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25 *Debtors In Possession*

26 **UNITED STATES BANKRUPTCY COURT**
27 **EASTERN DISTRICT OF WASHINGTON**

28 In re:

ASTRIA HEALTH, *et al.*,

Debtors and
Debtors in
Possession.¹

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

NOTICE OF FILING REVISED REDLINE
RE: PLAN AND DISCLOSURE
STATEMENT

[RELATED DOCUMENT NO. 1969]

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).

NOTICE OF FILING



1 **PLEASE TAKE NOTICE** that, on November 4, 2020, Astria Health and the
2 affiliated debtors, the debtors and debtors in possession (collectively, the “Debtors”)
3
4 in the above-captioned chapter 11 bankruptcy cases, filed redlines of the *First*
5 *Amended Joint Chapter 11 Plan of Reorganization of Astria Health and its Debtor*
6 *Affiliates* [Docket No. 1967] and the *Disclosure Statement Relating to the First*
7 *Amended Joint Chapter 11 Plan of Reorganization of Astria Health and its Debtor*
8 *Affiliates* [Docket No. 1968] (collectively, the “Redlines”), which detail the changes
9 made to the previously filed Plan and Disclosure Statement [Docket Nos. 1471 and
10 1472].
11

12
13 **PLEASE TAKE FURTHER NOTICE** that attached hereto are revised
14 versions of the Redlines which are more legible.
15

16
17 Dated: November 5, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
SAM J. ALBERTS

18
19
20 By /s/ Samuel R. Maizel
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22 *Attorneys for the Chapter 11 Debtors*
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**UNITED STATES BANKRUPTCY COURT
 EASTERN DISTRICT OF WASHINGTON**

<p>17 In re:</p> <p>18</p> <p>19 ASTRIA HEALTH, <i>et al.</i>,</p> <p>20 Debtors and 21 Debtors in Possession.¹</p>	<p>Chapter 11 Lead Case No. 19-01189-11 Jointly Administered</p> <p><u>FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ASTRIA HEALTH AND ITS DEBTOR AFFILIATES</u></p>
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¹The 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), SHS 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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1 **INTRODUCTION²**

2 The Debtors and the Lapis Parties (collectively, the “Plan Proponents”) propose this *First*
3 *Amended Joint Plan of Reorganization of Astria Health and its Affiliates*. Capitalized terms used
4 but not otherwise defined shall have the respective meanings ascribed to such terms in Section I.A.
5 Holders of Claims and Interests may refer to the Disclosure Statement for a discussion of the
6 Debtors’ history, businesses, assets, results of operations, historical financial information, and
7 projections of future operations, as well as a summary and description of the Plan. The Plan
8 Proponents are the proponents of the Plan within the meaning of § ~~1129~~1129 of the Bankruptcy
9 Code.³ The Plan shall apply as a joint Plan for all Debtors under which all assets and liabilities
10 shall be consolidated for the limited purposes of Claim treatment and Plan distributions but
11 otherwise, each Debtor, Reorganized Debtor or Liquidating Debtor, as the case may be, shall
12 remain a separate legal entity.

13 ALL HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE ON THE PLAN
14 ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN
15 THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

16 **SECTION I. DEFINITIONS AND RULES OF CONSTRUCTION**

17 **A. Definitions.** The following terms used herein shall have the respective
18 meanings defined below:

19 1.1 *503(b)(9) Claims* means Administrative Claims arising under § 503(b)(9).

20 1.2 *Administrative and Priority Claims Reserve* means the reserve to be established
21 and maintained by the Reorganized Debtors and Liquidating Debtors and funded, subject to the
22 Administrative, Professional and Priority Claims Cap, with the Administrative and Priority Claims
23 Reserve Amount pursuant to Section II.D.4 hereof.

24 1.3 *Administrative and Priority Claims Reserve Amount* means Cash in an amount to
25 be determined by ~~the Debtors and the Lapis Parties~~Plan Proponents on or before the Effective Date,
26 subject to the Administrative, Professional and Priority Claims Cap, ~~which amount shall to~~ be
27 funded by the Debtors ~~and used by~~ the Reorganized Debtors ~~and the Liquidating Debtors for the~~
28 ~~payment of~~ an amount sufficient to pay in full all accrued but unpaid U.S. Trustee Fees and
Administrative, Priority Tax, Priority, and Professional Fee Claims other than Ordinary Course
Administrative Expenses; that are Allowed after the Effective Date to the extent that such Claims
have not been paid in full on or before the Effective Date consistent with § 1129(a)(9).

29 ~~2 Capitalized terms not otherwise defined in this Introduction have the definitions set forth in Section I.~~

30 ³ All references to “§” herein are to sections of the United States Bankruptcy Code, 11 U.S.C.
31 §§101-1531, as amended, unless otherwise noted.

1 1.4 **Administrative Claim** means a Claim for costs or expenses of administering the
2 Debtors' Chapter 11 Cases under § 507(a)(2) or 503(b) but expressly excluding Professional Fee
3 Claims. Administrative Claims include (i) DIP Claims; (ii) 503(b)(9) Claims; (iii) Cure Payments;
4 and (iv) fees payable to the clerk of the Bankruptcy Court and the Office of the U.S. Trustee.

5 ~~1.5 **Administrative, Professional and Priority Claims Cap** means \$4,624,674, which
6 shall be the maximum amount payable under this Plan for the payment of U.S. Trustee Fees and
7 Administrative, Priority Tax, Priority, and Professional Fee Claims on or after the Effective Date.
8 To be clear, DIP Claims and Ordinary Course Administrative Expenses are not subject to this cap.~~

9 ~~1.6 **Administrative Claims Bar Date** means the date established by the Administrative
10 Claims Bar Date Order by which requests for payment of Administrative Claims must be Filed,
11 subject to any exceptions specifically set forth therein.~~

12 **1.6 Administrative Claims Bar Date Order** means the Order (I) Fixing the First Interim
13 Bar Date for Filing Certain Post-Petition Administrative Expense Claims and (II) Approving the
14 Form of Notice of the Administrative Expense Claims Bar Date [Docket No. 1416].

15 ~~1.7 **Administrative, Professional and Priority Claims Cap** means \$4,624,674, which
16 shall be the maximum amount payable under the Plan for the payment of pre-Effective Date U.S.
17 Trustee Fees and Administrative, Priority Tax, Priority, and Professional Fee Claims on or after
18 the Effective Date. To be clear, DIP Claims and Ordinary Course Administrative Expenses are
19 not subject to this Cap.~~

20 1.8 **Affiliate** shall have the meaning set forth in § 101(2).

21 1.9 **Allowed** means with respect to (I) a Claim, ~~to the extent that:~~ (a) any Claim, a proof
22 of Claim ~~offor~~ which was timely Filed by the applicable Claims Bar Date, Supplemental Bar Date
23 or Administrative Claims Bar Date (or a Claim for which a Proof of Claim is not required to be
24 Filed under the Plan, the Bankruptcy Code, or a Final Order of the Court); (b) any Claim that is
25 listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no
26 Proof of Claim has been timely Filed; ~~or~~ (c) any Claim allowed pursuant to the Plan or Final Order
27 of the Court; provided, that with respect to any Claim described in clause (a) or (b) above, such
28 Claim shall be considered Allowed only if and to the extent that no objection to the allowance of
such Claim has been interposed within the applicable period of time fixed by the Plan, the
Bankruptcy Code, the Bankruptcy Rules or Court, or if such an objection is so interposed and the
Claim shall have been Allowed by a Final Order; provided, further, that the ~~Debtors or the~~
Reorganized Debtors (and with respect to General Unsecured Claims, the GUC Distribution
Trustee), as applicable, may, subject to Section V.A., affirmatively determine to allow any Claim
described in clause (a) notwithstanding the fact that the period within which an objection may be
interposed has not yet expired; ~~or (c) a Claim that is not Disputed; provided, further, that any Claims~~
allowed solely for the purpose of voting to accept or reject the Plan pursuant to an Order of the
Court shall not be considered an Allowed Claim under this Plan; provided, further, that any Claim
disallowed or expunged under the Plan, by Final Order of the Court, or otherwise shall not be an
Allowed Claim; provided, further, that with respect to any Claim Allowed only in part, references
to Allowed Claims in this Plan include, and are limited to, only the portion of the Claim that is
Allowed; and (II) an Interest, to the extent Allowed under this Plan. Unless otherwise specified in

1 the Plan, an Allowed Claim does not include interest on the Claim accruing after Petition Date.
2 Moreover, all or any portion of a Claim that is satisfied or released during the Chapter 11 Cases is
not an Allowed Claim.

3 1.10 **A/R Collections** means post-confirmation collections of receivables for SHC
4 Medical Center - Yakima accounts.

5 1.11 **Avoidance Actions** means any and all actual or potential claims and causes of action
6 to avoid a transfer of property or an obligation incurred by a Debtor pursuant to any applicable
7 section of the Bankruptcy Code, including §§ 502, 510, 542, 544, 547, 548, 549, 550, 551, 553
and 724(a) or under similar or related state or federal statutes and common law, including
fraudulent transfer laws.

8 1.12 **Ballot** shall mean a ballot, e-ballot, or master ballot, as applicable, authorized by
9 the Court pursuant to the Solicitation Procedures Order to indicate acceptance or rejection of the
Plan and to opt out of the release provided by Section VII.F.2.

10 1.13 **Bankruptcy Code** means title 11 of the United States Code, 11 U.S.C. §§ 101, *et*
11 *seq.*, as may be amended.

12 1.14 **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as applicable
13 to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general
rules, the Local Bankruptcy Rules, and chambers rules of the Court.

14 ~~1.14~~1.15 **Board Trustees** means the board of directors or any or all of the Debtors.

15 ~~1.15~~1.16 **Bonds** means, collectively, those certain Washington Health Care Facilities
16 Authority Revenue Bonds, Series 2017A Bonds and the Series 2017B Bonds issued pursuant to
the Bond Indenture.

17 ~~1.16~~1.17 **Bond Documents** means the Bond Indenture and all other documents
18 evidencing and otherwise securing the Bonds.

19 ~~1.17~~1.18 **Bond Indenture** means that certain Bond Indenture dated as of November
20 1, 2017 between the Washington Health Care Facilities Authority and the Bond Trustee.

21 ~~1.18~~1.19 **Bond Trustee** means UMB Bank, N.A., as the trustee for bondholders under
22 the Bond Indenture.

23 ~~1.19~~1.20 **Business Day** means any day, other than a Saturday, Sunday, or “legal
24 holiday” (as defined in Bankruptcy Rule 9006(a)), or a day on which banking institutions in ~~New~~
~~York, New York~~ Yakima, Washington are authorized by law or other governmental action to close.

25 ~~1.20~~1.21 **Cash** means the legal tender of the United States of America and the
26 equivalent thereof.

27 ~~1.21~~1.22 **Causes of Actions** means any ~~action, claim, cause of action, controversy,~~
~~demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment,~~

1 account, defense, offset, power, privilege, license, and franchise and all claims, actions, causes of
2 action, choses in action, rights, demands, Liens, suits, liabilities, encumbrances, lawsuits, adverse
3 consequences, debts, damages, dues, sums of money, obligations, accounts, reckonings,
4 deficiencies, bonds, bills, disbursements, expenses, losses, specialties, covenants, guaranties,
5 contracts, controversies, agreements, promises, variances, trespasses, powers, judgments,
6 privileges, licenses, franchises, remedies, rights of setoff, rights of recoupment, third-party claims,
7 subrogation claims, defenses, contribution claims, reimbursement claims, indemnity claims,
8 counterclaims, and cross-claims (including those of the Debtors and/or the Estates), each of any
9 kind or character whatsoever, whether known or unknown, ~~contingent or non-contingent, matured~~
10 or ~~unmatured~~ ~~foreseen or unforeseen~~, suspected or unsuspected, liquidated or unliquidated, ~~fixed~~
11 or ~~contingent, matured or unmatured, secured or unsecured, disputed or undisputed, secured or~~
12 ~~unsecured, assertable directly or derivatively~~ and whether held or assertable in a personal or
13 representative capacity, based in law or equity, including under the Bankruptcy Code or under any
14 other federal or state statute or common law, whether in contract or tort or any other theory of law,
15 whether direct, indirect, derivative, or otherwise, whether arising before, on, or after the Petition
16 Date, in contract or in tort, in law, or in equity or pursuant to any other theory of law. For the
17 avoidance of doubt, "Cause of Action" includes (and whether asserted or unasserted as of the
18 Effective Date, including, without limitation, (i) the right to object to, challenge or otherwise
19 contest any claims, whether or not any such claim is the subject of a proof of claim; (ii) any right
20 of setoff, counterclaim, or recoupment and any claim for breach of contract or for breach of duties
21 imposed by law or in equity; (ii) ~~the right to object to Claims or Interests~~; (iii) any ~~Claim~~ claim
22 pursuant to § 362; (iv) any claim or defense including fraud, mistake, duress, and usury; and any
23 other defenses set forth in § 558; ~~and (v) any Avoidance Actions.~~ (v) all claims, causes of action
24 (avoidance or otherwise), objections, rights, and remedies arising under Chapter 5 of the
25 Bankruptcy Code pursuant to, among others, §§ 502, 510, 542 through 545 and 547 through 553
26 or 558 thereof, or similar or equivalent claims, causes of action, objections, rights, and remedies
27 arising under state law, including all Avoidance Actions, irrespective of whether or not the targets
28 of such causes of action have been identified by name, or any transfers subject to avoidance have
been listed, in the Debtors' Schedules, the Disclosure Statement, this Plan, or any other document
Filed in the Chapter 11 Cases; (vi) the Vendor Claims; (vii) claims under any Insurance Policies
applicable to the Debtors; (viii) all claims of any kind or nature arising under state or federal law
against any of the Debtors' current or former vendors relating to services rendered prior to the
Petition Date; (ix) all claims, causes of action, and other rights (including rights to challenge any
asserted Lien) of any kind or nature against any party asserting secured claim in these cases, other
than claims or Causes of Action released or otherwise waived during the Chapter 11 Cases,
including under this Plan; (x) all legal and equitable defenses against any Claim or Cause of Action
asserted against the Debtors; (xi) all claims and/or Causes of Action of any kind or nature arising
under state or federal law arising under a theory of negligence, professional negligence, and/or
malpractice; (xii) all claims and/or Causes of Action of any kind or nature arising under state law
based fraudulent conveyance theories; (xiii) all claims and/or Causes of Action constituting, for,
based upon, or relating to a breach of fiduciary duty, a tort, a contract, federal or state preference
or fraudulent transfer laws, or any federal or state statutory rights or requirements, whether based
in law or equity, against any of the current and former members, managers, and/or officers of the
Debtors; and (xiv) all Avoidance Actions against AHM, Inc. The foregoing definition shall be
construed in accordance with its broadest possible meaning, and any doubts or ambiguities shall
be resolved in favor of inclusivity. **Except as otherwise expressly provided in the Plan, any**

1 and all Causes of Action are preserved under the Plan. For the avoidance of doubt, the
2 Board Trustees are Exculpated Parties and Released Parties and, thus, are not subject to any
3 Causes of Action or Avoidance Actions.

