided by each of
6 the Released Parties, from any and all actions, Claims, debts, obligations, rights, suits,
7 damages, Causes of Action, remedies and liabilities whatsoever, including any
8 derivative claims asserted on behalf of the Debtor, whether known or unknown,
9 foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law,
10 equity, contract, tort or otherwise, by statute, violations of federal or state securities
11 laws or otherwise, based in whole or in part upon any act or omission, transaction, or
12 other occurrence or circumstances existing or taking place prior to or on the effective
13 date arising from or related in any way to the Debtors, any of the Debtors' present or
14 former assets, the Released Parties' interests in or management of the Debtors, the
15 Plan, the Disclosure Statement, this Chapter 11 Case, or any restructuring of Claims
16 or interests undertaken prior to the Effective Date, including those that the Debtors,
17 the Reorganized Debtors, the GUC Distribution Trust, or the Liquidation Trust would
18 have been legally entitled to assert or that any holder of a Claim against or interest in
19 the Debtor or any other entity could have been legally entitled to assert derivatively
20 or on behalf of the Debtors or their estates including with respect to the Lapis Parties
21 any challenge to claims and rights of the Lapis Parties under the Bond Documents
and Credit Agreement Documents; *provided, however*, that the foregoing "Debtors'
Releases" shall not operate to waive or release any Claims or Causes of Action of the
Debtors or their Estates against a Released Party arising under any contractual
obligation owed to the Debtors that is entered into or assumed pursuant to the Plan.

Entry of the Confirmation Order shall constitute the Court's approval, pursuant
to Bankruptcy Rule 9019, of the Debtors' Releases, which includes by reference each
of the related provisions and definitions contained in the Plan, and, further, shall
constitute the Court's finding that the Debtors' Releases are: (1) in exchange for the
good and valuable consideration provided by the Released Parties; (2) a good-faith
settlement and compromise of the Claims released by the Debtors' Releases; (3) in
the best interests of the Debtors' Estates and all holders of Claims and interests; (4)
fair, equitable, and reasonable; (5) given and made after due notice and opportunity
for hearing; and (6) a bar against any of the Debtors' estates, the Reorganized Debtors,
the GUC Distribution Trust, or the Liquidation Trust, asserting any Claim or Cause
of Action released pursuant to the Debtors' Releases.

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1 The foregoing release as to the Lapis Parties is an integral component of the
2 Senior Debt 9019 Settlement.

3 (b) Third Party Releases. On the Effective Date of the Plan and to
4 the fullest extent authorized by applicable law, the Releasing Parties shall be deemed
5 to have expressly, unconditionally, generally and individually and collectively,
6 released and acquitted the Released Parties and their respective property from any
7 and all actions, claims, interests, obligations, rights, suits, damages, causes of action,
8 remedies and liabilities whatsoever, including any derivative claims asserted on
9 behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured
10 or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise,
11 that such Holder (whether individually or collectively) ever had, now has or hereafter
12 can, shall or may have, based on or relating to, or in any manner arising from or
13 related in any way to the Debtors, any of the Debtors' present or former assets, the
14 Released Parties' interests in or management of the Debtors, the business or
15 contractual arrangements between the Debtors and any Released Party, the Plan, the
16 Disclosure Statement, these Chapter 11 Cases, or any restructuring of Claims or
17 interests undertaken prior to the Effective Date, including those that the Debtors, the
18 Reorganized Debtors, the GUC Distribution Trust, or the Liquidation Trust would
19 have been legally entitled to assert or that any holder of a Claim against or interest in
20 the Debtors or any other Entity could have been legally entitled to assert derivatively
21 or on behalf of the Debtors or their Estates, except for (i) any Claims and causes of
action for actual fraud, gross negligence or willful misconduct and (ii) the right to
receive distributions from the Debtors, the Reorganized Debtors, the Litigation Trust,
or the Liquidation Trust on account of an allowed Claim against the Debtors pursuant
to the Plan. For the avoidance of doubt, the Releasing Parties shall include (a) the
Released Parties, and (b) all Holders of Claims that (i) vote to accept the Plan, and
(ii) do not affirmatively opt out of the third party release provided by this section
pursuant to a duly executed ballot. notwithstanding anything to the contrary herein,
in no event shall an entity that (x) does not vote to accept or reject the Plan, (y) votes
to reject the Plan, or (z) appropriately marks the ballot to opt out of the third party
release provided in this section and returns such ballot in accordance with the
solicitation procedures order, be a Releasing Party.

Entry of the Confirmation Order shall constitute the Court's approval, pursuant
to Bankruptcy Rule 9019, 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 Court's finding that the third party release is: (1) in exchange for the
good and valuable consideration provided by the Released Parties; (2) a good-faith
settlement and compromise of the Claims released by the third party release; (3) in

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1 the best interests of the Debtors and all holders of Claims and interests; (4) fair,
2 equitable, and reasonable; (5) given and made after due notice and opportunity for
3 hearing; and (6) a bar to any of the Releasing Parties asserting any Claim released
4 pursuant to the third party release.

5 Notwithstanding any provision herein, there shall be no release or Exculpation
6 by or injunction against any committee member holding a Claim or representing a
7 claimant that has opted out of the third party release or has not voted on the Plan,
8 except solely in such committee member's capacity as such.

9 The foregoing release as to the Lapis Parties is an integral component of the
10 Senior Debt 9019 Settlement. Pursuant to § 1123(b)(3)(a) and the Senior Debt 9019
11 Settlement, as of the Effective Date, for good and valuable consideration, the
12 adequacy of which is hereby confirmed, to the maximum extent permitted by law,
13 each holder of any Claim shall be deemed to forever release, waive, and discharge
14 all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of
15 Action, and liabilities whatsoever, against the Lapis Parties arising from or related to
16 the Lapis Parties' pre- and/or post-petition actions, omissions or liabilities,
17 transaction, occurrence, or other activity of any nature except for as provided in this
18 Plan or the Confirmation Order.

19 (c) Waiver of Statutory Limitations on Releases. Each Releasing
20 Party in each of the releases contained in the Plan (including under this section)
21 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 his 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 executing the release, which if known by it may have
materially affected its settlement with the Releasing Party. The releases contained in
this section are effective regardless of whether those released matters are presently
known, unknown, suspected or unsuspected, foreseen or unforeseen.