4 1.221.23 *Chapter 11 Case* means when used with reference to a particular Debtor,
the case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Court.

5 1.231.24 *Chapter 11 Cases* mean when used with reference to all of the Debtors, the
6 procedurally consolidated and jointly administered chapter 11 cases pending for the Debtors in the
Court under Chapter 11 Case Number 19-01189-11.

7 1.241.25 *Claim* shall have the meaning set forth in § 101(5) against a Debtor.

8 1.251.26 *Claims and Noticing Agent* means Kurtzman Carson Consultants LLC, the
9 claims, noticing, and solicitation agent retained by the Debtors pursuant to the Order Granting
Debtors' Amended Application and Motion for an Order Appointing Kurtzman Carson
10 Consultants LLC as Noticing Agent Nunc Pro Tunc to May 6, 2019 [Docket No. 292].

11 1.261.27 *Claims Bar Date* means August 5, 2019, as established by the Claims Bar
12 Date Notice.

13 1.271.28 *Claims Bar Date Notice* means that certain notice, entered by the Court on
May 10, 2019 [Docket No. 91], establishing the Claims Bar Date.

14 1.281.29 *Claims Objection Bar Date* means the first Business Day that is not less
15 than 180 days after the Effective Date, ~~subject to being extended by Order of.~~ The time period for
16 filing objections to Claims shall automatically renew for successive periods of one hundred eighty
17 (180) days each until the earlier of (i) the date upon which all Claims have been Allowed or
Disallowed or (ii) the date fixed by the Court upon motion of the Reorganized Debtors, the GUC
Distribution Trustee, or a Holder or a Claim.

18 1.291.30 *Claims Register* means the ~~Register means the~~ official register of Claims
19 maintained by the Court and mirrored by the Claims and Noticing Agent.

20 1.301.31 *Class* means a category of Holders of Claims or Interests as set forth in
Section II pursuant to § 1122(a).

21 1.311.32 *Committee* means the statutory committee of unsecured creditors,
22 appointed in the Chapter 11 Cases pursuant to § 1102 by the U.S. Trustee, pursuant to the
23 Appointment of Official Committee of Unsecured Creditors [Docket No. 135] on May 24, 2019.

24 1.33 *Committee Members* mean, all current and former members of the Committee,
including each of the following, solely in their capacity as a member of the Committee, (i)
25 CHSPSC, LLC/Community Health Systems, Inc.; (ii) LocumTenens.com, LLC; (iii) Community
Health of Central Washington; (iv) Medtronic USA, Inc.; (v) Morrison Management Specialists,
26 Inc.; (vi) Apogee Physicians; and (vii) Boston Scientific Corporation.

1 1.321.34 **Committee Plan Settlement** means the settlement of the Committee's
2 objections to the prior version of the Debtors' plan of reorganization as set forth in the Term Sheet.

3 1.331.35 **Confirmation** means the entry of the Confirmation Order on the docket of
4 the Chapter 11 Cases.

5 1.341.36 **Confirmation Date** means the date upon which the Court enters the
6 Confirmation Order on the docket of the Chapter 11 Cases within the meaning of Bankruptcy
7 Rules 5003 and 9021.

8 1.351.37 **Confirmation Hearing** means the hearing held by the Court to consider
9 Confirmation of the Plan pursuant to § 1129.

10 1.361.38 **Confirmation Order** means the order of the Court confirming this Plan
11 pursuant to § 1129.

12 1.371.39 **Consummation** means the occurrence of the Effective Date.

13 1.381.40 **Convenience Class** means the class of General Unsecured Claims that are
14 either (i) less than or equal to ~~\$5,000~~, five thousand dollars (\$5,000), or (ii) if the ~~claim~~ Claim
15 amount is greater, ~~if than five thousand dollars (\$5,000), a General Unsecured Claim with respect~~
16 to which the claimant ~~shall have~~ has made a Convenience Class Election ~~with respect to such Claim.~~

17 1.391.41 **Court** means the United States Bankruptcy Court for the Eastern District of
18 Washington having jurisdiction over the Chapter 11 Cases, or any other court of the United States
19 exercising competent jurisdiction over the Chapter 11 Cases or any proceeding any proceeding
20 therein.

21 1.401.42 **Credit Agreement** means that certain Credit Agreement dated as of January
22 18, 2019 between certain of the Debtors, Lapis Advisers, LP and others.

23 1.41.43 **Credit Agreement Documents** means the Credit Agreement and all other
24 documents executed in connection therewith.

25 1.44 **Cure Payment** means the payment of Cash or the distribution of other property (as
26 the parties may agree or the Court may order), as necessary to cure defaults under an Executory
27 Contract of Debtors pursuant to § 365(b).

28 1.21.45 **D&O Causes of Action** means all Causes of Action against the current and
former members, managers, and/or officers of the Debtors that are Preserved Claims, as the term
may be modified or enhanced under the terms of the Plan Supplement.

1.31.46 **D&O Policies** means all insurance policies for liability of members,
managers, ~~trustees, directors,~~ and officers of the Debtors maintained by the Debtors as of the
Effective Date.

1.41.47 **Debtor** means any of the Debtors.

1 ~~1.51.48~~ **Debtors** means, collectively, (i) Astria Health; (ii) Glacier Canyon, LLC;
2 (iii) Kitchen and Bath Furnishings, LLC; (iv) Oxbow Summit, LLC; (v) SHS Holdco, LLC; (vi)
3 SHC Medical Center - Toppenish; (vii) SHC Medical Center - Yakima; (viii) Sunnyside
4 Community Hospital Association; (ix) Sunnyside Community Hospital Home Medical Supply,
5 LLC; (x) Sunnyside Home Health; (xi) Sunnyside Professional Services, LLC; (xii) Yakima Home
6 Care Holdings, LLC; and (xiii) Yakima HMA Home Health, LLC, the debtors and debtors in
7 possession in these Chapter 11 Cases.

8 ~~1.61.49~~ **Debtors' Releases** means the releases given on behalf of the Debtors and
9 their Estates to the Released Parties as set forth in Section VII.F.1 herein.

10 ~~1.71.50~~ **Definitive Documents** means the documents (including any related
11 agreements, instruments, schedules, or exhibits and Exchange Debt Documents) that are necessary
12 or desirable to implement, or otherwise relate to the Plan (including any plan supplements), the
13 Disclosure Statement, any order approving the Disclosure Statement, and any order confirming
14 the Plan, in each case on terms and conditions consistent with the Plan on terms acceptable to the
15 Plan Proponents.

16 ~~1.81.51~~ **DIP Agent** means Lapis, in its capacity as agent to DIP Lenders under the
17 DIP Loan and Security Agreement, including any successor thereto.

18 ~~1.91.52~~ **DIP Agent Professional Fees** means, collectively, to the extent not
19 previously paid in connection with the Chapter 11 Cases, all outstanding reasonable and
20 documented fees and expenses of any professionals retained by the DIP Agent, including, without
21 limitation, Cole Schotz P.C., in its capacity as counsel to the DIP Agent.

22 ~~1.101.53~~ **DIP Agreement** means that certain Senior Secured, Super-Priority Debtor-
23 In-Possession Loan and Security Agreement, dated as of December 26, 2019, by and among
24 Debtors, as borrowers, the other Loan Parties thereto (as defined in the DIP Loan and Security
25 Agreement), the DIP Agent, and the DIP Lenders, as approved by the Final DIP Order, and as the
26 same may be amended, modified, or amended and restated from time to time in accordance with
27 its terms, consisting of a post-petition term loan facility in the principal amount of up to
28 \$43,100,000.

~~1.111.54~~ **DIP Claims** means any Claim in respect of any DIP Obligations (as defined
in the Final DIP Order) held by, or otherwise owing to, any or all of the DIP Agent and the DIP
Lenders.

~~1.121.55~~ **DIP Claims Exchange Debt** means Exchange Debt issued to satisfy DIP
Claims as more specifically described in the Exchange Debt Documents.

~~1.131.56~~ **DIP Lenders** means, collectively, the DIP Agent and the Lenders (as
defined in the DIP Loan and Security Agreement).

~~1.141.57~~ **Disallowed** means any Claim or Interest, or any portion thereof, that (i) has
been disallowed by Final Order or settlement; (ii) is scheduled ~~at~~ in the amount of zero dollars (\$0)
or as contingent, disputed, or unliquidated on the Schedules and as to which a Claims Bar Date,
Supplemental Bar Date or Administrative Claims Bar Date has been established but no Proof of

1 Claim has been timely Filed or deemed timely Filed with the Court pursuant to either the
2 Bankruptcy Code or any Final Order of the Court, including the Claims Bar Date Order,
3 Supplemental Bar Date Order or Administrative Claims Bar Date Order or otherwise deemed
4 timely Filed under applicable law; or (iii) is not scheduled on the Schedules and as to which a
5 Claims Bar Date, Supplemental Bar Date or Administrative Claims Bar Date has been established
6 but no Proof of Claim has been timely Filed or deemed timely Filed with the Court pursuant to
7 either the Bankruptcy Code or any Final Order of the Court, including the Claims Bar Date Order,
8 Claims Bar Date Order, Supplemental Bar Date Order or Administrative Claims Bar Date Order
9 or otherwise deemed timely Filed under applicable law. “Disallow” and “Disallowance” shall have
10 correlative meanings.

11 ~~1.151.58~~ **Disclosure Statement** means the disclosure statement filed or to be filed
12 with the Court by the ~~Debtors~~Plan Proponents, pursuant to § 1125, with respect to the Plan,
13 including the Plan Supplement and all exhibits and schedules thereto, which was approved by the
14 Court pursuant to § 1125, as it may be amended, modified or supplemented from time to time.

15 ~~1.161.59~~ **Disputed** means, with respect to a Claim or Interest, a Claim that is not yet
16 Allowed or Disallowed .

17 ~~1.171.60~~ **Distribution Date** means a date or dates, as determined by the ~~Debtors or~~
18 Reorganized Debtors which the ~~Debtors or~~ Reorganized Debtors make a distribution, or causes a
19 distribution to be made, of Cash to the Holders of Allowed Claims.

20 ~~1.181.61~~ **Distribution Record Date** means the date that is thirty (30) Business Days
21 prior to each Distribution Date.

22 ~~1.191.62~~ **Docket** means, unless otherwise specified herein, the docket in the Lead
23 Chapter 11 Case.

24 ~~1.201.63~~ **Docket No.** means the docket number assigned in the Docket.

25 ~~1.211.64~~ **Effective Date** means the date upon which all of the conditions to the
26 effectiveness of the Plan have been satisfied or waived in accordance with its terms.

27 ~~1.221.65~~ **Effective Date Distribution** means the distributions required by the
28 Bankruptcy Code or the Plan to be made on the Effective Date, subject to the Administrative,
Professional and Priority Claims Cap, on account of: (i) Allowed Administrative Claims, that are
not Allowed Professional Fee Claims, DIP Claims, or Ordinary Course Administrative Expenses
that have been paid by Debtors or will be paid by Reorganized Debtors in the ordinary course of
business, (ii) all Allowed Priority Claims, (iii) 20% of the amount of Allowed Convenience Class
Claims up to a maximum of \$1,000; (iv) all Allowed Cure Payments, except those being paid by
agreement in installments over time; and (v) the Administrative and Priority Claims Reserve,
including amounts for Disputed Cure Payments (in the full amounts claimed by objecting contract
counterparties).

~~1.231.66~~ **Entity** shall have the meaning set forth in § 101(15).

1 ~~1.24~~1.67 *Estate* means, as to each Debtor, the estate created for the Debtor in its
2 Chapter 11 Case pursuant to § 541.

3 ~~1.25~~1.68 *Estates* means the Estate of all Debtors.

4 ~~1.26~~1.69 *Exchange Debt* shall have the meaning set forth in Section III.A.

5 ~~1.27~~1.70 *Exchange Debt Documents* means the credit agreements, guaranties,
6 security agreements, forbearance instruments and other documents evidencing or otherwise
7 securing Exchange Debt on the terms and in the forms included in the Plan Supplement, in each
8 case on terms and conditions consistent with the Plan on terms acceptable to the Plan Proponents.

8 ~~1.28~~1.71 *Exculpated Parties* means, solely to the extent of the Exculpation, each of
9 the (a) the Debtors, and any of their Related Parties; (b) the Lapis Parties, and any of their
10 respective Related Parties ~~and~~; (c) the Committee, its members, and any of ~~its~~their respective
11 Related Parties; (d) the Board Trustees; (e) the Patient Care Ombudsman, and any of its respective
12 Related Parties; (f) the POC, its members, and any of their respective Related Parties; and (g) the
13 GUC Distribution Trustee and his or her Related Parties; provided, the officers of the Debtors and
14 Non-Debtor Affiliates and AHM, Inc. shall not constitute Exculpated Parties for purposes of this
15 Plan.

13 ~~1.29~~1.72 *Exculpation* means the exculpation provisions set forth in Section VII.E.

14 ~~1.30~~1.73 *Executory Contract* means a contract or lease to which one or more Debtors
15 is a party that is subject to assumption or rejection under §§ 365 or 1123.

16 ~~1.31~~1.74 *File, Filed, or Filing* means file, filed, or filing in the Chapter 11 Cases
17 with the Court or, with respect to the filing of a Proof of Claim or proof of Interest, with the Claims
18 and Noticing Agent.

18 1.75 *Final DIP Order* means the Final Order (I) Authorizing the Debtors to Obtain
19 Replacement Financing; (II) Granting Security Interests and Superpriority Administrative Expense
20 Status; (III) Granting Adequate Protection to Certain Prepetition Secured Credit Parties; (IV)
21 Modifying the Automatic Stay; (V) Authorizing the Debtors to Enter Into Agreements with Lapis
22 Advisers, L.P.; (VI) Authorizing Use of Cash Collateral; and (VII) Granting Related Relief
23 [Docket No. 1201].

22 ~~1.32~~1.76 *Final GUC Distribution Date* means the date on which a distribution is
23 made from the GUC Distribution Trust that finally and fully exhausts the distributable assets of
24 the GUC Distribution Trust.

24 ~~1.33~~1.77 *Final Order* means, as applicable, an order or judgment of the Court or
25 other court of competent jurisdiction with respect to the relevant subject matter, which has not
26 been reversed, stayed, modified, or amended, including any order subject to appeal but for which
27 no stay of such order has been entered, any order as to which the time to appeal or seek certiorari
28 has expired and no appeal or petition for certiorari has been timely taken, or any order as to which
any appeal that has been taken or any petition for certiorari that has been or may be Filed has been
resolved by the highest court to which the order or judgment was appealed or from which certiorari

1 was sought; provided, that, the possibility that a request for relief under Rule 60 of the Federal
2 Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, the local rules of the
3 Court or applicable non-bankruptcy law, may be Filed relating to such order shall not prevent such
order from being a Final Order.

4 ~~1.34~~1.78 **General Unsecured Claim** means a Claim against one or more of the
5 Debtors that is not a (i) Senior Secured Bond Debt Claim, (ii) Senior Secured Credit Agreement
6 Claim, (iii) DIP Claim, (iv) Administrative Claim, (v) Professional Fee Claim, (vi) Priority Claim;
7 (vii) Priority Tax Claim, (viii) Other Secured Claim, (ix) Convenience Class Claim, (x) Insured
Claim, or (xi) Intercompany Claim, and shall include, without limitation, Claims arising as a result
of the rejection of any Executory Contracts.

8 ~~1.35~~1.79 **Governmental Bar Date** means November 4, 2019, as established by the
9 Claims Bar Date Notice.

10 1.80 **Governmental Unit** shall have the meaning set forth in § 101(27).

11 1.81 **GUC Avoidance Actions** means all Avoidance Actions other than the Vendor
12 Avoidance Actions.

13 1.82 **GUC Cap** means twenty five million dollars (\$25,000,000).

14 1.83 **GUC Distribution Date** means (i) initially, the first Business Day that is thirty (30)
15 days after the Effective Date or as soon thereafter as practicable; (ii) thereafter, any interim date(s)
16 that the GUC Distribution Trustee deems appropriate based upon, among other things, the amount
17 of Cash or Cash proceeds on hand in the GUC Distribution Trust, whether there remain any other
18 unpaid obligations of the GUC Distribution Trust under the Plan, the time and status of pending
or potential litigation or contested matters involving or affecting the GUC Distribution Trust, the
amount of any necessary reserves, and any other factors that are relevant to the ability to make
further distributions from the GUC Distribution Trust Assets; and (iii) the Final GUC Distribution
Date.

19 1.84 **GUC Distribution Trust** means the trust to be established on the Effective Date in
20 accordance with Section III.E.1 of this Plan for the purposes of reconciling General Unsecured
21 Claims, pursuing the GUC Avoidance Actions, and making distributions to Holders of Allowed
General Unsecured Claims consistent with the terms of this Plan.

22 1.85 **GUC Distribution Trust Agreement** means the agreement governing, among other
23 things, the retention and duties of the GUC Distribution Trustee as described in Section III.E.1 of
24 this Plan, which shall be in form and substance materially consistent with the Plan and included as
an exhibit to the Plan Supplement.

25 1.86 **GUC Distribution Trust Assets** means (i) the Initial GUC Distribution Amount, (ii)
26 the Second GUC Distribution Amount, (iii) GUC Avoidance Actions, and (iv) the GUC Vendor
Recovery.

27 1.87 **GUC Distribution Trust Beneficiaries** means Holders of Allowed General
28 Unsecured Claims in Class 4.

1 1.88 GUC Distribution Trustee means the Person designated as the trustee of the GUC
2 Distribution Trust by the Committee after consultation with the Plan Proponents.

3 1.89 GUC Post-Effective Date Expenses means, except as otherwise provided herein,
4 all voluntary and involuntary costs, expenses, charges, obligations, or liabilities of any kind or
5 nature, whether unmatured, contingent, or unliquidated incurred by the GUC Distribution Trust
6 after the Effective Date until the GUC Distribution Trust is dissolved, including, but not limited
7 to, those expenses described in Section III.E.5 of the Plan.

8 1.90 GUC Vendor Cash Recovery means fifty percent (50%) of any and all net Cash
9 proceeds of the Vendor Claims, which shall be transferred by the Debtors to the GUC Distribution
10 Trust within thirty (30) days after the Debtors' receipt of such net Cash proceeds.

11 1.91 GUC Vendor Credit Recovery means the Cash equivalent of fifty percent (50%) of
12 any and all non-Cash value realized by the Debtors as a result of the Vendor Claims, which will
13 be paid by the Debtors (or Reorganized Debtors, as applicable) to the GUC Distribution Trust
14 quarterly as that value (in the form of cost savings or otherwise) is realized by the Debtors (or
15 Reorganized Debtors, as applicable). For the purpose of calculating the Cash equivalent of any
16 non-Cash value realized by the Debtors (or Reorganized Debtors, as applicable) as a result of any
17 Vendor Claims, the amount shall be calculated as set forth in the Term Sheet.

18 +361.92 GUC Vendor Recovery means the GUC Vendor Cash Recovery plus the
19 GUC Vendor Credit Recovery. The aggregate total sum of the GUC Vendor Recovery, the Initial
20 GUC Distribution Amount, and Second GUC Distribution Amount, shall not exceed the GUC Cap.

21 +371.93 Holder means an Entity holding a Claim or an Interest, as applicable, each
22 solely in its capacity as such.

23 +381.94 Hospitals means SHC Medical Center-Yakima, SHC Medical Center -
24 Toppenish, and Sunnyside Community Hospital Association and related facilities operated by the
25 Debtors.

26 1.95 Indemnification Provisions means each of the Debtors' indemnification provisions
27 currently in existence whether existing in a Debtor's bylaws, incorporation document, other
28 formation documents, board or executive committee resolutions or employment contracts for
current and former ~~directors~~Board Trustees, managers, officers, employees, attorneys, individual
consultants, other professionals and agents of the Debtors, and all of their respective Affiliates.

+391.96 Initial GUC Distribution Amount means Cash in the amount of five million
dollars (\$5,000,000), which will be funded by the Debtors to the GUC Distribution Trust on or
before the Effective Date.

+401.97 Insurance Policy means any insurance policy maintained by or for the
benefit of the Debtors (including the D&O Policies) set forth in a schedule to the Plan Supplement.

+411.98 Insured Claims means General Unsecured Claims arising prior to the
Confirmation Date involving personal injury, medical malpractice, or wrongful death (including
slip-and-fall and medical malpractice Claims) that are covered by the terms of Debtors' various

1 insurance policies (including the Insurance Policies), or any other General Unsecured Claim
2 against a Debtor for which the Debtor is entitled to indemnification, reimbursement, contribution
3 or other payment under a policy of insurance (including the Insurance Policies) under which the
4 Debtor is an insured or beneficiary of the coverage provided under the applicable policy. All
5 Insured Claims are Disputed Claims, ~~as Debtors contest liability~~. Some of the Insured Claims are
6 fully insured, and no deductible amount would be payable by Debtors under the terms of the
7 applicable Insurance Policy. As to other Insured Claims, Debtors may owe deductible amounts.
8 For the avoidance of doubt, the Reorganized Debtors shall not be responsible for any deductible
9 or self-insured retention obligations, and all claims for such deductibles and self-insured retention
10 obligations shall be treated as Class 4 General Unsecured Claims to the extent Allowed. Further,
11 no insurance carrier shall, or shall be entitled to, deny coverage under any insurance policy
12 (including any Insurance Policy) based upon (i) any failure by the Debtors or Reorganized Debtors
13 to pay any deductible or self-insured retention in full or (ii) the treatment of any claim for a
14 deductible or self-insured retention obligation as a Class 4 General Unsecured Claim. Insured
15 Claims are classified as a subclass (Class 4A) of Class 4, General Unsecured Claims (not otherwise
16 classified). See Section III.GN below for further information about issues relating to Insured
17 Claims.

11 ~~1.421.99~~ **Interest** means any ownership interest in any of the ~~Debtor~~Debtors,
12 including but not limited to, membership interests or other entitlement to participate in the
13 organizational affairs of a nonprofit Entity organized under the laws of the State of Washington.

14 ~~1.431.100~~ **Lapis** means Lapis Advisers, LP.

15 ~~1.441.101~~ **Lapis Parties** means the DIP Agent, DIP Lenders, UMB Bank, N.A. as
16 indenture trustee for the Senior Secured Bond Debt Claims, and Holders of the Senior Secured
17 Bond Debt Claims and the Senior Secured Credit Agreement Claims, and any fund managed by
18 or affiliated with any of the foregoing.

19 ~~1.451.102~~ **Law** means any statute, law, ordinance, ruling, consent decree, permit,
20 policy, rule or regulation of, issued by or entered into by any Governmental Unit and all judicial
21 or administrative interpretations thereof and any common law doctrine.

22 ~~1.461.103~~ **Lead Chapter 11 Case** means Chapter 11 Case Number 19-01189-~~11-11~~,
23 currently pending the Court.

24 ~~1.471.104~~ **Lien** shall have the meaning set forth in § 101(37).

25 ~~1.481.105~~ **Liquidating Debtors** means any Debtor not reorganizing, including SHC
26 Medical Center - Yakima.

27 ~~1.491.106~~ **Liquidation Trust** means the trust to be established on the Effective Date in
28 accordance with Section III.CG.2.

~~1.501.107~~ **Liquidation Trust Agreement** means the agreement governing, among
other things, the retention and duties of the Liquidating Trustee as described in Section III.C.2G
hereof, which shall be in form and substance materially consistent with the Plan and included as
an exhibit to the Plan Supplement.

1 1.108 *Liquidation Trust Assets* means all assets of the Debtors not necessary for the
2 operation of the core health care businesses of the Debtors or constituting GUC Distribution Trust
3 Assets under this Plan, including, but not be limited to the (i) if unsold as of the Effective Date,
4 Yakima Medical Office Building (excluding the operations within); (ii) if unsold as of the
5 Effective Date, SHC Medical Center-Yakima; (iii) any other unused buildings or real property
6 currently owned by the Debtors other than Sunnyside Community Hospital Association; (iv) A/R
7 Collections of SHC Medical Center-Yakima; (v) all 180 day and older days aged accounts
8 receivable of Sunnyside Community Hospital Association and SHC – Medical Center Toppenish;
9 ~~and~~ (vi) any Causes of Action held by the Debtors, including the Vendor ~~Litigation Claims~~, not
10 expressly assigned to the ~~Litigation Trust~~ GUC Distribution Trust; and (vii) the Liquidation Trust
11 Vendor Recovery.

12 ~~1.51~~ 1.109 *Liquidation Trust Vendor Recovery* all portions of the Vendor Recovery
13 other than the GUC Vendor Recovery.

14 ~~1.52~~ 1.110 *Liquidation Trustee* means the Person designated as the trustee of the
15 Liquidation Trust by the Lapis Parties.

16 ~~1.41~~ *Litigation Trust* means ~~the trust to be established on the Effective Date in~~
17 ~~accordance with Section III.C.1.~~

18 ~~1.42~~ *Litigation Trust Agreement* means ~~the agreement governing, among other things,~~
19 ~~the retention and duties of the Litigation Trustee as described in Section III.C.1 hereof, which shall~~
20 ~~be in form and substance materially consistent with the Plan and included as an exhibit to the Plan~~
21 ~~Supplement.~~

22 ~~1.43~~ *Litigation Trust Assets* means ~~all Avoidance Actions other than any Avoidance~~
23 ~~Action against the vendor which provided revenue cycle, billing and collection services pre-~~
24 ~~petition.~~

25 ~~1.44~~ *Litigation Trust Beneficiaries* means ~~Holders of General Unsecured Claims in Class~~
26 ~~4.~~

27 ~~Litigation Trustee~~ means ~~the Person designated as the trustee of the Litigation~~
28 ~~Trust by the Committee.~~

1.45 1.111 *Net GUC Distribution Trust Assets* means the GUC Distribution Trust
Assets and all proceeds thereof minus the costs of administering the GUC Distribution Trust
(including, but not limited to, all fees and expenses of the GUC Distribution Trustee and any
professionals retained by the GUC Distribution Trustee in the GUC Distribution Trustee's capacity
as such that are not payable by the Reorganized Debtors pursuant to Section III.E.6).

1.46 1.112 *Next Payment Date* means, with respect to any particular Disputed Claim,
the first Business Day of the calendar quarter after such Claim has been Allowed by Final Order.

1.47 1.113 *Non-Debtor Affiliates* means, individually or collectively, Astria Health
Clinically Integrated Network, LLC, Bridal Dreams, LLC, Depot Plus, LLC, Home Supply, LLC,

1 Kitchen Appliance, LLC, Northwest Health, LLC, Pacific Northwest ASC Management, LLC,
2 Sunnyside Hospital Service Corp., Sunnyside Medical Center, LC, and Wedded Bliss, LLC.

3 ~~1.48~~1.114 **Order** means any judgment, order, injunction, decree, writ or license issue
4 or entered by or with any Governmental Unit or any arbitrator, whether preliminary, interlocutory
5 or final, including any order entered by the Court in the Chapter 11 Cases.

6 ~~1.49~~1.115 **Ordinary Course Administrative Expense** means Administrative Claims
7 for goods and services of types consistent with the Debtors' ordinary course business operations
8 as of the Petition Date that will be paid as they come due after the Effective Date in the ordinary
9 course of Reorganized Debtors' business. For the avoidance of doubt, the DIP Claims do not
10 constitute Ordinary Course Administrative Expenses.

11 ~~1.50~~1.116 **Other Secured Claim** means any Secured Claim against any of the Debtors
12 that is not (a) a DIP Claim; (b) a Senior Secured Bond Debt Claim; or (c) a Senior Secured Credit
13 Agreement Claim.

14 ~~1.51~~1.117 **Person** shall have the meaning set forth in § 101(41).

15 ~~1.52~~1.118 **Petition Date** means May 6, 2019, which is the date that each Debtor filed
16 a voluntary chapter 11 petition and commenced its respective Chapter 11 Case.

17 ~~1.53~~1.119 **Plan** means this *First Amended Joint Chapter 11 Plan of Reorganization of*
18 *Astria Health and its Debtor Affiliates*, as further amended, supplemented or otherwise modified
19 from time to time, including all exhibits attached hereto or with the Plan Supplement, which is
20 incorporated in the Plan by reference and made part of the Plan as if set forth in the Plan.

21 ~~1.54~~1.120 **Plan Proponents** shall have the meaning set forth in the preamble to this
22 Plan.

23 ~~1.55~~1.121 **Plan Supplement** means a supplemental appendix to this Plan, as may be
24 amended from time to time on or prior to the Voting Deadline, which will contain the following
25 items:

- 26 (a) the Schedule of Assumed Agreements;
- 27 (b) the schedule of Insurance Policies;
- 28 (c) the list of Board ~~of Directors~~Trustees for Reorganized Debtors;
- (d) the Exchange Debt Documents
- (e) ~~Litigation~~GUC Distribution Trust Agreement;
- (f) Liquidation Trust Agreement;

1.121.1.1 The Term Sheet (under seal);

1.121.1.2 Any updated Financial Projections or Liquidation Analysis; and

1 1.121.1.3 the D&O Cause of Action Agreement (as defined in Section
2 III.H).

3 which items shall be filed at least ten (10) ~~day~~days prior to the Voting Deadline.