4. **Section VII.G of the Plan contains the following Injunctions:**

General Injunction. Except as otherwise provided in the Plan or the
Confirmation Order, all entities who have held, hold, or may hold Claims, interests,

**NOTICE OF CONFIRMATION
HEARING**

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Fax: (213) 623-9924

BUSH KORNFIELD LLP
LAW OFFICES
601 Union St., Suite 5000
Seattle, Washington 98101-2373
Telephone (206) 292-2110
Facsimile (206) 292-2104

1 Causes of Action, or liabilities that: (1) are subject to compromise and settlement
2 pursuant to the terms of the Plan; (2) have been released pursuant to Section VII.F.1
3 of the Plan; (3) have been released pursuant to Section VII.F.2 of the Plan; (4) are
4 subject to exculpation pursuant to Section VII.E of the Plan; or (5) are otherwise
5 stayed or terminated pursuant to the terms of the Plan, are permanently enjoined and
6 precluded, from and after the Effective Date, from: (a) commencing or continuing in
7 any manner any action or other proceeding of any kind, including on account of any
8 Claims, interests, Causes of Actions, or liabilities that have been compromised or
9 settled against the Debtors, the Reorganized Debtors, the GUC Distribution Trust,
10 the Liquidation Trust, or any entity so released or exculpated (or the property or estate
11 of any entity, directly or indirectly, so released or exculpated) on account of or in
12 connection with or with respect to any released, settled, compromised, or exculpated
13 claims, Causes of Action, or liabilities; (b) enforcing, attaching, collecting, or
14 recovering by any manner or means any judgment, award, decree, or order against
15 the Debtors, the Reorganized Debtors, the GUC Distribution Trust, the Liquidation
16 Trust, or any entity so released or exculpated (or the property or estate of the Debtor
17 or any entity so released or exculpated) on account of or in connection with or with
18 respect to any such released, settled, compromised, or exculpated Claims, Causes of
19 Action, or liabilities; (c) creating, perfecting, or enforcing any lien, Claim, or
20 encumbrance of any kind against the Debtors, the Reorganized Debtors, the GUC
21 Distribution Trust, the Liquidation Trust, or any entity so released or exculpated (or
the property or estate of the Debtor or any entity so released or exculpated) on
account of or in connection with or with respect to any such released, settled,
compromised, or exculpated claims, Causes of Action, or liabilities; (d) asserting any
right of setoff or subrogation of any kind against any obligation due from the Debtors
or any entity so released or exculpated (or the property or estates of the Debtors or
any entity so released or exculpated) on account of or in connection with or with
respect to any such released, settled, compromised, or exculpated claims, Causes of
Action, or liabilities unless such entity has timely asserted such setoff or subrogation
right prior to confirmation in a document filed with the court explicitly preserving
such setoff or subrogation; and (e) commencing or continuing in any manner any
action or other proceeding of any kind against the Debtors, the Reorganized Debtors,
the GUC Distribution Trust, the Liquidation Trust, or any entity so released or
exculpated (or the property or estate of the Debtor or any entity so released or
exculpated) on account of or in connection with or with respect to any such released,
settled, compromised, or exculpated claims, Causes of Action, or liabilities released,
settled, or compromised pursuant to the Plan; provided that nothing contained in the
Plan shall preclude an entity from obtaining benefits directly and expressly provided
to such entity pursuant to the terms of the Plan; provided, further, that nothing

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1 contained in the Plan shall be construed to prevent any entity from defending against
2 Claims objections or collection actions whether by asserting a right of setoff or
3 otherwise to the extent permitted by law.

4 **5. Section VII.E of the Plan contains the following Exculpation:**

5 Exculpation. The Exculpated Parties shall neither have, nor incur any
6 liability to any Entity for any prepetition or post-petition act taken or omitted to be
7 taken in connection with the Chapter 11 Cases, or related to formulating, negotiating,
8 soliciting, preparing, disseminating, confirming, or implementing the Plan or
9 consummating the Plan, the Disclosure Statement, or any contract, instrument,
10 release, or other agreement or document created or entered into in connection with
11 the Plan or any other prepetition or post-petition act taken or omitted to be taken in
12 connection with or in contemplation of the restructuring of the Reorganized Debtors,
13 liquidation of the Liquidating Debtors, or administration of the GUC Distribution
14 Trust. Without limiting the foregoing “Exculpation” provided under this Section, the
15 rights of any Holder of a Claim or Interest to enforce rights arising under the Plan
16 shall be preserved, including the right to compel payment of distributions in
17 accordance with the Plan; *provided*, that the foregoing “Exculpation” shall have no
18 effect on the liability of any Entity for liability solely to the extent resulting from
19 any such act or omission taken after the Effective Date or of any Entity solely to the
20 extent resulting from any act or omission that is determined in a final order to have
21 constituted gross negligence or willful misconduct; *provided, further*, that, subject
to the foregoing exclusions, each Exculpated Party shall be entitled to rely upon the
advice of counsel concerning his, her, or its duties pursuant to, or in connection with,
the Plan or any other related document, instrument, or agreement. The exculpation
of the Lapis Parties is an integral component of the Senior Debt 9019 Settlement.

15 6. The Plan term “Released Parties” means (a) the Debtors, (b) the Lapis
16 Parties, (c) the Committee and the Committee Members, (d) the Patient Care
17 Ombudsman, (e) the Board Trustees, and (f) except as otherwise set forth below or
18 in the this Plan, each of the forgoing Entities’ respective predecessors, successors and
19 assigns, subsidiaries, Affiliates and their subsidiaries, beneficial owners, managed
20 accounts or funds, current and former officers, directors, principals, shareholders,
21 direct and indirect equity holders, members partners (general and limited),
employees, agents, advisory board members, financial advisors, attorneys
accountants, investment bankers, consultants, representatives, management
companies, fund advisors, Professionals, and other professionals; *provided*, the
officers of the Debtors and Non-Debtor Affiliates and AHM, Inc. shall not constitute

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1 Released Parties for purposes of this Plan and *provided further*, that as a condition to
2 receiving or enforcing any release granted pursuant to Section VII.F.2 of the Plan,
3 each Released Party and its Affiliates shall be deemed to have released the Releasing
4 Parties, the Estate, and the Debtors from any and all Claims or Causes of Action
5 arising from or related to their relationship with the Debtors, but not, for the
6 avoidance of doubt, Professional Fee Claims or rights to enforce this Plan. For the
7 avoidance of doubt, and notwithstanding anything herein to the contrary, in no event
8 shall an Entity that appropriately marks a Ballot to opt out of the third party release
9 provided in Section VII.F.2 of the Plan and returns such Ballot in accordance with
10 the Solicitation Procedures Order be a Released Party, except that a member of the
11 Committee who either holds a Claim that has opted out of the Third Party Release or
12 represents a Claim that has opted out of the Third Party Release shall be a Released
13 Party only in his or her capacity as a member of the Committee.

8 7. The Plan term “Releasing Party” means (a) the Released Parties; and (b)
9 all Holders of Claims that (i) vote to accept the Plan, and (ii) do not affirmatively opt
10 out of the third party release provided by Section VII.F.2 of the Plan pursuant to a
11 duly executed Ballot; *provided*, that, notwithstanding anything contained herein to
12 the contrary, in no event shall an Entity that (x) does not vote to accept or reject the
13 Plan, (y) votes to reject the Plan, or (z) appropriately marks the Ballot to opt out of
14 the third party release provided in Section VII.F.2 of the Plan and returns such Ballot
15 in accordance with the Solicitation Procedures Order, be a Releasing Party.

SUMMARY OF PLAN TREATMENT OF CLAIMS AND INTERESTS

14 8. The following table designates the Classes of Claims against each of the
15 Debtors and specifies which of those Classes are (a) Not Impaired by the Plan, (b)
16 Impaired by the Plan, and (c) entitled to vote to accept or reject the Plan in accordance
17 with § 1126. In accordance with § 1123(a)(1), Administrative Claims, Professional
18 Fee Claims, and Priority Tax Claims, have not been classified. All of the potential
19 Classes for the Debtors are set forth herein.