4 1.122 POC means the committee of Persons or Entities appointed as of the
5 Effective Date to advise the GUC Distribution Trustee in the performance of
6 the GUC Distribution Trustee's duties and obligations under the Plan with
7 respect to the administration of the GUC Distribution Trust for the benefit of
8 the Holders of Allowed General Unsecured Claims.

9 1.123 Preserved Claims mean the following type and categories of Claims and Causes of
10 Action, without limitation:

11 the right to object to, challenge or otherwise contest any claims, whether or not any such
12 claim is the subject of a proof of claim;

13 a. any right of setoff, counterclaim, or recoupment and any claim for breach of
14 contract or for breach of duties imposed by law or in equity;

15 b. any claim pursuant to § 362;

16 c. any claim or defense including fraud, mistake, duress, and usury, and any other
17 defenses set forth in § 558;

18 d. all claims, causes of action (avoidance or otherwise), objections, rights, and
19 remedies arising under Chapter 5 of the Bankruptcy Code pursuant to, among others,
20 §§ 502, 510, 542 through 545 and 547 through 553 or 558 thereof, or similar or
21 equivalent claims, causes of action, objections, rights, and remedies arising under
22 state law, including all Avoidance Actions, irrespective of whether or not the targets
23 of such causes of action have been identified by name, or any transfers subject to
24 avoidance have been listed, in the Debtors' Schedules, the Disclosure Statement,
25 this Plan, or any other document Filed in the Chapter 11 Cases;

26 e. the Vendor Claims;

27 f. claims under any Insurance Policies applicable to the Debtors;

28 g. all claims of any kind or nature arising under state or federal law against any of the
Debtors' current or former vendors relating to services rendered prior to the Petition
Date;

h. all claims, causes of action, and other rights (including rights to challenge any
asserted Lien) of any kind or nature against any party asserting secured claim in
these cases, other than claims or Causes of Action released or otherwise waived
during the Chapter 11 Cases, including under this Plan;

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1 i. all legal and equitable defenses against any Claim or Cause of Action asserted
2 against the Debtors;

3 j. all claims and/or Causes of Action of any kind or nature arising under state or
4 federal law arising under a theory of negligence, professional negligence, and/or
5 malpractice;

6 k. all claims and/or Causes of Action of any kind or nature arising state law based
7 fraudulent conveyance theories;

8 l. all claims and/or Causes of Action constituting, for, based upon, or relating to a
9 breach of fiduciary duty, a tort, a contract, an Avoidance Action, federal or state
10 preference or fraudulent transfer laws, or any federal or state statutory rights or
11 requirements, whether based in law or equity, against any of the current and former
12 members, managers, and/or officers of the Debtors; and

13 m. all Avoidance Actions against AHM, Inc.

14 1.124 Priority Claim means a Claim entitled to priority against the Estates under §§
15 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7). Priority Claims do not include any Claims incurred
16 after Petition Date.

17 1.125 Priority Tax Claim means a Claim entitled to priority against the Estate under §
18 507(a)(8). Priority Tax Claims do not include any Claims incurred after Petition Date.

19 1.126 Pro Rata means the proportion that an Allowed Claim in a particular Class bears
20 to the aggregate amount of Allowed Claims in that respective Class, or the proportion that Allowed
21 Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class
22 and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan, as
23 applicable.

24 1.127 Professional means any Entity retained in the Chapter 11 Cases in accordance with
25 §§ 327, 328 or 1103.

26 1.128 Professional Fee Claim means a Claim for accrued fees and expenses (including
27 success fees) for services rendered and expenses incurred by a Professional for the Petition Date
28 through and including the Effective Date to the extent such fees and expenses have not been paid
or not Disallowed pursuant to Order of the Court under §§ 327, 328, 330, 331, 363, 503, or 1103
for compensation for professional services rendered or expenses incurred for which the Estate is
liable for payment Code regardless of whether a fee application has been filed for such fees and
expenses.

~~1.56 Pro Rata~~ means the proportion that an Allowed Claim in a particular Class bears
to the aggregate amount of Allowed Claims in that respective Class, or the proportion that Allowed
Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class
and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan, as
applicable.

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1 ~~1.571.129~~ **Proof of Claim** means a proof of Claim Filed against any of the Debtors in
2 the Chapter 11 Cases.

3 ~~1.581.130~~ **PTO Claims** mean Claims asserted by Debtors' employees that are based
4 upon accrued hours arising under Debtors' nonworking day and paid time off policies.

5 ~~1.591.131~~ **Related Parties** means, with respect to any ~~persons~~ person or entity, except
6 as otherwise set forth below or in this Plan, any past or present representative, controlling persons,
7 officer, director, agent, attorney, advisor, Professional, employee, subsidiary or Affiliate,
8 shareholder, partner (general or limited), executive committee member, member, managers, equity
9 holder, trustee executor, predecessor in interest, successor or assign of any such person, provided
10 the officers of the Debtors and Non-Debtor Affiliates and AHM, Inc. shall not constitute Related
11 Parties for purposes of this Plan.

12 ~~1.601.132~~ **Released Parties** means (a) the Debtors, (b) the ~~Debtors' current and former~~
13 ~~officers, directors, managers and executive committee members, (c) the~~ Lapis Parties, ~~(dc)~~ the
14 Committee and the Committee Members ~~and (e), (d) the Patient Care Ombudsman, (e) the Board~~
15 ~~Trustees, and (f) except as otherwise set forth below or in the this Plan~~, each of the forgoing Entities'
16 respective predecessors, successors and assigns, subsidiaries, Affiliates and their subsidiaries,
17 beneficial owners, managed accounts or funds, current and former officers, directors, principals,
18 shareholders, direct and indirect equity holders, members partners (general and limited),
19 employees, agents, advisory board members, financial advisors, attorneys accountants, investment
20 bankers, consultants, representatives, management companies, fund advisors, Professionals, and
21 other professionals; provided, the officers of the Debtors and Non-Debtor Affiliates and AHM,
22 Inc. shall not constitute Released Parties for purposes of this Plan and provided further, that as a
23 condition to receiving or enforcing any release granted pursuant to Section VII.F.2 hereof, each
24 Released Party and its Affiliates shall be deemed to have released the Releasing Parties, the Estate,
25 and the Debtors from any and all Claims or Causes of Action arising from or related to their
26 relationship with the Debtors, but not, for the avoidance of doubt, Professional Fee Claims or rights
27 to enforce this Plan. For the avoidance of doubt, and notwithstanding anything herein to the
28 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 hereof 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.

22 ~~1.611.133~~ **Releasing Party** means ~~all Holders of Claims and the Released Parties.~~ (a)
23 the Released Parties; and (b) all Holders of Claims that (i) vote to accept the Plan, and (ii) do not
24 affirmatively opt out of the third party release provided by Section VII.F.2 hereof pursuant to a
25 duly executed Ballot; provided, that, notwithstanding anything contained herein to the contrary, in
26 no event shall an Entity that (x) does not vote to accept or reject the Plan, (y) votes to reject the
27 Plan, or (z) appropriately marks the Ballot to opt out of the third party release provided in Section
28 VII.F.2 hereof and returns such Ballot in accordance with the Solicitation Procedures Order, be a
Releasing Party.

1 ~~1.62~~1.134 **Reorganized Debtor** means a Debtor that is reorganizing and will continue
2 in operation after the Effective Date, as controlled by sole member, AH System.

3 ~~1.63~~1.135 **Reorganized Debtor Insurance Policies** means any insurance policies of
4 the Debtor (including, without limitation, the D&O Policies).

5 1.136 **Schedules** means, collectively, the schedules of assets and liabilities, schedules of
6 Executory Contracts, and statements of financial affairs Filed by the Debtors, pursuant to § 521
7 and in substantial accordance with the Official Bankruptcy Forms, as the same may have been
8 amended, modified, or supplemented from time to time.

9 ~~1.64~~1.137 **Second GUC Distribution Amount** means Cash in the amount of two
10 million three hundred thousand dollars (\$2,300,000) minus the amount of any GUC Vendor
11 Recovery, which shall be paid by the Debtors (or Reorganized Debtors, as applicable) to the GUC
12 Distribution Trust within thirty (30) days after the determination of the total value of the GUC
13 Vendor Recovery. For the avoidance of doubt, the Second GUC Distribution Amount will be an
14 unconditional obligation of the Debtors (or Reorganized Debtors, as applicable) to the GUC
15 Distribution Trust.

16 ~~1.65~~1.138 **Secured** means, when referring to a Claim, a Claim secured by a Lien on
17 property in which the applicable Estate has an interest, which Lien is valid, perfected, and
18 enforceable pursuant to applicable law or by a Final Order, or that is subject to setoff pursuant to
19 § 553, to the extent of the value of the applicable creditor's interest in such Estate's interest in such
20 property or to the extent of the amount subject to setoff, as applicable, in each case, as determined
21 pursuant to § 506(a).

22 ~~1.66~~1.139 **Senior Debt 9019 Settlement** shall have the meaning ascribed to such term
23 in Section III.A hereof.

24 ~~1.67~~1.140 **Senior Secured Bond Debt Claims** means all amounts due under the Bond
25 Documents, including principal, interest including interest at any applicable default rate,
26 prepayment penalties, make wholes and similar amounts, and expenses including but not limited
27 to attorneys and other professional fees.

28 ~~1.68~~1.141 **Senior Secured Credit Agreement Claims** means all amounts due under the
Credit Agreement, including principal, interest including interest at any applicable default rate,
prepayment penalties, make wholes and similar amounts, and expenses including but not limited
to attorneys and other professional fees.

~~1.69~~1.142 **Senior Secured Credit Agreement Exchange Debt** means Exchange Debt
issued to satisfy the Senior Secured Credit Agreement Claims as more specifically described in
the Exchange Debt Documents.

~~1.70~~1.143 **Solicitation Procedures** means the form of solicitation procedures approved
by and attached as an exhibits to the Solicitation Procedures Order.

~~1.71~~1.144 **Solicitation Procedures Order** means [Title and Docket No.]

1 ~~1.72~~1.145 *Supplemental Bar Date* means the date established by the Supplemental
2 Bar Date Order by which requests for payment of certain Prepetition Claims (as defined in the
3 Supplemental Bar Date Order) must be Filed, subject to any exceptions specifically set forth
4 therein.

4 1.146 *Supplemental Bar Date Order* means the Order (I) Fixing a Bar Date for Filing
5 Certain Prepetition Claimants' Claims and (II) Approving the Form of Notice of Those Prepetition
6 Claimants' Claims Bar Date [Docket No. 1417].

6 ~~1.73~~1.147 *Term Sheet* means that certain Plan Settlement Term Sheet between the
7 Debtors and the Committee setting forth the Committee Plan Settlement, the terms of which are
8 incorporated herein. A copy of the Term Sheet, updated as necessary by the Plan Proponents and
9 the Committee to provide definitional clarity with respect to Term Sheet provisions incorporated
10 herein by reference, shall be Filed under seal as part of the Plan Supplement.

9 ~~1.74~~1.148 *U.S. Trustee* means the Office of the United States Trustee for the Eastern
10 District of Washington.

11 ~~1.75~~1.149 *U.S. Trustee Fees* means fees or charges assessed against the Estate
12 pursuant to 28 U.S.C. § 1930.

13 ~~1.150~~ *Vendor Litigation* means any lawsuit initiated by or on behalf of the Debtors
14 against its vendor, which provided revenue cycle, billing and collection services pre-petition, based
15 on the Debtors' significant decline in cash flow from collections on accounts receivable. ~~means~~
16 Cerner Corporation and all of its subsidiaries and affiliates.

16 1.151 *Vendor Avoidance Actions* means any Avoidance Actions against the Vendor.

17 1.152 *Vendor Claims* means any and all actual or potential claims and causes of action
18 of the Debtors against the Vendor, including any and all Vendor Avoidance Actions.

18 ~~1.76~~1.153 *Vendor Recovery* means any Cash and non-Cash value realized by the
19 Debtors as a result of the Vendor Claims, which shall be allocated between the Liquidation Trust
20 and the GUC Distribution Trust as provided in this Plan.

21 ~~1.77~~1.154 *Voting Deadline* means 4:00 p.m. (prevailing Eastern Time) on ~~September~~
22 ~~10, December 4,~~ 2020, as specifically set forth in the Disclosure Statement Order, which is the
23 deadline for submitting Ballots to accept or reject the Plan in accordance with § 1126.

23 ~~1.78~~ ~~§ means a section of the Bankruptcy Code.~~

24 **B. Rules of Interpretation.**

25 For purposes herein: (i) in the appropriate context, each term, whether stated in the singular
26 or the plural, shall include both the singular and the plural, and pronouns stated in the masculine,
27 feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) except
28 as otherwise provided herein, any reference herein to a contract, lease, instrument, release,
indenture, or other agreement or document being in a particular form or on particular terms and

1 conditions means that the referenced document shall be substantially in that form or substantially
2 on those terms and conditions; (iii) except as otherwise provided, any reference herein to an
3 existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit,
4 as it may thereafter be amended, restated, supplemented, or otherwise modified in accordance with
5 the Plan; (iv) unless otherwise specified herein, all references herein to “Sections” are references
6 to Sections of the Plan or hereto; (v) unless otherwise stated herein, the words “herein,” “hereof,”
7 and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (vi)
8 captions and headings to Sections are inserted for convenience of reference only and are not
9 intended to be a part of or to affect the interpretation hereof; (vii) the words “include” and
10 “including,” and variations thereof, shall not be deemed to be terms of limitation, and shall be
11 deemed to be followed by the words “without limitation”; (viii) unless otherwise specified, the
12 rules of construction set forth in § 102 shall apply to the Plan; (ix) any term used in capitalized
13 form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy
14 Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy
15 Rules, as the case may be; (x) any docket number references in the Plan shall refer to the docket
16 number of any document Filed with the Court in the Chapter 11 Cases; (xi) any immaterial
17 effectuating provisions may be interpreted ~~by the Debtors, or after the Effective Date, the~~
18 ~~Reorganized Debtors~~ in such a manner that is consistent with the overall purpose and intent of the
19 Plan all without further notice to or action, order, or approval of the Court or any other Entity; ~~and~~
20 (xii) except as otherwise provided, any references to the Effective Date shall mean the Effective
21 Date or as soon as reasonably practicable thereafter; and (xiii) all exhibits and supplements to the
22 Plan are incorporated herein, regardless of when those exhibits and supplements are filed.

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25 **C. Computation of Time** Unless otherwise specifically stated herein, the provisions
26 of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed
27 herein. If the date on which a transaction may occur pursuant to the Plan shall occur on a day that
28 is not a Business Day, then such transaction shall instead occur on the next Business Day.
Whenever a distribution of property is required to be made on a particular date, the distribution
shall be made on such date or as soon as practicable thereafter.

29 **D. Governing Law**

30 Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy
31 Code and Bankruptcy Rules) or unless otherwise specifically stated herein, the laws of the State
32 of Washington, without giving effect to the principles of conflict of laws, shall govern the rights,
33 obligations, construction, and implementation of the Plan, any agreements, documents,
34 instruments, or contracts executed or entered into in connection with the Plan (except as otherwise
35 set forth in those agreements, in which case the governing law of such agreement shall control);
36 provided that corporate or limited liability company governance matters relating to the Debtors or
37 the Reorganized Debtors, as applicable, not incorporated or formed (as applicable) in the State of
38 Washington shall be governed by the laws of the state of incorporation or formation (as applicable)
39 of the applicable Debtor or Reorganized Debtor.

40 **E. Reference to Monetary Figures**

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

1 **F. Controlling Document**

2 In the event of an inconsistency between the Plan and the Disclosure Statement, the terms
3 of the Plan shall control in all respects. In the event of an inconsistency between the Plan and the
4 Plan Supplement, the terms of the relevant document in the Plan Supplement shall control (unless
5 stated otherwise in such Plan Supplement document or in the Confirmation Order). In the event of
6 an inconsistency between the Confirmation Order and the Plan, the Disclosure Statement or the
7 Plan Supplement, the Confirmation Order shall control.

8 **SECTION II. CLASSIFICATION AND TREATMENT OF CLAIMS**

9 **A. General Overview**

10 As required by the Bankruptcy Code, the Plan classifies claims and interests in various
11 classes according to their right to priority of payments as provided in the Bankruptcy Code. The
12 Plan states whether each Class of Claims or Interests is impaired or unimpaired. The Plan provides
13 the treatment each Class will receive under the Plan.

14 **B. Limited Consolidation**

15 Except as expressly provided in this Plan, each Debtor shall continue to maintain its
16 separate corporate existence for all purposes other than the treatment of Claims and distributions
17 under this Plan. Except as expressly provided in this Plan, the Exchange Debt Documents, the
18 other Definitive Documents, or as otherwise ordered by the Court, on the Effective Date: (a) all
19 assets and all liabilities of each of the Debtors shall be deemed merged or treated as though they
20 were merged into and with the assets and liabilities of each other, (b) no distributions shall be made
21 under this Plan on account of Intercompany Claims among the Debtors, and all such Claims shall
22 be eliminated and extinguished, (c) all guaranties of the Debtors of the obligations of any other
23 Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any
24 guarantee thereof executed by any Debtor and any joint or several liability of any of the Debtors
25 shall be deemed to be one obligation of the consolidated Debtors, (d) each and every Claim filed
26 or to be filed in any of the Chapter 11 Cases shall be treated as if filed against the consolidated
27 Debtors and shall be treated one Claim against and obligation of the consolidated Debtors, and (e)
28 for purposes of determining the availability of the right of ~~set-off~~setoff under § 553, the Debtors
shall be treated as one entity so that, subject to the other provisions of § 553, debts due to any of
the Debtors may be set off against the debts of any of the other Debtors. Such consolidation shall
not (other than for purposes relating to this Plan) affect the legal and corporate structures of the
Reorganized Debtors. Notwithstanding anything in this Section to the contrary, all U.S. Trustee
Fees, if any, shall be calculated on a separate legal entity basis for each Reorganized Debtor.

C. Summary and Classification of Claims and Interests

 This Section classifies Claims and Interests – except for Administrative Claims, Priority
Tax Claims, Professional Fee Claims, and DIP Claims, which are not classified – for all purposes,
including voting, Confirmation, and distribution under the Plan. A Claim or Interest is classified
in a particular Class only to the extent that the Claim or Interest falls within the Class description.
To the extent that part of the Claim or Interest falls within a different Class description, the Claim
or Interest is classified in that different Class. The classification of Senior Secured Bond Debt

1 Claims and Senior Secured Credit Agreement Claims is an integral component of the Senior Debt
2 9019 Settlement.

3 The following table summarizes the Classes of Claims and Interests under the Plan that are
4 Allowed Claims:

5 CLASS	6 DESCRIPTION	7 IMPAIRED/ 8 UNIMPAIRED	9 VOTING STATUS
10 1	11 Priority Claims	12 Unimpaired	13 Not Entitled to Vote / 14 Deemed to Accept
15 2A	16 Senior Secured Bond 17 Debt Claims	18 Impaired	19 Entitled to Vote
20 2B	21 Senior Secured Credit 22 Agreement Claims	23 Impaired	24 Entitled to Vote
25 2C	26 Other Secured Claims	27 Unimpaired Impaired	28 Not Entitled to Vote / Deemed to Accept
3 3	4 Convenience Class 5 Claims	6 Impaired	7 Entitled to Vote
8 4	9 General Unsecured 10 Claims	11 Impaired	12 Entitled to Vote
13 4A	14 Insured Claims	15 Impaired	16 Entitled to Vote
17 5	18 Intercompany Claims	19 Eliminated Through 20 Consolidation of 21 Debtors for Plan 22 Purposes	23 N/A

24 **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, NO**
25 **DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON**
26 **ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR**
27 **INTEREST.**

28 The treatment in this Plan is in full and complete satisfaction of the legal, contractual, and
equitable rights (including any Liens) that each individual or Entity holding an Allowed Claim
may have in or against Debtors, the Estates, or their respective property. This treatment supersedes
and replaces any agreements or rights those individuals or Entities may have in or against Debtors,
the Estates, or their respective property. Except as otherwise provided in this Plan, all distributions
in respect of Allowed Claims will be allocated first to the principal amount of such Allowed Claim,

1 as determined for federal income tax purposes, and thereafter, to the remaining portion of such
2 Allowed Claim, if any.

3 **D. Unclassified Claims**

4 Certain types of Claims are not placed into voting classes; instead they are unclassified.
5 They do not vote on the Plan because they are automatically entitled to specific treatment provided
6 for them in the Bankruptcy Code. As such, Debtors have not placed the following Claims in a class.
7 The treatment of these Claims is provided below.

8 **1. Administrative Claims**

9 **a. Types of Claims Entitled to Administrative Priority**

10 The following types of Claims are entitled to administrative priority under this Plan:
11 Administrative Claims (including Ordinary Course Administrative Expense Claims), DIP Claims,
12 Professional Fee Claims, U.S. Trustee Fees, 503(b)(9) Claims and Cure Payments. The foregoing
13 claims, other than Ordinary Course Administrative Expense Claims and DIP Claims, are estimated
14 to be Allowed in the approximate aggregate amount of \$4,624,674.

15 **b. Administrative Claims Bar Date**

16 Holders of Administrative Claims incurred during the period from and after the Petition
17 Date until the date of entry of the Administrative Claims Bar Date Order were required to File and
18 serve a request for payment of such Administrative Claims and those that did not File and serve
19 such a request by the Administrative Claims Bar Date are forever barred, estopped, and enjoined
20 from asserting such Administrative Claims against the Debtors or their Estates, and such
21 Administrative Claims shall be deemed discharged as of the Effective Date, except as provided in
22 the Plan.

23 **c. Supplemental Administrative Claims Bar Date**

24 Holders of Administrative Claims based upon liabilities incurred by the Debtors in the
25 ordinary course of their business on or after the date the Administrative Claims Bar Date Order
26 was entered but prior to the Effective Date must File and serve such Claims on the Reorganized
27 Debtors within thirty (30) days after the Effective Date or such claims shall be forever barred
28 against the Debtors or their Estates. Objections to the requests for payment of such Administrative
Claims must be Filed and served on the Reorganized Debtors and the requesting party within
twenty (20) days after the Filing of the applicable request for payment of such Administrative
Claims.

d. Treatment of Administrative Claims

(i) Treatment of DIP Claims

1 In accordance with the Senior Debt 9019 Settlement, all DIP Claims shall be shall be
2 Allowed and satisfied, without setoff, reduction or subordination, by the exchange of DIP Claims
3 for DIP Claims Exchange Debt with the attributes described in the schedule attached hereto in
4 **Exhibit A** in the amount of all DIP Claims as of the Effective Date. This treatment of DIP Claims
5 is an integral component of the Senior Debt 9019 Settlement.

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(ii) Treatment of Other Administrative Claims

Except for Ordinary Course Administrative Expenses (which will be paid in the ordinary course of business) and DIP Claims, all Administrative Claims, including Cure Payments, 503(b)(9) Claims, and U.S. Trustee Fees, will be paid in full in Cash (a) on the later of the Effective Date or the date such Claims are Allowed under § 503, or (b) upon such other terms as may be mutually agreed upon between the Holder of such Claim and the Plan Proponents, and consistent with the terms of the Definitive Documents.

2. Treatment of Professional Fee Claims

All persons and entities seeking an award by the Court of professional fees on behalf of the Debtors (a) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses no later than forty-five (45) days after the Effective Date, and, (b) upon Court approval of such final application, shall receive, in full satisfaction, settlement, and release of, and in exchange for such Claim, from the Administrative and Priority Claims Reserve, Cash in such amounts as allowed by the Court (i) on the later of (A) the Effective Date (or as soon thereafter as reasonably practicable) and (B) the date that is ten (10) days after the allowance date, or (ii) upon such other terms as may be mutually agreed upon between the holder of such Claim and the Plan Proponents, and consistent with the terms of the Definitive Documents. For the avoidance of doubt, estate Professionals may still receive interim compensation prior to the Effective Date if otherwise able to under existing court orders.

3. Priority Tax Claims

Priority Tax Claims are certain unsecured income, employment and other taxes described by § 507(a)(8).

During the Chapter 11 Cases, Debtors obtained Court authority to bring wages, benefits and payroll taxes current for the prepetition period, so no prepetition employment related taxes remain due. The Debtors have otherwise kept current on taxes.

Priority Tax Claims shall be paid in full in Cash from the Administrative and Priority Claims Reserve (a) on the later of the Effective Date or the date such Claim is allowed, (b) after the Effective Date, over a period not to exceed five years from the date of assessment of the subject tax, together with interest thereon at a rate satisfactory to the Debtors or such other rate as may be required by the Bankruptcy Code, or (c) upon such other terms as may be mutually agreed upon between the holder of such Claim and the Plan Proponents, and consistent with the terms of the Definitive Documents.

4. Administrative and Priority Claims Reserve

On the Effective Date or as soon as practicable thereafter, the Debtors or the Reorganized Debtors, as applicable, shall fund the Administrative and Priority Claims Reserve in Cash in the Administrative and Priority Claims Reserve Amount. Any amounts remaining in the Administrative and Priority Claims Reserve after payment of all Allowed Administrative, Priority, and Professional Fee Claims and the U.S. Trustee Fees shall be transferred to the Reorganized Debtors.

E. Classified Claims

1. Class 1 - Priority Claims (Other than Priority Tax Claims)

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 4.⁴

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
1	Priority unsecured claims alleged pursuant to Code §§ 507(a)(4) and (5) Total Amount = Unknown	No	No	Paid in cash in full on later of Effective Date or when Allowed

⁴ ~~Under Debtors' human resources policies, employees~~ 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.

2. Classes 2A, 2B and 2C - Secured Claims

Classes 2A, 2B and 2C consist of Secured Claims against Debtors. Secured Claims are claims secured by liens on property of the Estate. The treatment of Senior Secured Bond Debt Claims and Senior Secured Credit Agreement Claims is an integral component of the Senior Debt 9019 Settlement. The Secured Claims shall be treated as follows:

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
2A	<p>Senior Secured Bond Debt Claims</p> <p>Total Amount = \$43,194,789.04 <u>Estimated Amount = \$43,571,500.00, less any amount(s) paid down prior to the Effective Date pursuant to pending asset sale pleadings.</u></p> <p><u>Actual amount subject to per diem adjustment.</u></p>	No	Yes	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.
2B	<p>Senior Secured Credit Agreement Claims</p> <p>Total Estimated Amount = \$13,007,397.26 <u>13,162,397.26</u></p> <p><u>Actual amount subject to per diem adjustment.</u></p>	No	Yes	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

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				hereto in Exhibit A in the amount of all Senior Secured Credit Agreement Claims as of the Effective Date.
2C	Other Secured Claims	No	No <u>Yes</u>	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.

3. Class 3 - Convenience Class Claims

Class 3 consists of Convenience Class Claims, meaning those General Unsecured Claims that are either (i) less than or equal to ~~\$5,000~~five thousand dollars (\$5,000), or (ii) if the ~~claim~~Claim amount is greater, ~~the claimant elects to reduce its Claim to \$5,000 pursuant to the~~than five thousand dollars (\$5,000), a General Unsecured Claim with respect to which the claimant has made a Convenience Class Election; and thus ~~accept~~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.

The Convenience Class Claims shall be treated as follows:

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
3	Convenience Class Claims Total Amount = Est. Allowed amount of \$1,611,501, ⁵ assuming all claimants with Claims between \$5,000 and \$10,000 elect Class 3 treatment	No	Yes	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.

4. Classes 4 and 4A – General Unsecured Claims Not Otherwise Classified and Insured General Unsecured Claims

Class 4 consists of General Unsecured Claims. Class 4A is a subclass consisting of General Unsecured Claims that are also Insured Claims. Class 4 and 4A Claims do not include claims arising under any assumed contracts and leases, which shall be treated as Administrative Claims and paid or otherwise satisfied according to the terms of the assumed contract or lease and any order of the Court authorizing its assumption. To the extent any Class 4 or 4A Claim is paid in the ordinary course of business by any party that has reached a prior agreement with Debtors, such Claim will be deemed satisfied and shall not receive a distribution under the Plan. Otherwise, the Class 4 and 4A Claims shall be treated as follows:

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
4	General Unsecured Claims (Not	No	Yes	holders of Allowed General Unsecured Claims shall be satisfied pro rata solely from assets transferred to the

⁵This amount ~~of~~ is based on General Unsecured Claims filed ~~and the~~ The Debtors believe that this amount will materially reduce following the claims adjudication process.

	Otherwise Classified) Total Amount = Approximately \$101,950,399.80 ⁶			<u>Litigation receive, on one or more GUC Distribution Dates, a Pro Rata share of the Net GUC Distribution Trust Assets.</u>
4A	Insured Claims	No	Yes	Subject to the terms and conditions set forth in <u>Section III.GN</u> below, 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.

5. Class 5 - Intercompany Claims

All intercompany claims shall be expunged and eliminated through the limited consolidation of the Debtors ~~for purposes of treatment of Claims and distributions under this unless otherwise indicated in the Plan Supplement.~~

SECTION III. MEANS OF IMPLEMENTING THE PLAN

A. The Senior Debt 9019 Settlement

The Plan is centered around the settlement of all rights and claims associated with the DIP Claims, Senior Secured Bond Debt Claims and Senior Secured Credit Agreement Claims (the "Senior Debt 9019 Settlement"). The Senior Debt 9019 Settlement is comprised of (i) the classification and treatment of the DIP Claims, Senior Secured Bond Debt Claims and Senior Secured Credit Agreement Claims and other Lapis Parties prepetition Claims as specified in this Plan, (ii) the issuance (or reinstatement, as applicable) of the debt instruments (the "Exchange Debt") described in the schedule attached hereto as Exhibit A and more specifically in the Exchange Debt Documents, and (iii) the release and exculpation terms for the Lapis Parties as specified in this Plan.