NOTICE OF CONFIRMATION HEARING

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<i>All Debtors</i>			
Class	Designation	Impairment	Voting Status
1	Priority Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
2A	Senior Secured Bond Debt Claims	Impaired	Entitled to Vote
2B	Senior Secured Credit Agreement Claims	Impaired	Entitled to Vote
2C	Other Secured Claims	Impaired	Entitled to Vote
3	Convenience Class Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
4A	Insured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Eliminated Through Consolidation of Debtors for Plan Purposes	N/A

9. Class 1: Priority Claims (Other than Priority Tax Claims).

- a. *Classification.* Class 1 consists of Priority Claims against Debtors, other than Priority Tax Claims. These Priority Claims are entitled to priority treatment in that each Holder of such a Claim is entitled to receive Cash from the Administrative and Priority Claims Reserve on the Effective Date (or as soon as practicable thereafter) equal to the allowed amount of such Claim, unless the Class votes to accept deferred Cash payments of a value, as of the Effective Date, equal to the allowed amount of such Claims. Excluded from this Class are (a) wage claims (including severance pay) in excess of the statutory limit of \$13,650, and (b) PTO Claims in excess of the statutory limit of \$13,650 for benefits. Such Claims will be treated as General Unsecured Claims in Class 4.²

² Employees may have accumulated paid time off (“PTO”) that the employees were able to roll forward from year to year, or cash out at retirement or departure. With limited exception regarding certain employees who were employed by SHC Medical Center - Yakima, separated after January 1, 2020 and then rehired by another Debtor and who were paid on account of unused PTO earned while at SHC Medical Center - Yakima or provided with an allowed claim, the Reorganized Debtors will assume the PTO Claims for retained employees of the Hospital, and PTO will be allowed to be used on the same terms and conditions as before Petition Date.

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- b. *Treatment.* Except to the extent that a Holder of a Priority Claim agrees to a less favorable treatment of such Claim, each such Holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date when such Priority Claim becomes an Allowed Priority Claim.
- c. *Voting.* Class 1 is Unimpaired. Holders of Priority Claims are deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to accept or reject the Plan.

10. Class 2A: Senior Secured Bond Debt Claims.

- a. *Classification.* Class 2A consists of the Senior Secured Bond Debt Claims.
- b. *Treatment.* In accordance with the Senior Debt 9019 Settlement, all Senior Secured Bond Debt Claims shall be Allowed and reinstated without setoff, reduction or subordination on the terms of the Exchange Debt Documents in the amount of all such Senior Secured Bond Debt Claims as of the Effective Date.
- c. *Voting.* Class 2A is Impaired. Holders of the Senior Secured Bond Debt Claims are entitled to vote to accept or reject the Plan.

11. Class 2B: Senior Secured Credit Agreement Claims.

- a. *Classification.* Class 2B consists of the Senior Secured Credit Agreement Claims.
- b. *Treatment.* In accordance with the Senior Debt 9019 Settlement, all Senior Secured Credit Agreement Claims shall be Allowed and satisfied, without setoff, reduction, subordination or challenge, by the exchange of all Senior Secured Credit Agreement Claims for Senior Secured Credit Agreement Exchange Debt with the attributes described in the schedule attached as Exhibit A to the Plan in the amount of all Senior Secured Credit Agreement Claims as of the Effective Date.

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c. *Voting.* Class 2B is Impaired. Holders of Senior Secured Credit Agreement Claims are entitled to vote to accept or reject the Plan.

12. Class 2C: Other Secured Claims.

a. *Classification.* Class 2C consists of the Other Secured Claims.

b. *Treatment.* On or as soon as practicable after the Effective Date, each Holder of an allowed Other Secured Claim against the Debtors will receive from the assets of the Debtors, at the discretion of the Plan Proponents (i) cash equal to the full amount of its Claim, (ii) a reinstated note on the same payment and collateral terms as its prior Claim, (iii) a return of collateral securing the Claim against the Debtor, with any deficiency to result in a General Unsecured Claim, or (iv) such less favorable treatment to which the Holder otherwise agrees.

c. *Voting.* Class 2C is Impaired. Holders of Other Secured Claims are entitled to vote to accept or reject the Plan.

13. Class 3: Convenience Class Claims.

a. *Classification.* Class 3 consists of Convenience Class Claims, meaning those General Unsecured Claims that are either (i) less than or equal to five thousand dollars (\$5,000), or (ii) if the Claim amount is greater than five thousand dollars (\$5,000), a General Unsecured Claim with respect to which the claimant has made a Convenience Class Election and thus accepted a maximum of one thousand dollars (\$1,000) as payment of such claimant’s Claim in full. As used herein, “Convenience Class Election” means the timely election by a Holder of an General Unsecured Claim in the amount of five thousand dollars (\$5,000) or greater to have such entire General Unsecured Claim be treated as a claim in the Convenience Class (Class 3), in which case the portion of such General Unsecured Claim in excess of \$5,000 shall be discharged in full on the Effective Date.

b. *Treatment.* To be paid 20% of allowed amount of claim up to a maximum of \$1,000, on the Effective Date or as soon as

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practicable thereafter. There shall be no limitation on the number of Convenience Class members.

c. *Voting.* Class 3 is Impaired. Holders of Convenience Class Claims are entitled to vote to accept or reject the Plan.

14. Class 4: General Unsecured Claims.

a. *Classification.* Class 4 consists of General Unsecured Claims which have not otherwise been classified.

b. *Treatment.* Holders of Allowed General Unsecured Claims shall receive, on one or more GUC Distribution Dates, a Pro Rata share of the Net GUC Distribution Trust Assets.

c. *Voting.* Class 4 is Impaired. Holders of General Unsecured Claims are entitled to vote to accept or reject the Plan.

15. Class 4A: Insured Claims.

a. *Classification.* Class 4A consists of Insured Claims.

b. *Treatment.* Subject to the terms and conditions set forth in Section III.N of the Plan, Holders of Allowed Insured Claims in Class 4A shall recover only from the available insurance and Debtors shall be discharged to the extent of any such excess. As of the Effective Date, all Insured Claims are Disputed.

c. *Voting.* Class 4A is Impaired. Holders of Insured Claims are entitled to vote to accept or reject the Plan.

16. Class 5: Intercompany Claims.

a. *Classification.* Class 5 consists of all intercompany Claims.

b. *Treatment.* All intercompany claims shall be expunged and eliminated through the limited consolidation of the Debtors unless otherwise indicated in the Plan Supplement.

1 **CONFIRMATION HEARING**

2 17. On **December 18, 2020, at 10:00 a.m. (Prevailing Pacific Time)**, or as
3 soon thereafter as counsel may be heard, a hearing (the "Confirmation Hearing") will
4 be held before the Honorable Whitman L. Holt, United States Bankruptcy Judge, at
5 the U.S. Bankruptcy Court, 402 E. Yakima Avenue, Second Floor Courtroom.,
6 Yakima, WA 98901 to consider (i) confirmation of the Plan, as the same may be
7 amended or modified; and (ii) such other and further relief as may be just and
8 appropriate. Parties may appear at the Confirmation Hearing by telephone. To make
9 a telephonic appearance, call **877-402-9757; code - 7036041**. The Confirmation
Hearing may be adjourned from time to time without further notice to creditors or
other parties in interest, other than by an announcement of such an adjournment in
open court at the Confirmation Hearing or any adjournment thereof, or an appropriate
filing with the Bankruptcy Court. The Plan may be modified in accordance with the
Bankruptcy Code, the Bankruptcy Rules, the Plan, and other applicable law, without
further notice, prior to or as a result of the Confirmation Hearing.