The treatment and distributions provided for herein with respect to the DIP Claims, Senior Secured Bond Debt Claims, Senior Secured Credit Agreement Claims and other Lapis Parties prepetition Claims under the Senior Debt 9019 Settlement reflect a compromise and settlement of

⁶This amount of is based on General Unsecured Claims filed ~~and the~~ The Debtors believe that this amount will materially reduce following the claims adjudication process.

1 numerous complex issues including the Debtors' obligation to satisfy the DIP Claim on the
2 Effective Date, the scope, extent and value of the collateral associated with the Senior Secured
3 Bond Debt Claims and Senior Secured Credit Agreement Claims and related matters. The
4 settlement provides final resolution of all issues relating to the DIP Claims and the rights and
5 benefits of Lapis Parties, and the validity, enforceability and priority of the Senior Secured Bond
6 Debt Claims and Senior Secured Credit Agreement Claims. Pursuant to the Senior Debt 9019
7 Settlement, subject to the occurrence of the Effective Date, each prepetition Claim reflected in a
8 proof of claim filed by the Lapis Parties in the Chapter 11 Cases that is not a Senior Secured Bond
9 Debt Claim or Senior Secured Credit Agreement Claim shall be Allowed as a General Unsecured
10 Claim in the liquidated amount specified therein.

11 The Plan shall constitute a motion to approve the Senior Debt 9019 Settlement. Subject to
12 the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of
13 the Senior Debt 9019 Settlement pursuant to Bankruptcy Rule 9019 (which is inclusive of the
14 releases by the Debtors and their Estates against the Lapis Parties) and a finding by the Bankruptcy
15 Court that the Senior Debt 9019 Settlement is in the best interest of the Debtors and their Estates.
16 If the Effective Date does not occur the Senior Debt 9019 Settlement shall be deemed to have been
17 withdrawn without prejudice to the respective positions of the parties.

18 **B. The Committee Plan Settlement**

19 The Plan also embodies the Committee Plan Settlement set forth in the Term Sheet. The treatment
20 of General Unsecured Claims provided for herein consistent with the Term Sheet reflects a
21 compromise and settlement of numerous complex issues including, but not limited to, those set
22 forth in the *Limited Objection of Official Committee of Unsecured Creditors to Motion for an*
23 *Order Approving: (i) Proposed Disclosure Statement; (ii) Solicitation and Voting Procedures; (iii)*
24 *Notice and Objection Procedure for Confirmation of Joint Plan of Reorganization; and (iv)*
25 *Granting Related Relief* filed at docket number 1624. The Committee Plan Settlement provides
26 final resolution of all issues relating to the treatment of General Unsecured Claims under this Plan.
27 The Plan shall constitute a motion to approve the Committee Plan Settlement pursuant to
28 Bankruptcy Rule 9019 and a finding by the Bankruptcy Court that the Committee Plan Settlement
is in the best interest of the Debtors and their Estates. If the Effective Date does not occur, the
Committee Plan Settlement shall be deemed to have been withdrawn without prejudice to the
respective positions of the parties.

29 **C. Vendor Claims**

30 The Debtors (or the Reorganized Debtors, if after the Effective Date) and the Lapis Parties, in
31 consultation with the Committee (or the GUC Distribution Trustee, if after the Effective Date),
32 will jointly use their best efforts to settle or otherwise resolve each of the Debtors' Vendor Claims
33 subject to the following principles:

34 Prior to the Effective Date, the Debtors (with the prior consent of the Lapis Parties) shall have the
35 right to settle any and all Vendor Claims in their sole and absolute discretion after consultation
36 with the Committee, and the Committee shall not have the right to object to any such settlement.

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1 After the Effective Date, the Liquidation Trustee shall have the right of the Liquidation
2 Trust (including any consent terms by the primary beneficiaries) to settle any and all Vendor
3 Claims after consultation with the Debtors and the Committee, and the Debtors, Committee, and
4 GUC Distribution Trustee shall not have the right to object to such settlement.

5 Prior to or after the Effective Date, the Debtors (with the prior consent of the Lapis Parties)
6 or the Liquidation Trustee (subject to the terms of the Liquidation Trust, including any consent
7 terms by the primary beneficiaries) may commence and prosecute litigation to resolve the Vendor
8 Claims. Consent shall be conditioned on, *inter alia*, the retention of counsel and retention terms
9 acceptable to the Lapis Parties.

10 **B.D. Corporate Actions**

11 AH NP 2 is currently a wholly owned non-debtor subsidiary of Astria Health. AH NP2 is
12 a 501(c)(3) Washington non-profit corporation. On the Effective Date of the Plan, AH NP2 will
13 amend its articles and bylaws to become the sole member of Astria Health on terms acceptable to
14 the Lapis Parties. Astria Health will also amend its articles and bylaws to change Astria Health
15 from a no-member non-profit corporation to a single member non-profit corporation on terms
16 acceptable to the Lapis Parties.

17 On the Effective Date, simultaneously with the matters reflected in this Section
18 immediately above, AH System, a newly created non-debtor entity, will assume the non-
19 discharged debt of the Debtors in exchange for AH NP2's transfer of its sole membership interest
20 in Astria Health to AH System. AH System is a freestanding Washington non-profit corporation.
21 There is no overlap of Board ~~of Directors~~ Trustees between AH System and Astria Health or any
22 of the Astria Health subsidiaries (including AH NP2). The AH System bylaws shall be on terms
23 acceptable to the Lapis Parties.

24 The Lapis Parties have agreed to reinstatement of the Senior Secured Bond Debt Claims
25 which will be paid by the Reorganized Debtors over time.

26 Also on the Effective Date, AH System will issue (or reinstate, as applicable) the Exchange
27 Debt and otherwise execute and deliver the Exchange Debt Documents.

1 ~~————~~ **Litigation and Liquidation Trusts**

2 From the filing of this Plan in the Chapter 11 Cases through the Effective Date (the
3 “Performance Period”), each Board Trustee of the Debtors shall direct the Debtors’ officers
4 and others to (a) afford to AH System, the Lapis Parties reasonably full and complete access
5 during normal business hours to and the right to inspect the plants, properties, books,
6 accounts, records and all other relevant documents and information with respect to the assets,
7 liabilities and business of the Debtors, (b) furnish AH System and the Lapis Parties with such
8 additional financial and operating data and other information as to businesses and
9 properties of the Debtors as AH System or the Lapis Parties may from time to time
10 reasonably request, and (c) cause the Debtors to (i) use commercially reasonable efforts to
11 maintain and preserve each Debtor’s respective business organizations and its respective
12 relationships with physicians, suppliers, customers and others having business relationships
13 with the Debtors, provided that this provision does not prevent the Debtors from assuming
14 or rejecting executory contracts or unexpired leases or otherwise terminating such
15 relationships in the ordinary course of business pursuant to such applicable provisions as
16 are set forth in the Plan; and (ii) satisfy the conditions precedent to the occurrence of the
17 Effective Date. Each Board Trustee shall otherwise, shall direct the Debtors’ officers and
18 employees to reasonably and promptly cooperate with AH System and its authorized
19 representatives and attorneys in AH System’s efforts to satisfy the conditions precedent to
20 the occurrence of the Effective Date.

21 ~~C-E.~~ **The GUC Distribution Trust**

22 1. ~~Litigation~~ **Establishment of GUC Distribution Trust**

23 On the Effective Date, all ~~Litigation~~ GUC Distribution Trust Assets shall be contributed
24 and transferred to the ~~Litigation~~ GUC Distribution Trust for the benefit of the ~~Litigation Trust~~
25 Beneficiaries subject to a ~~Litigation Trust Agreement acceptable to the Committee, the Lapis~~
26 Parties and the Debtors and the appointment of a Litigation Trustee acceptable to the Lapis Parties
27 in their sole discretion. ~~GUC Distribution Trust Beneficiaries.~~ The GUC Distribution Trust Assets
28 shall pass to the GUC Distribution Trust free and clear of all Claims and interests in accordance
with § 1141. The Confirmation Order shall constitute a determination that the transfer of the GUC
Distribution Trust Assets to the GUC Distribution Trust is legal, valid, and consistent with the
laws of the State of Washington. The transfer of the GUC Distribution Trust Assets to the GUC
Distribution Trust on the Effective Date shall include the transfer and assignment of any and all
GUC Distribution Trust Avoidance Actions. The GUC Distribution Trustee shall have exclusive
standing to waive, commence, prosecute, or settle any GUC Distribution Trust Avoidance Actions
in the GUC Distribution Trustee’s discretion.

 For federal and applicable state income tax purposes, all parties (including, without
limitation, the Debtors, the GUC Distribution Trustee, and the beneficiaries of the GUC
Distribution Trust) shall treat the transfer of the GUC Distribution Trust Assets to the GUC
Distribution Trust in accordance with the terms of this Plan as a sale by the Debtors of such Assets
to the GUC Distribution Trust at a selling price equal to the fair market value of such Assets on
the Effective Date. The GUC Distribution Trust shall be treated as the owner of all the Assets it
holds.

1 The GUC Distribution Trust will be governed in accordance with the terms of a GUC
2 Distribution Trust Agreement prepared by the Committee in consultation with the Debtors and the
3 Lapis Parties, which shall contain provisions customary to trust agreements utilized in comparable
4 circumstances, including, but not limited to, any and all provisions necessary to ensure the
5 treatment of the GUC Distribution Trust as a grantor trust. The GUC Distribution Trustee will be
6 selected by the Committee after consultation with the Debtors and the Lapis Parties and will have
7 the rights, powers, privileges, immunities, and obligations set forth in the GUC Distribution Trust
8 Agreement.

9 All parties shall execute any documents or other instruments as necessary to cause title to
10 the applicable GUC Distribution Trust Assets to be transferred to the GUC Distribution Trust. The
11 GUC Distribution Trust Assets will be held in trust for the benefit of Holders of Allowed General
12 Unsecured Claims pursuant to the terms of the Plan and the GUC Distribution Trust Agreement.

9 **2. Powers and Authority of the GUC Distribution Trustee**

10 The powers of the GUC Distribution Trustee shall be set forth in full in the GUC Distribution Trust
11 Agreement and shall include, among other things, subject to the limitations set forth in this Plan
12 and the requirements set forth in a Plan Supplement: (a) the power to use, distribute, abandon, or
13 otherwise dispose of all GUC Distribution Trust Assets; (b) the power to effect distributions under
14 this Plan to the Holders of Allowed General Unsecured Claims; (c) the authority to pay all costs
15 and expenses of administering the GUC Distribution Trust after the Effective Date (including the
16 GUC Post-Effective Date Expenses), including the power to employ and compensate professionals
17 and other Entities to assist the GUC Distribution Trustee in carrying out the duties hereunder
18 (subject to the Reorganized Debtors' approval of professional fees as described in Section E.6.
19 below), and to obtain and pay premiums for insurance and any other powers necessary or incidental
20 thereto; (d) the power to implement all aspects of this Plan relating to the GUC Distribution Trust,
21 including any other powers necessary or incidental thereto; (e) the authority to settle Claims,
22 applicable Causes of Action, including GUC Avoidance Actions, or disputes as to amounts owing
23 to or from the by Holders of General Unsecured Claims consistent with the terms of this Plan; (f)
24 the authority to participate in any post-Effective Date motions to amend or modify this Plan or the
25 GUC Distribution Trust Agreement, or appeals from the Confirmation Order; (g) the authority to
26 participate in actions to enforce or interpret this Plan; (h) the power to bind the GUC Distribution
27 Trust; and (i) the power to establish accounts in the name of the GUC Distribution Trust for the
28 purpose of effectuating the Plan and administering the GUC Distribution Trust. Each of the
foregoing powers may be exercised by the GUC Distribution Trustee without further order of the
Court.

The GUC Distribution Trustee, in his or her sole discretion, shall have the authority to allocate and
reallocate GUC Distribution Trust Assets (including Cash, and including any reserves necessary
to effectuate the terms of this Plan) as necessary to effectuate the Plan without further application
to, or approval of, the Court, to the extent such allocation or reallocation would not be inconsistent
with the terms of this Plan. In the event that the GUC Distribution Trustee determines that the
effectuation of the Plan or an equitable distribution to Holders of Allowed General Unsecured
Claims requires allocation or reallocation of GUC Distribution Trust Assets in a manner that would
otherwise be inconsistent with any term of this Plan (including for the purposes of distribution

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1 under the Plan), the GUC Distribution Trustee shall have the authority to make such allocation or
2 reallocation with approval of the Court upon application to the Court.

3 **3. Employment and Compensation of the GUC Distribution Trustee**

4 The GUC Distribution Trustee shall serve without bond and shall receive compensation for serving
5 as GUC Distribution Trustee as set forth in the GUC Distribution Trust Agreement. At any time
6 after the Effective Date and without further application to or Order of the Court, the GUC
7 Distribution Trustee may employ and compensate Persons or Entities, including professionals
8 (which may, but need not, include Professionals previously or currently employed in the Chapter
9 11 Cases) reasonably necessary to assist the GUC Distribution Trustee in the performance of his
10 or her duties under the GUC Distribution Trust Agreement and this Plan. Such Persons or Entities
11 shall be compensated and reimbursed by the GUC Distribution Trustee for their reasonable and
12 necessary fees and out of pocket expenses on a monthly basis in arrears, subject to the Reorganized
13 Debtors' approval of professional fees as described in Section E.6. below.

14 **4. GUC Distribution Trustee as Successor in Interest to the Committee**

15 The GUC Distribution Trustee is the successor in interest to the Committee, and thus, after the
16 Effective Date, to the extent this Plan requires or authorizes an action by the Committee, the action
17 shall be taken by the GUC Distribution Trustee on behalf of the Committee.

18 For the avoidance of doubt, any obligation of the Debtors under this Plan with respect to the
19 Committee or the GUC Distribution Trust that remains unperformed as of the Effective Date, or
20 that is required to be performed on or after the Effective Date, shall become an obligation of the
21 Reorganized Debtors as of the Effective Date, and shall be satisfied in full and performed by the
22 Reorganized Debtors consistent with the provisions of the Plan.

23 **5. GUC Distribution Trust's Post-Effective Date Expenses**

24 Subject to Section III.E.6 below, all expenses related to the GUC Distribution Trustee's
25 implementation of the Plan and administration of the GUC Distribution Trust incurred from and
26 after the Effective Date through the date on which the GUC Distribution Trust is dissolved will be
27 expenses of the GUC Distribution Trust, and the GUC Distribution Trustee will disburse funds
28 from the GUC Distribution Trust Assets as appropriate for purposes of paying the GUC Post-
29 Effective Date Expenses of the GUC Distribution Trust without the need for any further
30 application to or Order of the Court. The GUC Post-Effective Date Expenses shall include, but
31 are not limited to, the fees and expenses of the GUC Distribution Trustee; the fees and expenses
32 of the professionals employed by the GUC Distribution Trustee (subject to the Reorganized
33 Debtors' approval of professional fees as described in Section E.6. below); and other costs,
34 expenses, and obligations of the GUC Distribution Trust until the date the GUC Distribution Trust
35 is terminated in accordance with Section III.F and the GUC Distribution Trust Agreement. The
36 GUC Distribution Trustee, in his or her sole discretion, on and after the Effective Date, shall have
37 authority to establish, increase, and/or decrease any reserves as reasonably necessary and
38 appropriate to account for and pay the GUC Post-Effective Date Expenses.

39 **6. Post-Effective Date Expenses Relating to Claims Reconciliation and Vendor** 40 **Claims**

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1 Consistent with Section V.A below, reasonable attorneys' fees and expenses and other professional
2 fees and expenses incurred by the GUC Distribution Trust (including the GUC Distribution
3 Trustee's fees and expenses) attributable to services rendered in connection with the General
4 Unsecured Claim reconciliation process will be paid by the Reorganized Debtors. Further,
5 reasonable attorneys' fees and expenses incurred by the GUC Distribution Trust (including the
6 GUC Distribution Trustee's fees and expenses), not to exceed one hundred thousand dollars
7 (subject to increase by agreement of the GUC Distribution Trustee, the Reorganized Debtors, and
8 the Lapis Parties), attributable to services rendered in connection with the Vendor Claims
9 (including consultation with the Debtors, Reorganized Debtors, Liquidation Trustee, and/or Lapis
10 Parties regarding the Vendor Claims) will be paid by the Reorganized Debtors.

11 All fees and expenses payable by the Reorganized Debtors pursuant to this Section III.E.6 shall
12 be subject to the following payment provisions:

13 The applicable professionals (including the GUC Distribution Trustee) will submit
14 invoices, redacted as necessary to preserve any applicable privileges or protections, for the services
15 described in this Section III.E.6 on a monthly basis to the Reorganized Debtors for review and
16 approval. Upon receipt of an invoice, the Reorganized Debtors shall have ten (10) Business Days
17 to communicate any dispute or objection to the requested fees and expenses to the applicable
18 professional. In the event that no dispute or objection is communicated to the applicable
19 professional within the ten (10) Business Day objection period, the Reorganized Debtors shall pay
20 the requested fees and expense within twenty (20) days after the expiration of the objection period.
21 To the extent that the Reorganized Debtors communicate any dispute or objection to the applicable
22 professional within the ten (10) Business Day objection period, (i) the Reorganized Debtors shall
23 pay any undisputed portion of the requested fees and expenses within twenty (20) days after the
24 expiration of the objection period and (iii) the Reorganized Debtors and the applicable professional
25 shall use reasonable efforts to resolve the dispute or objection during the twenty (20) days
26 following the expiration of the objection period. If the Reorganized Debtors and the applicable
27 professional are not able to resolve the dispute or objection during the twenty (20) days following
28 the expiration of the objection period, the Reorganized Debtors and the applicable professional
may seek resolution of the dispute or objection by the Court through the filing of a formal objection
or motion to compel payment consistent with the terms of the Plan, as applicable.

7. GUC Distribution Reserve

1 Prior to making a distribution to any Holders of Allowed General Unsecured Claims under the
2 Plan, the GUC Distribution Trustee may place in reserve and/or in a separate account any funds
3 that may be needed to pay General Unsecured Claims that are Disputed and General Unsecured
4 Claims that have otherwise not been Allowed in the event that all or a portion of such Claims
5 become Allowed. When a General Unsecured Claim is Allowed or Disallowed (and thus becomes
6 an Allowed Claim or a Disallowed Claim, in whole or in part), the funds set aside on account of
7 such Claim may be released from the reserve and shall be available for distribution in accordance
8 with the terms of this Plan to either (i) the Holder of the General Unsecured Claim that has become
9 an Allowed Claim, or (ii) if Disallowed, the Holders of Allowed General Unsecured Claims. The
10 GUC Distribution Trustee, in his or her sole discretion, on and after the Effective Date, shall have
11 authority to increase or decrease such as reasonably necessary and appropriate, and upon

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1 satisfaction of all Allowed General Unsecured Claims required to be paid from the reserve, to
2 transfer amounts held therein for distribution pursuant to the Plan.

3 **8. GUC Income Tax Status**

4 For federal income tax purposes, all parties (including, without limitation, the Debtors, the GUC
5 Distribution Trustee, and the beneficiaries of the GUC Distribution Trust) shall treat the GUC
6 Distribution Trust as a liquidating trust within the meaning of Treasury Income Tax Regulation
7 section 301.7701-4(d) and IRS Revenue Procedure 94-45, 1994-2 C.B. 124. For federal income
8 tax purposes, the transfer of Assets to the GUC Distribution Trust under the Plan shall be treated
9 as a deemed transfer to the beneficiaries of the GUC Distribution Trust in satisfaction of their
10 Claims followed by a deemed transfer of the Assets by the beneficiaries to the GUC Distribution
11 Trust. For federal income tax purposes, the beneficiaries will be deemed to be the grantors and
12 owners of the GUC Distribution Trust and its assets. For federal income tax purposes, the GUC
13 Distribution Trust will be taxed as a grantor trust within the meaning of IRC sections 671-677 (a
14 non-taxable pass-through tax entity) owned by the beneficiaries. The GUC Distribution Trust will
15 file federal income tax returns as a grantor trust under IRC section 671 and Treasury Income Tax
16 Regulation section 1.671-4 and report, but not pay tax on, the GUC Distribution Trust's tax items
17 of income, gain, loss deductions, and credits ("Tax Items"). The beneficiaries will report such Tax
18 Items on their federal income tax returns and pay any resulting federal income tax liability. All
19 parties will use consistent valuations of the assets transferred to the GUC Distribution Trust for all
20 federal income tax purposes. The assets shall be valued based on the GUC Distribution Trustee's
21 good faith determination of their fair market value.

22 **F. Termination of the GUC Distribution Trust**

23 The existence of the GUC Distribution Trust and the authority of the GUC Distribution Trustee
24 will commence as of the Effective Date and will remain and continue in full force and effect until
25 the earlier of (a) the date on which all of the GUC Distribution Trust Assets are liquidated in
26 accordance with the Plan, the funds in the GUC Distribution Trust have been completely
27 distributed in accordance with the Plan, all tax returns and any other filings or reports have been
28 filed with the appropriate state or federal regulatory authorities, and the Order closing the Chapter
29 11 Cases is a Final Order or (b) five (5) years after the date of creation of the GUC Distribution
30 Trust, unless extended by the Court as provided in the GUC Distribution Trust Agreement.

31 At such time as the GUC Distribution Trust has been fully administered (i.e., when all things
32 requiring action by the GUC Distribution Trustee have been done and the Plan has been
33 substantially consummated) and in all events within sixty (60) days after the Final GUC
34 Distribution Date, the GUC Distribution Trustee will file a notice of the final distribution from the
35 GUC Distribution Trust with the Court.

36 **2.G. Establishment of Liquidation Trust**

37 On the Effective Date, except as otherwise provided in the D&O Cause of Action
38 Agreement consistent with Section III.H below, all Liquidation Trust Assets shall be contributed
39 to the Liquidation Trust subject to a Liquidation Trust Agreement acceptable to the Debtors and

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1 the Lapis Parties and the appointment of a Liquidation Trustee acceptable to the Lapis Parties in
2 their sole discretion.

3 In the event any Liquidation Trust Assets are liquidated, the proceeds of such liquidation
4 shall be used to fund AH System's operating cash account up to an amount equal to the lesser of
5 \$10 million or 30 days cash on hand and then to pay the Exchange Debt in accordance with the
6 Exchange Debt Documents.

7 **H. Prosecution of D&O Causes of Action**

8 **The D&O Causes of Action shall be preserved for the benefit of the Debtors' Estates and**
9 **their creditors. The mechanism for (i) the vesting, revesting, and/or transfer of the D&O**
10 **Causes of Action and any related insurance policies (including the D&O Insurance Policies),**
11 **(ii) the prosecution and/or settlement or other resolution of the D&O Causes of Action**
12 **(including the funding of the fees and costs attendant to such prosecution and/or settlement**
13 **or other resolution), and (iii) the sharing of any proceeds of the D&O Causes of Action shall**
14 **be subject to further agreement between the Lapis Parties and the Committee (the "D&O**
15 **Cause of Action Agreement"), which shall be filed as part of the Plan Supplement.**

16 **D.I. Post-Confirmation Management**

17 Reorganized Debtors, controlled by AH System as the sole member, will provide the
18 management for the Hospitals after the Effective Date. The ~~senior officers of Reorganized Debtors~~
19 ~~are expected to include John Gallagher in his continuing role as CEO~~ Debtors' Executive Services
20 Agreement with AHM, Inc. ("AHM") will be rejected as of the earlier of the date ordered by the
21 Court on a motion to reject the agreement, the Effective Date, or such other date as may be
22 specified in the Confirmation Order. It is currently expected that all AHM employees currently
23 serving as officers or employees of the Debtors will be offered employment by AH System,
24 effective on the Effective Date.

25 To the extent necessary to implement the Plan, AH System, will govern pursuant to
26 amended and restated bylaws and other corporate documents. The new Board ~~of Directors~~ Trustees
27 for the Reorganized Debtors will be set forth in the Plan Supplement and whose composition is
28 subject to (a) applicable law and (b) the consent of the Lapis Parties. The new Board ~~of Directors~~
~~will also, in the alternative, enter into a new management agreement with AHM Management or~~
~~otherwise~~ Trustees will also obtain management on terms acceptable to AH System.

29 **J. Termination of the Committee and Appointment of POC**

30 **On the Effective Date, the Committee shall be deemed dissolved, the retention and employment**
31 **of the Committee's Professionals shall be deemed terminated, and the members of the Committee**
32 **shall be deemed released and discharged of and from all further authority, duties, responsibilities,**
33 **and obligations related to and arising from and in connection with the Chapter 11 Cases, other than**
34 **for purposes of filing and/or objecting to final fee applications filed in the Chapter 11 Cases. The**
35 **Professionals retained by the Committee shall not be entitled to compensation or reimbursement**
36 **of expenses for any services rendered or expenses incurred after the Effective Date in their**
37 **capacities as Professionals of the Committee, except for services rendered and expenses incurred**
38 **in connection with (i) any applications by such Professionals for allowance of compensation and**

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1 reimbursement of expenses pending on the Effective Date or timely Filed after the Effective Date
2 as provided in the Plan, as approved by the Court, and (ii) any services necessary to effectuate the
3 provisions of the Plan.

4 On the Effective Date, a POC consisting of not less than three (3) Persons or Entities that
5 are beneficiaries of the GUC Distribution Trust. The identities of the Persons and/or Entities that
6 will serve on the POC as of the Effective Date will be filed as part of the Plan Supplement. The
7 POC's sole function and responsibility shall be to advise the GUC Distribution Trustee in the
8 performance of the GUC Distribution Trustee's duties and obligations under the Plan with respect
9 to the administration of the GUC Distribution Trust for the benefit of Holders of Allowed General
10 Unsecured Claims. The members of the POC shall serve without compensation but may be
11 reimbursed for reasonable expenses incurred in the performance of their duties as members of the
12 POC.

13 **E.K. Creation of Administrative and Priority Claims Reserve**

14 On the Effective Date or as soon as reasonably practicable thereafter, the Debtors shall
15 fund, and the Reorganized Debtors shall establish and thereafter maintain, the Administrative and
16 Priority Claims Reserve with the Administrative and Priority Claims Reserve Amount, subject to
17 the Administrative, Professional and Priority Claims Cap, in an authorized depository in the state
18 of Washington, which funds shall vest in the Reorganized Debtors free and clear of all Liens,
19 Claims, encumbrances, charges, and other interests, except as otherwise specifically provided in
20 the Plan or in the Confirmation Order. Funds in the Administrative and Priority Claims Reserve
21 shall be used by the Reorganized Debtors only for the payment of U.S. Trustee Fees and
22 Administrative Claims, Priority Claims, and Professional Fee Claims Allowed after the Effective
23 Date to the extent that such Allowed Claims have not been paid in full on or prior to the Effective
24 Date. To the extent not otherwise provided herein or ordered by the Court, the Reorganized
25 Debtors shall estimate appropriate reserves of Cash to be set aside in order to pay or reserve for
26 Disputed Administrative Claims, Priority Claims, and Professional Fee Claims. Any amounts set
27 aside to pay or reserve for Disputed Administrative Claims, Priority Claims, and Professional Fee
28 Claims shall include the amounts needed to fund the ongoing costs and expenses of such reserve,
including, without limitation, taxes in respect of Disputed Administrative Claims, Priority Claims,
and Professional Fee Claims, if any. Any amounts remaining in the Administrative and Priority
Claims Reserve after payment of all Allowed Administrative Claims, Priority Claims, and
Professional Fee Claims and the U.S. Trustee Fees shall be transferred to the Reorganized Debtors
and thereafter be subject to the terms of the Exchange Debt Documents.

29 **F.L. Objections to Claims**

30 ~~Prior to the Effective Date, Debtors will seek to resolve as many disputes or objections to~~
31 ~~Claims as possible.~~ After the Effective Date, the Reorganized Debtors (and with respect to General
32 Unsecured Claim, the GUC Distribution Trustee) will have the authority and obligation to review,
33 compromise, and object to any Claims other than Allowed Claims- consistent with Section V
34 hereof. The Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
35 Distribution Trustee) will: (i) have the authority, without Court approval or approval by the GUC
36 Distribution Trustee or any other person or entity, to compromise, release or settle any Claim
37 where the Claim has an asserted face value of \$25,000 or less and (ii) be required to seek an order
38

1 of the Court approving the compromise, release or settlement of any Claim that has an asserted
2 value of greater than \$500,000, with notice and opportunity for hearing required with respect to
3 such compromise, release or settlement. If the ~~Debtors~~Reorganized Debtors (and with respect to
4 General Unsecured Claims, the GUC Distribution Trustee) seek to compromise, release or settle
5 any Claim where the Claim has an asserted face value of between \$25,000 and \$500,000, the
6 ~~Debtors~~Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
7 Distribution Trustee) will provide at least five (5) ~~days~~Business Days' advance notice of the same
8 to the Lapis Parties, the GUC Distribution Trustee, and the ~~Committee~~Reorganized Debtors, as
9 applicable, and the opportunity to object within such notice period. If the Lapis Parties ~~or the~~
10 ~~Committee objects~~, the GUC Distribution Trustee, or the Reorganized Debtors, as applicable,
11 object and the objection is not resolved consensually, the ~~Debtors~~Reorganized Debtors (and with
12 respect to General Unsecured Claims, the GUC Distribution Trustee) may seek approval of the
13 compromise, release or settlement by the Court on an expedited basis.