10 **DEADLINE TO VOTE TO ACCEPT OR REJECT THE PLAN**

11 18. You are entitled to vote to accept or reject the Plan. In order to be
12 counted as a vote to accept or reject the Plan, you must properly execute, complete,
and deliver a Ballot (or Ballots) to the Debtors so as to be received by the Debtors no
later than **4:00 p.m. (Pacific Time) on December 4, 2020** (the "Voting Deadline")
as set forth below.

13 19. All Ballots must be delivered via First Class Mail, overnight courier, or
14 hand delivery so as to be actually received by the Solicitation Agent no later than the
15 Voting Deadline. Except as provided below, Ballots must be submitted to the
Solicitation Agent at the following address in accordance with the voting procedures
set forth below:

Astria Ballot Processing Center
c/o Kurtzman Carson Consultants LLC
222 N. Pacific Coast Highway, Suite 300
El Segundo, CA 90245
(877) 726-6508 (U.S./Canada)
(424) 236-7248 (International)

21 **NOTICE OF CONFIRMATION
HEARING**

DENTONS US LLP
601 South Figueroa Street, Suite 2500
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Facsimile (206) 292-2104

1 20. Ballots may also be submitted via electronic, online transmissions,
2 solely through a customized online balloting portal on the Debtors' case website.
3 Parties entitled to vote may cast an electronic Ballot and electronically sign and
4 submit a Ballot instantly by utilizing the online balloting portal (which allows a
5 holder to submit an electronic signature). Instructions for electronic, online
6 transmission of Ballots is set forth on the Ballots. The encrypted ballot data and audit
7 trail created by such electronic submission shall become part of the record of any
8 Ballot submitted in this manner and the creditor's electronic signature will be deemed
9 to be immediately legally valid and effective.

6 **21. BALLOTS TRANSMITTED TO THE DEBTORS BY
7 FACSIMILE, ELECTRONIC MAIL, OR OTHER MEANS NOT
8 SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT MAY BE
9 ACCEPTED BY THE PLAN PROPONENTS ON A CASE-BY-CASE BASIS.**

8 **DEADLINE FOR OBJECTIONS TO CONFIRMATION OF THE**
9 **PLAN**

10 22. Objections, if any, to confirmation of the Plan, including any
11 supporting memoranda, must: (i) be in writing; (ii) comply with the Bankruptcy
12 Rules and the Local Rules; (iii) set forth the name of the objector and the nature and
13 amount of any Claim asserted by the objector against or in the Debtors; (iv) state
14 with particularity the legal and factual bases for the objection and, if practicable, a
15 proposed modification to the Plan that would resolve such objection; and (v) be filed
16 with the Bankruptcy Court, together with proof of service, and served so that they
17 are actually received by the following no later than **December 4, 2020** which
18 deadline may be extended by the Debtors (the "Confirmation Objection
19 Deadline"): (i) counsel to the Debtors, Dentons US LLP, 601 South Figueroa
20 Street, Suite 2500, Los Angeles, CA 90017, Attn: Samuel R. Maizel
21 (samuel.maizel@dentons.com); (ii) counsel to the Committee, Sills Cummis &
Gross, P.C., One Riverfront Plaza, Newark, NJ 07102, Attn: Andrew H. Sherman
and Boris I. Mankovetskiy (asherman@sillscummis.com,
bmankovetskiy@sillscummis.com); (iii) counsel to the Lapis Parties, Mintz, Levin,
Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111,
Attn: William Kannel and Ian Hammel (wkannel@mintz.com,
iahammel@mintz.com); and (iv) counsel to the U.S. Trustee, Office of the United
States Trustee, 920 W. Riverside Ave., Suite 593, Spokane, WA 99201, Attn: Gary
W. Dyer (gary.w.dyer@usdoj.gov).

21 **NOTICE OF CONFIRMATION
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ACCESS TO DOCUMENTS AND OTHER QUESTIONS

23. Copies of the Plan and Disclosure Statement are available and may be downloaded by visiting the following website: <https://www.kccllc.net/astriahhealth>, or by contacting to the Debtors' Claims and Noticing Agent at:

Astria Ballot Processing Center
c/o Kurtzman Carson Consultants LLC
222 N. Pacific Coast Highway, Suite 300
El Segundo, CA 90245
(877) 726-6508 (U.S./Canada)
(424) 236-7248 (International)

or via e-mail request to:

Astriainfo@kccllc.com

or on the Bankruptcy Court's website.³

Dated: November [], 2020

DENTONS US LLP

By: /s/ Samuel R. Maizel

Samuel R. Maizel
Sam J. Alberts
Geoffrey M. Miller

Counsel to the *Debtors and Debtors In Possession*

Dated: November [], 2020

MINTZ, LEVIN, COHN, FERRIS,
GLOVSKY AND POPEO, P.C.

By: /s/ William Kannel

William Kannel
Ian A. Hammel

Counsel to the *Lapis Parties*

³ <http://www.waeb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website).

NOTICE OF CONFIRMATION HEARING

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EXHIBIT B

1 JAMES L. DAY (WSBA #20474)
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2 Seattle, WA 98101
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Email: jday@bskd.com

3 SAMUEL R. MAIZEL (Admitted
Pro Hac Vice)
4 DENTONS US LLP
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5 2500
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6 Fax: (213) 623-9924
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10 Email: sam.alberts@dentons.com

11 Attorneys for the Chapter 11
Debtors and Debtors In Possession

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Email: tmckeon@mintz.com

Attorneys for the Lapis Parties

HONORABLE WHITMAN L.
HOLT

12 UNITED STATES BANKRUPTCY COURT
13 EASTERN DISTRICT OF WASHINGTON

14 In re:
15 ASTRIA HEALTH, *et al.*,
16 Debtors and Debtors in
17 Possession.¹

Chapter 11
Lead Case No. 19-01189-11
Jointly Administered
**NOTICE OF (I) APPROVAL OF THE
DISCLOSURE STATEMENT, (II)
DEADLINE FOR VOTING ON THE
PLAN, (III) HEARING TO
CONSIDER CONFIRMATION OF
THE PLAN, AND (IV) DEADLINE
FOR FILING OBJECTIONS TO
CONFIRMATION OF THE PLAN**

18 ¹ The Debtors, along with their case numbers, are as follows: Astria Health (19-
19 01189-11), Glacier Canyon, LLC (19-01193-11), Kitchen and Bath Furnishings,
20 LLC (19-01194-11), Oxbow Summit, LLC (19-01195-11), SHC Holdco, LLC (19-
21 01196-11), SHC Medical Center - Toppenish (19-01190-11), SHC Medical Center -
Yakima (19-01192-11), Sunnyside Community Hospital Association (19-01191-11),
Sunnyside Community Hospital Home Medical Supply, LLC (19-01197-11),
Sunnyside Home Health (19-01198-11), Sunnyside Professional Services, LLC (19-
01199-11), Yakima Home Care Holdings, LLC (19-01201-11), and Yakima HMA
Home Health, LLC (19-01200-11).

1 **PLEASE TAKE NOTICE OF THE FOLLOWING:**

2 **APPROVAL OF DISCLOSURE STATEMENT**

3 1. By Order dated November [*], 2020 [Docket No. ****] (the
4 “Disclosure Statement Order”), the United States Bankruptcy Court for the Eastern
5 District of Washington (the “Bankruptcy Court”) (a) approved the *Disclosure*
6 *Statement Relating to the First Amended Joint Chapter 11 Plan of Reorganization*
7 *of Astria Health and its Debtor Affiliates* [Docket No. 1968] (including all exhibits
8 thereto and as amended, modified, or supplemented from time to time, the
9 “Disclosure Statement”) filed by Astria Health (“Astria”) and the above-referenced
10 affiliated debtors, the debtors and debtors in possession in the above-captioned
11 chapter 11 bankruptcy cases (each a “Debtor” and, collectively, the “Debtors”) and
12 the Lapis Parties (together with the Debtors, the “Plan Proponents”), as containing
adequate information within the meaning of § 1125 of Title 11 of the United States
Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and (b) authorized the Plan
Proponents to solicit votes to accept or reject the *First Amended Joint Chapter 11*
Plan of Reorganization of Astria Health and its Debtor Affiliates [Docket No. 1967]
(including all exhibits thereto, any plan supplement, and as amended, modified, or
supplemented from time to time, the “Plan”). All capitalized terms used but not
defined herein shall have the same meanings ascribed to them in the Plan, the
Disclosure Statement, or the Disclosure Statement Order, as applicable.

13 2. **YOU ARE OR MIGHT BE THE HOLDER OF CLAIMS IN CLASSES OF**
14 **UNIMPAIRED CLAIMS DEEMED TO ACCEPT THE PLAN THAT ARE NOT**
15 **ENTITLED TO VOTE ON THE PLAN. THE FOLLOWING IS A SUMMARY OF THE**
16 **TREATMENT OF SUCH NON-VOTING CLASSES UNDER THE PLAN.**

Class	Designation	Impairment	Entitled to Vote
1	Priority Claims	Not Impaired	No (deemed to accept)

17 3. **UNDER THE TERMS OF THE PLAN, HOLDERS OF CLAIMS IN CLASS**
18 **1 ARE UNIMPAIRED UNDER THE PLAN AND THEREFORE, PURSUANT TO THE**
19 **PLAN AND BANKRUPTCY CODE SECTION 1126(f), ARE (I) PRESUMED TO HAVE**
20 **ACCEPTED THE PLAN, (II) NOT ENTITLED TO VOTE ON THE PLAN, AND (III)**
21 **DEEMED TO HAVE COMPLETELY, CONCLUSIVELY, UNCONDITIONALLY, AND**
IRREVOCABLY RELEASED THE RELEASED PARTIES AS SET FORTH IN SECTION
VII OF THE PLAN.

21 **NOTICE OF CONFIRMATION**
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1 **RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS**
2 **CONTAINED IN PLAN**

3 4. SECTION VII OF THE PLAN CONTAINS CERTAIN RELEASE,
4 INJUNCTION, AND EXCULPATION PROVISIONS, INCLUDING THOSE SET
5 FORTH BELOW. YOU ARE ADVISED TO CAREFULLY REVIEW AND
6 CONSIDER THE PLAN, INCLUDING THE RELEASE, INJUNCTION AND
7 EXCULPATION PROVISIONS THEREIN, AS YOUR RIGHTS MAY BE
8 AFFECTED.

9 5. **Sections VII.F and VII.H of the Plan contain the following**
10 **Releases:**

11 (a) Debtors’ Releases. On the Effective Date of the Plan and to the
12 fullest extent authorized by applicable law, the Released Parties and their respective
13 property will be expressly, unconditionally, generally and individually and
14 collectively released, acquitted and discharged by the Debtors on behalf of
15 themselves, their estates, the Reorganized Debtors, the GUC Distribution Trust and
16 the Liquidation Trust (such that the Reorganized Debtors, the GUC Distribution
17 Trust and the Liquidation Trust will not hold any Claims or Causes of Action released
18 pursuant to this Plan), for the good and valuable consideration provided by each of
19 the Released Parties, from any and all actions, Claims, debts, obligations, rights, suits,
20 damages, Causes of Action, remedies and liabilities whatsoever, including any
21 derivative claims asserted on behalf of the Debtor, whether known or unknown,
 foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law,
 equity, contract, tort or otherwise, by statute, 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 to the Debtors, any of the Debtors’ present or
 former assets, the Released Parties’ interests in or management of the Debtors, the
 Plan, the Disclosure Statement, this Chapter 11 Case, or any restructuring of Claims
 or interests undertaken prior to the Effective Date, including those that the Debtors,
 the Reorganized Debtors, the GUC Distribution Trust, or the Liquidation Trust would
 have been legally entitled to assert or that any holder of a Claim against or interest in
 the Debtor or any other entity could have been legally entitled to assert derivatively
 or on behalf of the Debtors or their estates including with respect to the Lapis Parties
 any challenge to claims and rights of the Lapis Parties under the Bond Documents
 and Credit Agreement Documents; *provided, however,* that the foregoing “Debtors’
 Releases” shall not operate to waive or release any Claims or Causes of Action of the

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1 Debtors or their Estates against a Released Party arising under any contractual
obligation owed to the Debtors that is entered into or assumed pursuant to the Plan.

2 Entry of the Confirmation Order shall constitute the Court's approval, pursuant
3 to Bankruptcy Rule 9019, of the Debtors' Releases, which includes by reference each
4 of the related provisions and definitions contained in the Plan, and, further, shall
5 constitute the Court's finding that the Debtors' Releases are: (1) in exchange for the
6 good and valuable consideration provided by the Released Parties; (2) a good-faith
7 settlement and compromise of the Claims released by the Debtors' Releases; (3) in
the best interests of the Debtors' Estates and all holders of Claims and interests; (4)
fair, equitable, and reasonable; (5) given and made after due notice and opportunity
for hearing; and (6) a bar against any of the Debtors' estates, the Reorganized Debtors,
the GUC Distribution Trust, or the Liquidation Trust, asserting any Claim or Cause
of Action released pursuant to the Debtors' Releases.

8 The foregoing release as to the Lapis Parties is an integral component of the
9 Senior Debt 9019 Settlement.

10 (b) Third Party Releases. On the Effective Date of the Plan and to
11 the fullest extent authorized by applicable law, the Releasing Parties shall be deemed
12 to have expressly, unconditionally, generally and individually and collectively,
13 released and acquitted the Released Parties and their respective property from any
14 and all actions, claims, interests, obligations, rights, suits, damages, causes of action,
15 remedies and liabilities whatsoever, including any derivative claims asserted on
16 behalf of the Debtor, whether known or unknown, foreseen or unforeseen, matured
17 or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise,
18 that such Holder (whether individually or collectively) ever had, now has or hereafter
19 can, shall or may have, based on or relating to, or in any manner arising from or
20 related in any way to the Debtors, any of the Debtors' present or former assets, the
Released Parties' interests in or management of the Debtors, the business or
contractual arrangements between the Debtors and any Released Party, the Plan, the
Disclosure Statement, these Chapter 11 Cases, or any restructuring of Claims or
interests undertaken prior to the Effective Date, including those that the Debtors, the
Reorganized Debtors, the GUC Distribution Trust, or the Liquidation Trust would
have been legally entitled to assert or that any holder of a Claim against or interest in
the Debtors or any other Entity could have been legally entitled to assert derivatively
or on behalf of the Debtors or their Estates, except for (i) any Claims and causes of
action for actual fraud, gross negligence or willful misconduct and (ii) the right to
receive distributions from the Debtors, the Reorganized Debtors, the Litigation Trust,
or the Liquidation Trust on account of an allowed Claim against the Debtors pursuant

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1 to the Plan. For the avoidance of doubt, the Releasing Parties shall include (a) the
2 Released Parties, and (b) all Holders of Claims that (i) vote to accept the Plan, and
3 (ii) do not affirmatively opt out of the third party release provided by this section
4 pursuant to a duly executed ballot. notwithstanding anything to the contrary herein,
5 in no event shall an entity that (x) does not vote to accept or reject the Plan, (y) votes
6 to reject the Plan, or (z) appropriately marks the ballot to opt out of the third party
7 release provided in this section and returns such ballot in accordance with the
8 solicitation procedures order, be a Releasing Party.

9 Entry of the Confirmation Order shall constitute the Court's approval, pursuant
10 to Bankruptcy Rule 9019, of the third party release, which includes by reference each
11 of the related provisions and definitions contained in the Plan, and, further, shall
12 constitute the Court's finding that the third party release is: (1) in exchange for the
13 good and valuable consideration provided by the Released Parties; (2) a good-faith
14 settlement and compromise of the Claims released by the third party release; (3) in
15 the best interests of the Debtors and all holders of Claims and interests; (4) fair,
16 equitable, and reasonable; (5) given and made after due notice and opportunity for
17 hearing; and (6) a bar to any of the Releasing Parties asserting any Claim released
18 pursuant to the third party release.

19 Notwithstanding any provision herein, there shall be no release or Exculpation
20 by or injunction against any committee member holding a Claim or representing a
21 claimant that has opted out of the third party release or has not voted on the Plan,
except solely in such committee member's capacity as such.

The foregoing release as to the Lapis Parties is an integral component of the
Senior Debt 9019 Settlement. Pursuant to § 1123(b)(3)(a) and the Senior Debt 9019
Settlement, as of the Effective Date, for good and valuable consideration, the
adequacy of which is hereby confirmed, to the maximum extent permitted by law,
each holder of any Claim shall be deemed to forever release, waive, and discharge
all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of
Action, and liabilities whatsoever, against the Lapis Parties arising from or related to
the Lapis Parties' pre- and/or post-petition actions, omissions or liabilities,
transaction, occurrence, or other activity of any nature except for as provided in this
Plan or the Confirmation Order.

(c) Waiver of Statutory Limitations on Releases. Each Releasing
Party in each of the releases contained in the Plan (including under this section)
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 his favor, which

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1 if known by it may have materially affected its settlement with the party released,
2 they have carefully considered and taken into account in determining to enter into the
3 above releases the possible existence of such unknown losses or claims. without
4 limiting the generality of the foregoing, each releasing party expressly waives any
5 and all rights conferred upon it by any statute or rule of law which provides that a
6 release does not extend to claims which the claimant does not know or suspect to
7 exist in its favor at the time of executing the release, which if known by it may have
8 materially affected its settlement with the Releasing Party. The releases contained in
9 this section are effective regardless of whether those released matters are presently
10 known, unknown, suspected or unsuspected, foreseen or unforeseen.

11 **4. Section VII.G of the Plan contains the following Injunctions:**

12 General Injunction. Except as otherwise provided in the Plan or the
13 Confirmation Order, all entities who have held, hold, or may hold Claims, interests,
14 Causes of Action, or liabilities that: (1) are subject to compromise and settlement
15 pursuant to the terms of the Plan; (2) have been released pursuant to Section VII.F.1
16 of the Plan; (3) have been released pursuant to Section VII.F.2 of the Plan; (4) are
17 subject to exculpation pursuant to Section VII.E of the Plan; or (5) are otherwise
18 stayed or terminated pursuant to the terms of the Plan, are permanently enjoined and
19 precluded, from and after the Effective Date, from: (a) commencing or continuing in
20 any manner any action or other proceeding of any kind, including on account of any
21 Claims, interests, Causes of Actions, or liabilities that have been compromised or
settled against the Debtors, the Reorganized Debtors, the GUC Distribution Trust,
the Liquidation Trust, or any entity so released or exculpated (or the property or estate
of any entity, directly or indirectly, so released or exculpated) on account of or in
connection with or with respect to any released, settled, compromised, or exculpated
claims, Causes of Action, or liabilities; (b) enforcing, attaching, collecting, or
recovering by any manner or means any judgment, award, decree, or order against
the Debtors, the Reorganized Debtors, the GUC Distribution Trust, the Liquidation
Trust, or any entity so released or exculpated (or the property or estate of the Debtor
or any entity so released or exculpated) on account of or in connection with or with
respect to any such released, settled, compromised, or exculpated Claims, Causes of
Action, or liabilities; (c) creating, perfecting, or enforcing any lien, Claim, or
encumbrance of any kind against the Debtors, the Reorganized Debtors, the GUC
Distribution Trust, the Liquidation Trust, or any entity so released or exculpated (or
the property or estate of the Debtor or any entity so released or exculpated) on
account of or in connection with or with respect to any such released, settled,
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1 right of setoff or subrogation of any kind against any obligation due from the Debtors
2 or any entity so released or exculpated (or the property or estates of the Debtors or
3 any entity so released or exculpated) on account of or in connection with or with
4 respect to any such released, settled, compromised, or exculpated claims, Causes of
5 Action, or liabilities unless such entity has timely asserted such setoff or subrogation
6 right prior to confirmation in a document filed with the court explicitly preserving
7 such setoff or subrogation; and (e) commencing or continuing in any manner any
8 action or other proceeding of any kind against the Debtors, the Reorganized Debtors,
9 the GUC Distribution Trust, the Liquidation Trust, or any entity so released or
10 exculpated (or the property or estate of the Debtor or any entity so released or
11 exculpated) on account of or in connection with or with respect to any such released,
12 settled, compromised, or exculpated claims, Causes of Action, or liabilities released,
13 settled, or compromised pursuant to the Plan; provided that nothing contained in the
14 Plan shall preclude an entity from obtaining benefits directly and expressly provided
15 to such entity pursuant to the terms of the Plan; provided, further, that nothing
16 contained in the Plan shall be construed to prevent any entity from defending against
17 Claims objections or collection actions whether by asserting a right of setoff or
18 otherwise to the extent permitted by law.

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5. **Section VII.E of the Plan contains the following Exculpation:**

Exculpation. The Exculpated Parties shall neither have, nor incur any liability to any Entity for any prepetition or post-petition act taken or omitted to be taken in connection with the Chapter 11 Cases, or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or implementing the Plan or consummating the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan or any other prepetition or post-petition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Reorganized Debtors, liquidation of the Liquidating Debtors, or administration of the GUC Distribution Trust. Without limiting the foregoing “Exculpation” provided under this Section, the rights of any Holder of a Claim or Interest to enforce rights arising under the Plan shall be preserved, including the right to compel payment of distributions in accordance with the Plan; *provided*, that the foregoing “Exculpation” shall have no effect on the liability of any Entity for liability solely to the extent resulting from any such act or omission taken after the Effective Date or of any Entity solely to the extent resulting from any act or omission that is determined in a final order to have constituted gross negligence or willful misconduct; *provided, further*, that, subject to the foregoing exclusions, each Exculpated Party shall be entitled to rely upon the

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1 advice of counsel concerning his, her, or its duties pursuant to, or in connection with,
2 the Plan or any other related document, instrument, or agreement. The exculpation
of the Lapis Parties is an integral component of the Senior Debt 9019 Settlement.

3 6. The Plan term “Released Parties” means (a) the Debtors, (b) the Lapis
4 Parties, (c) the Committee and the Committee Members, (d) the Patient Care
5 Ombudsman, (e) the Board Trustees, and (f) except as otherwise set forth below or
6 in the this Plan, each of the forgoing Entities’ respective predecessors, successors and
7 assigns, subsidiaries, Affiliates and their subsidiaries, beneficial owners, managed
8 accounts or funds, current and former officers, directors, principals, shareholders,
9 direct and indirect equity holders, members partners (general and limited),
10 employees, agents, advisory board members, financial advisors, attorneys
11 accountants, investment bankers, consultants, representatives, management
12 companies, fund advisors, Professionals, and other professionals; *provided*, the
13 officers of the Debtors and Non-Debtor Affiliates and AHM, Inc. shall not constitute
14 Released Parties for purposes of this Plan and *provided further*, that as a condition to
15 receiving or enforcing any release granted pursuant to Section VII.F.2 of the Plan,
each Released Party and its Affiliates shall be deemed to have released the Releasing
Parties, the Estate, and the Debtors from any and all Claims or Causes of Action
arising from or related to their relationship with the Debtors, but not, for the
avoidance of doubt, Professional Fee Claims or rights to enforce this Plan. For the
avoidance of doubt, and notwithstanding anything herein to the contrary, in no event
shall an Entity that appropriately marks a Ballot to opt out of the third party release
provided in Section VII.F.2 of the Plan and returns such Ballot in accordance with
the Solicitation Procedures Order be a Released Party, except that a member of the
Committee who either holds a Claim that has opted out of the Third Party Release or
represents a Claim that has opted out of the Third Party Release shall be a Released
Party only in his or her capacity as a member of the Committee.

16 7. The Plan term “Releasing Party” means (a) the Released Parties; and (b)
17 all Holders of Claims that (i) vote to accept the Plan, and (ii) do not affirmatively opt
18 out of the third party release provided by Section VII.F.2 of the Plan pursuant to a
19 duly executed Ballot; *provided*, that, notwithstanding anything contained herein to
the contrary, in no event shall an Entity that (x) does not vote to accept or reject the
Plan, (y) votes to reject the Plan, or (z) appropriately marks the Ballot to opt out of
the third party release provided in Section VII.F.2 of the Plan and returns such Ballot
in accordance with the Solicitation Procedures Order, be a Releasing Party.

20
21 **NOTICE OF CONFIRMATION
HEARING**

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1 **SUMMARY OF PLAN TREATMENT OF CLAIMS AND INTERESTS**

2 8. The following table designates the Classes of Claims against each of the
3 Debtors and specifies which of those Classes are (a) Not Impaired by the Plan, (b)
4 Impaired by the Plan, and (c) entitled to vote to accept or reject the Plan in accordance
5 with § 1126. In accordance with § 1123(a)(1), Administrative Claims, Professional
6 Fee Claims, and Priority Tax Claims, have not been classified. All of the potential
7 Classes for the Debtors are set forth herein.

<i>All Debtors</i>			
Class	Designation	Impairment	Voting Status
1	Priority Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
2A	Senior Secured Bond Debt Claims	Impaired	Entitled to Vote
2B	Senior Secured Credit Agreement Claims	Impaired	Entitled to Vote
2C	Other Secured Claims	Impaired	Entitled to Vote
3	Convenience Class Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
4A	Insured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Eliminated Through Consolidation of Debtors for Plan Purposes	N/A

13 9. Class 1: Priority Claims (Other than Priority Tax Claims).

14 a. *Classification.* Class 1 consists of Priority Claims against
15 Debtors, other than Priority Tax Claims. These Priority Claims
16 are entitled to priority treatment in that each Holder of such a
17 Claim is entitled to receive Cash from the Administrative and
18 Priority Claims Reserve on the Effective Date (or as soon as
19 practicable thereafter) equal to the allowed amount of such Claim,
20 unless the Class votes to accept deferred Cash payments of a
21 value, as of the Effective Date, equal to the allowed amount of
such Claims. Excluded from this Class are (a) wage claims
(including severance pay) in excess of the statutory limit of
\$13,650, and (b) PTO Claims in excess of the statutory limit of

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\$13,650 for benefits. Such Claims will be treated as General Unsecured Claims in Class 4.²

b. *Treatment.* Except to the extent that a Holder of a Priority Claim agrees to a less favorable treatment of such Claim, each such Holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date when such Priority Claim becomes an Allowed Priority Claim.

c. *Voting.* Class 1 is Unimpaired. Holders of Priority Claims are deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to accept or reject the Plan.

10. Class 2A: Senior Secured Bond Debt Claims.

a. *Classification.* Class 2A consists of the Senior Secured Bond Debt Claims.

b. *Treatment.* In accordance with the Senior Debt 9019 Settlement, all Senior Secured Bond Debt Claims shall be Allowed and reinstated without setoff, reduction or subordination on the terms of the Exchange Debt Documents in the amount of all such Senior Secured Bond Debt Claims as of the Effective Date.

c. *Voting.* Class 2A is Impaired. Holders of the Senior Secured Bond Debt Claims are entitled to vote to accept or reject the Plan.

11. Class 2B: Senior Secured Credit Agreement Claims.

a. *Classification.* Class 2B consists of the Senior Secured Credit Agreement Claims.

² Employees may have accumulated paid time off (“PTO”) that the employees were able to roll forward from year to year, or cash out at retirement or departure. With limited exception regarding certain employees who were employed by SHC Medical Center - Yakima, separated after January 1, 2020 and then rehired by another Debtor and who were paid on account of unused PTO earned while at SHC Medical Center - Yakima or provided with an allowed claim, the Reorganized Debtors will assume the PTO Claims for retained employees of the Hospital, and PTO will be allowed to be used on the same terms and conditions as before Petition Date.

1 b. *Treatment.* In accordance with the Senior Debt 9019 Settlement,
2 all Senior Secured Credit Agreement Claims shall be Allowed
3 and satisfied, without setoff, reduction, subordination or
4 challenge, by the exchange of all Senior Secured Credit
5 Agreement Claims for Senior Secured Credit Agreement
6 Exchange Debt with the attributes described in the schedule
7 attached as Exhibit A to the Plan in the amount of all Senior
8 Secured Credit Agreement Claims as of the Effective Date.

9 c. *Voting.* Class 2B is Impaired. Holders of Senior Secured Credit
10 Agreement Claims are entitled to vote to accept or reject the Plan.

11 12. Class 2C: Other Secured Claims.

12 a. *Classification.* Class 2C consists of the Other Secured Claims.

13 b. *Treatment.* On or as soon as practicable after the Effective Date,
14 each Holder of an allowed Other Secured Claim against the
15 Debtors will receive from the assets of the Debtors, at the
16 discretion of the Plan Proponents (i) cash equal to the full amount
17 of its Claim, (ii) a reinstated note on the same payment and
18 collateral terms as its prior Claim, (iii) a return of collateral
19 securing the Claim against the Debtor, with any deficiency to
20 result in a General Unsecured Claim, or (iv) such less favorable
21 treatment to which the Holder otherwise agrees.

c. *Voting.* Class 2C is Impaired. Holders of Other Secured Claims
are entitled to vote to accept or reject the Plan.

13. Class 3: Convenience Class Claims.

a. *Classification.* Class 3 consists of Convenience Class Claims,
meaning those General Unsecured Claims that are either (i) less
than or equal to five thousand dollars (\$5,000), or (ii) if the Claim
amount is greater than five thousand dollars (\$5,000), a General
Unsecured Claim with respect to which the claimant has made a
Convenience Class Election and thus accepted a maximum of one
thousand dollars (\$1,000) as payment of such claimant's Claim in
full. As used herein, "Convenience Class Election" means the
timely election by a Holder of an General Unsecured Claim in the

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amount of five thousand dollars (\$5,000) or greater to have such entire General Unsecured Claim be treated as a claim in the Convenience Class (Class 3), in which case the portion of such General Unsecured Claim in excess of \$5,000 shall be discharged in full on the Effective Date.

- b. *Treatment.* To be paid 20% of allowed amount of claim up to a maximum of \$1,000, on the Effective Date or as soon as practicable thereafter. There shall be no limitation on the number of Convenience Class members.
- c. *Voting.* Class 3 is Impaired. Holders of Convenience Class Claims are entitled to vote to accept or reject the Plan.

14. Class 4: General Unsecured Claims.

- a. *Classification.* Class 4 consists of General Unsecured Claims which have not otherwise been classified.
- b. *Treatment.* Holders of Allowed General Unsecured Claims shall receive, on one or more GUC Distribution Dates, a Pro Rata share of the Net GUC Distribution Trust Assets.
- c. *Voting.* Class 4 is Impaired. Holders of General Unsecured Claims are entitled to vote to accept or reject the Plan.

15. Class 4A: Insured Claims.

- a. *Classification.* Class 4A consists of Insured Claims.
- b. *Treatment.* Subject to the terms and conditions set forth in Section III.N of the Plan, Holders of Allowed Insured Claims in Class 4A shall recover only from the available insurance and Debtors shall be discharged to the extent of any such excess. As of the Effective Date, all Insured Claims are Disputed.
- c. *Voting.* Class 4A is Impaired. Holders of Insured Claims are entitled to vote to accept or reject the Plan.

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16. Class 5: Intercompany Claims.

a. *Classification.* Class 5 consists of all intercompany Claims.

b. *Treatment.* All intercompany claims shall be expunged and eliminated through the limited consolidation of the Debtors unless otherwise indicated in the Plan Supplement.

CONFIRMATION HEARING

17. On **December 18, 2020, at 10:00 a.m. (Prevailing Pacific Time)**, or as soon thereafter as counsel may be heard, a hearing (the “Confirmation Hearing”) will be held before the Honorable Whitman L. Holt, United States Bankruptcy Judge, at the U.S. Bankruptcy Court, 402 E. Yakima Avenue, Second Floor Courtroom., Yakima, WA 98901 to consider (i) confirmation of the Plan, as the same may be amended or modified; and (ii) such other and further relief as may be just and appropriate. Parties may appear at the Confirmation Hearing by telephone. To make a telephonic appearance, call **877-402-9757; code - 7036041**. The Confirmation Hearing may be adjourned from time to time without further notice to creditors or other parties in interest, other than by an announcement of such an adjournment in open court at the Confirmation Hearing or any adjournment thereof, or an appropriate filing with the Bankruptcy Court. The Plan may be modified in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Plan, and other applicable law, without further notice, prior to or as a result of the Confirmation Hearing.

DEADLINE FOR OBJECTIONS TO CONFIRMATION OF THE PLAN

18. Objections, if any, to confirmation of the Plan, including any supporting memoranda, must: (i) be in writing; (ii) comply with the Bankruptcy Rules and the Local Rules; (iii) set forth the name of the objector and the nature and amount of any Claim asserted by the objector against or in the Debtors; (iv) state with particularity the legal and factual bases for the objection and, if practicable, a proposed modification to the Plan that would resolve such objection; and (v) be filed with the Bankruptcy Court, together with proof of service, and served so that they are actually received by the following no later than **December 4, 2020** which deadline may be extended by the Debtors (the “Confirmation Objection Deadline”): (i) counsel to the Debtors, Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los Angeles, CA 90017, Attn: Samuel R. Maizel (samuel.maizel@dentons.com);

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1 (ii) counsel to the Committee, Sills Cummis & Gross, P.C., One Riverfront Plaza,
Newark, NJ 07102, Attn: Andrew H. Sherman and Boris I. Mankovetskiy
2 (asherman@sillscummis.com, bmankovetskiy@sillscummis.com); (iii) counsel to
the Lapis Parties, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One
3 Financial Center, Boston, MA 02111, Attn: William Kannel and Ian Hammel
(wkannel@mintz.com, iahammel@mintz.com); and (iv) counsel to the U.S.
4 Trustee, Office of the United States Trustee, 920 W. Riverside Ave., Suite 593,
Spokane, WA 99201, Attn: Gary W. Dyer (gary.w.dyer@usdoj.gov).

5
6 **ACCESS TO DOCUMENTS AND OTHER QUESTIONS**

7 19. Copies of the Plan and Disclosure Statement are available and may be
downloaded by visiting the following website: <https://www.kccllc.net/astriahhealth>,
8 or by contacting to the Debtors' Claims and Noticing Agent at:

9 Astria Ballot Processing Center
c/o Kurtzman Carson Consultants LLC
222 N. Pacific Coast Highway, Suite 300
10 El Segundo, CA 90245
(877) 726-6508 (U.S./Canada)
11 (424) 236-7248 (International)

12 or via e-mail request to:

13 Astriainfo@kccllc.com

14 or on the Bankruptcy Court's website.³

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20 ³ <http://www.waeb.uscourts.gov/> (a PACER login and password are required to access documents
on the Bankruptcy Court's website).

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Dated: November [], 2020

DENTONS US LLP

By: /s/ Samuel R. Maizel
Samuel R. Maizel
Sam J. Alberts
Geoffrey M. Miller

Counsel to the *Debtors and Debtors In Possession*

Dated: November [], 2020

MINTZ, LEVIN, COHN, FERRIS,
GLOVSKY AND POPEO, P.C.

By: /s/ William Kannel
William Kannel
Ian A. Hammel

Counsel to the *Lapis Parties*

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EXHIBIT C

Exhibit C

Event	Event Date/Deadline
Disclosure Statement Hearing	November 6, 2020
Voting Record Date	November 6, 2020
Entry of Disclosure Statement Order	November 6, 2020
Solicitation Commencement Deadline	Five (5) Business Days following the Entry of Disclosure Statement Order
Plan Supplement Deadline	November 24, 2020
Deadline to Object or to File a Motion to Estimate Claims for Voting Purposes	November 27, 2020
Voting Objection Deadline	November 27, 2020
Voting Deadline	December 4, 2020, at 4:00 p.m. (Pacific Time)
Confirmation Objection Deadline	December 4, 2020
Deadline to File Tabulation Report, Memorandum of Law in Support of Confirmation, Proposed Confirmation Order and Response to Objections to the Confirmation	December 11, 2020
Confirmation Hearing	December 16, 2020, at 11:00 a.m. (Pacific Time)