9 **M. Claims Paid or Payable by Third Parties**

10 Subject to the terms of Section III.N below regarding Class 4A Insured Claims, Claims paid and/or
11 payable by third parties, irrespective of classification, shall be treated as follows:

12 **1. Claims Paid by Third Parties**

13 A Claim shall be reduced in full, and such Claim shall be Disallowed without a Claim objection
14 having to be filed and without any further notice to or action, order, or approval of the Court, to
15 the extent that the Holder of such Claim receives payment in full on account of such Claim from
16 a party that is not a Debtor or a Distributing Party. To the extent a Holder of a Claim receives a
17 distribution under the Plan on account of such Claim and receives payment from a party that is not
18 a Debtor or a Distributing Party on account of such Claim, such Holder shall, within two weeks of
19 receipt thereof, repay or return the distribution to the applicable Debtor or Distributing Party to the
20 extent the holder's total recovery on account of such Claim from the third party and under the Plan
21 exceeds the Allowed amount of such Claim.

19 **2. Claims Payable by Third Parties**

20 No distribution under the Plan shall be made on account of an Allowed Claim that is payable
21 by a party that is not a Debtor or a Distributing Party, including pursuant to any insurance
22 policy under which any Debtor is a covered party or beneficiary (including the Insurance
23 Policies), until the Holder of such Allowed Claim has exhausted all remedies with respect to
24 such third party or insurance policy. To the extent that one or more of the Debtors' insurers
25 or another third party agrees to satisfy in full or in part an Allowed Claim, then immediately
26 upon such agreement, the applicable portion of such Claim may be Disallowed and expunged
27 without a Claim objection having to be filed and without any further notice to or action,
28 order, or approval of the Court.

25 **G.N. Special Issues Regarding Insured Claims**

26 Under the terms of Debtors' various insurance policies, Debtors may owe deductible
27 amounts on account of Insured Claims for personal injury and medical malpractice. After the
28 Effective Date of the Plan (unless an order modifying the automatic stay has been entered at an

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1 earlier date), Holders of Insured Claims ~~may proceed with litigation in appropriate non-bankruptcy~~
2 ~~forums to liquidate the Insured Claims, but they~~ shall be enjoined by the injunction established by
3 the Confirmation Order from commencing or continuing any enforcement action to collect such
4 Claim against the Estate ~~except in conformity with the Bankruptcy Code's claim adjudication~~
5 ~~procedures.~~

6 Subject to Consistent with the foregoing, distributions under the Plan to each Holder of an
7 Allowed Insured Claim shall be recoverable only from the available insurance and Debtors shall
8 be discharged to the extent of any such excess. Further, the Plan shall not expand the scope of, or
9 alter in any other way, the rights and obligations of Debtors' insurers under their policies, and
10 Debtors' insurers shall retain any and all defenses to coverage that such insurers may have,
11 including the right to contest and/or litigate with any party, including Debtors, the existence,
12 primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall
13 not operate as a waiver of any other Claims that Debtors' insurers have asserted or may assert in
14 any proof of Claim or Debtors' rights and defenses to such proofs of Claim.

10 H.O. Distributions of Property Under the Plan

11 The following procedures set forth in the Plan apply to distributions made pursuant to the
12 Plan whether by (i) Debtors as to the Effective Date Distributions, or (ii) the Reorganized Debtors
13 ~~or GUC Distribution Trustee~~ as to all post-Effective Date Distributions (each of Reorganized
14 ~~Debtor~~ Debtors, the GUC Distribution Trustee, or the Debtors, a "Distributing Party"). In
15 connection with the Plan, to the extent applicable, the applicable Distributing Party shall comply
16 with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and
17 all distributions pursuant to the Plan shall be subject to such withholding and reporting
18 requirements.

19 Notwithstanding any other provision of this Plan (i) each Holder of an Allowed
20 Unsecured Claim that is to receive a distribution pursuant to this Plan shall have sole and
21 exclusive responsibility for the satisfaction and payment of any tax obligations imposed by
22 any Governmental Unit, including income, withholding, and other tax obligations, on
23 account of such distribution, and (b) no distribution shall be made to or on behalf of such
24 Holder pursuant to the Plan unless and until such Holder has made arrangements
25 satisfactory to the Distributing Party for the payment and satisfaction of such income,
26 withholding, and other tax obligations or such tax obligation that would be imposed upon
27 any disbursing agent in connection with such distribution. Any property distributed
28 pursuant to the Plan shall, pending the implementation of such arrangements, be treated as
an undeliverable distribution under the Plan.

23 I.P. Manner of Cash Payments Under the Plan

24 Cash payments to domestic Entities holding Allowed Claims will be tendered in U.S.
25 Dollars and will be made by checks drawn on a domestic bank or by wire transfer from a domestic
26 bank. Payments made to any foreign creditors holding Allowed Claims may be paid, at the option
27 of the Distributing Party in such funds and by such means as are necessary or customary in a
28 particular foreign jurisdiction.

1 **J.Q. No Distributions With Respect to Disputed Claims**

2 No payments of Cash or distributions of other property or other consideration of any kind
3 shall be made on account of any Disputed Claim unless and until such Claim becomes an Allowed
4 Claim or is deemed to be such for purposes of distribution, and then only to the extent that the
5 Claim becomes, or is deemed to be for distribution purposes, an Allowed Claim. Unless otherwise
6 provided herein, any Holder of a Claim that becomes an Allowed Claim after the Effective Date
7 will receive any unpaid distribution that otherwise would have been payable under the Plan on the
8 Next Payment Date after the date that such Claim becomes an Allowed Claim or as soon thereafter
9 as practicable.

10 **K.R. Record Date for Distribution**

11 On the Distribution Record Date, ~~the Claims Register shall be closed and~~ the Distributing
12 Party shall be authorized and entitled to recognize only those record Holders listed on the Claims
13 Register as of the close of business on the Distribution Record Date. The foregoing terms shall not
14 apply to distributions to the Lapis Parties, their successors and assigns with respect to DIP Claims
15 as well as under Class 2A, and Class 2B ~~or Class 4~~ of this Plan.

16 **L.S. Delivery of Distributions**

17 The Distributing Party shall make distributions to each Holder of an Allowed Claim by
18 mail as applicable as follows: (a) at the address set forth on the proof of Claim filed by such Holder
19 of an Allowed Claim; (b) at the address set forth in any written notice of address change Filed with
20 the Court, delivered to the Distributing Party, and reflected on the Claims Register after the date
21 of any related proof of Claim; (c) at the address reflected in the Schedules if no proof of Claim is
22 filed and ~~the Distributing Party has not received an~~ o written notice ~~of a change~~ of address change
23 has been Filed with the Court, delivered to the Distributing Party, and reflected on the Claims
24 Register; and (d) with respect to the Lapis Parties, as directed by the Lapis Parties.

25 **M.T. Undeliverable and Unclaimed Distributions**

26 ~~If~~ Subject to the terms of any settlement agreement, if the distribution to the Holder of any
27 Allowed Claim is returned as undeliverable, no further distribution shall be made to such Holder
28 unless and until the Distributing Party is notified in writing of such Holder's then current address.
Subject to the other provisions of the Plan, undeliverable distributions shall remain in the
possession of the Distributing Party pursuant to this Section until such time as a distribution
becomes deliverable. ~~All undeliverable~~ Undeliverable Cash distributions ~~will be held in~~
~~unsegregated, interest bearing bank accounts for the benefit of the Entities entitled to the~~
~~distributions. These Entities will be entitled to any interest actually earned on account of the~~
~~undeliverable distributions. The bank account will be maintained in the name of the Distributing~~
~~Party, but it will be accounted for separately shall not be entitled to any interest, dividends, or other~~
~~accruals of any kind. Any check that is not cashed or otherwise deposited within three months~~
~~after the check's date shall be deemed an undeliverable distribution under this Plan.~~

Any Holder of an Allowed Claim who does not assert a Claim in writing for an
undeliverable distribution within one year after the date such distribution was due shall no longer
have any Claim to or interest in such undeliverable distribution, and shall be forever barred from

1 receiving any distributions under this Plan, or from asserting a Claim against the Debtors or their
2 property, or the GUC Distribution Trust and its assets, and the Claim giving rise to the
undeliverable distribution will be discharged.

3 Nothing contained in the Plan shall require the Distributing Party to attempt to locate any
4 Holder of an Allowed Claim.

5 **N.U. Estimation of Disputed Claims for Distribution Purposes**

6 ~~Debtors (on or before~~ On and after the Effective Date) ~~or,~~ the Reorganized Debtors (and
7 with respect to General Unsecured Claims, the GUC Distribution Trustee), may move for a Court
order estimating any Disputed Claim. The estimated amount of any Disputed Claim so determined
8 by the Court shall constitute the maximum recovery that the Holder thereof may recover after the
ultimate liquidation of its Disputed Claim, irrespective of the actual amount ultimately Allowed

9 **V. Minimum Distributions**

10 If the amount of Cash to be distributed to the Holder of an Allowed Claim is less than fifty dollars
11 (\$50) on a particular distribution date, the Distributing Party may hold the Cash distributions to be
12 made to such Holders until the aggregate amount of Cash to be distributed to each applicable
13 Holder is in an amount equal to or greater than fifty dollars (\$50). Notwithstanding the preceding
14 sentence, if the aggregate amount of Cash distributions owed to any Holder of an Allowed Claim
under the Plan never equals or exceeds fifty dollars (\$50), then the Distributing Party shall not be
required to distribute Cash to any such Holder.

15 **W. Rounding**

16 Whenever any payment of a fraction of a cent would otherwise be called for under the Plan,
17 the actual payment shall reflect a rounding of such fraction to the nearest whole cent, with
one-half cent being rounded up to the nearest whole cent.

18 **O.X. Full Satisfaction**

19 The Distributing Party shall make, and each Holder of a Claim shall receive, the
20 distributions provided for in the Plan for full satisfaction and discharge of such Claim.

21 **Y. Distributions Free and Clear**

22 Except as otherwise provided in this Plan, any distributions under the Plan shall be free and
23 clear of any Liens, Claims, and encumbrances, and no Entity other than the Entity receiving
24 the distribution, including any Debtor, shall have any interest (legal, beneficial, or otherwise)
in any property distributed.

25 **P.Z. Conditions Precedent ~~To~~ Plan Confirmation**

26 The conditions precedent to confirmation of the Plan shall include: (a) a final order, finding
27 that the Disclosure Statement contains adequate information pursuant to § 1125, shall have been
entered by the Court; (b) the proposed Confirmation Order will be in form and substance

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1 satisfactory to the Lapis Parties ~~in their sole discretion~~ and the Committee; (c) the Plan, including
2 any amendments, modifications or supplements thereto, and all documentation contemplated by
3 the Plan and the terms set forth in any Plan Supplement and the Definitive Documentation, shall
4 be in form and substance satisfactory to the Lapis Parties ~~in their sole discretion~~ (and, with respect
5 to any portion of the Plan Supplement relating to the Committee Plan Settlement, including, inter
6 alia, the GUC Distribution Trust, the Committee); (e) and any order authorizing the DIP
7 Agreement shall be in full force and effect, shall not have been terminated and there shall be no
8 ongoing event of default; and (f) the Exchange Debt Documents shall be in a form acceptable to
9 the Plan Proponents.

10 Q-AA. Conditions to Effectiveness

11 The Plan shall not become binding unless and until the Effective Date occurs. The Effective
12 Date is the first Business Day (a) that is at least fourteen days after the Confirmation Date; (b) on
13 which no stay of the Confirmation Order is in effect; and (c) on which all of the following
14 conditions have been satisfied as set forth below or waived:

15 **1. Conditions**

16 (a) The Confirmation Order shall have become a Final Order;
17 (b) Execution of the Definitive Documents, including the Exchange
18 Debt Documents;

19 (c) The actual and anticipated Allowed Administrative, Professional
20 and Priority Claims ~~does do~~ not exceed the Allowed Administrative, Professional and Priority
21 Claims Cap;

- 22 1. There has been compliance with the terms specified in
23 Section III.D of this Plan;
- 24 2. The bylaws of AH System, AH NP2, the Debtors and their
25 affiliates shall be acceptable to the Lapis Parties; and
- 26 3. All such other actions, documents, and agreements the
27 Debtors ~~and the~~ Lapis Parties, and the Committee determine
28 are necessary to implement the Plan shall have been effected
or executed.

Debtors shall ~~mail-file and serve~~ a “Notice of Occurrence of Effective Date” to all creditors
and interest Holders of record as of the date of entry of the Confirmation Order.

2. Waiver of Conditions

Except as otherwise specified herein, the requirement that the conditions to the occurrence
of the Effective Date be satisfied may be waived in whole or in part, and the time within which
any such conditions must be satisfied may be extended, by the Debtors with the prior written
consent of the Lapis Parties and the Committee. The failure to timely satisfy or waive any of such

1 conditions may be asserted ~~by Debtors~~ regardless of the circumstances giving rise to the failure of
2 such condition to be satisfied, including any action or inaction by ~~the~~ Debtors. The failure of ~~the~~
3 Debtors to exercise any of the foregoing rights shall not be deemed a waiver of any other rights
4 and each such right shall be deemed ongoing and subject to assertion at any time.

5 **R.BB. Authorization of Entity Action**

6 Each of the matters provided for under this Plan involving the Entity structure of Debtors
7 or Entity action to be taken by or required of Debtors shall, as of the Effective Date, be deemed to
8 have occurred and be effective as provided herein, and shall be authorized, approved and, to the
9 extent taken prior to the Effective Date, ratified in all respects without any requirement of further
10 action by creditors or ~~directors~~ Board Trustees of Debtors.

11 **S.CC. Reservation of Fair and Equitable (Cram Down) Power**

12 Debtors reserve the right to confirm this Plan as to any impaired Class that does not accept
13 the Plan by the requisite number of votes pursuant to the fair and equitable power of § 1129(b).

14 **SECTION IV. TREATMENT OF MISCELLANEOUS ITEMS**

15 **A. Assumption of Executory Contracts**

16 **1. Assumptions**

17 On or before the Voting Deadline, ~~Debtors~~ AH System will File the “Schedule of Assumed
18 Agreements” and serve it on the parties to agreements listed on the schedule. ~~Debtors reserve~~ AH
19 System reserves the right to amend the Schedule of Assumed Agreements at any time prior to the
20 Voting Deadline to: (a) delete any Executory Contract from the Schedule of Assumed Agreements
21 and provide for its rejection under the Plan or (b) add any Executory Contract and provide for its
22 assumption under the Plan or otherwise, subject to the right of the counterparty to object to such
23 transfer within ten (10) Business Days after notice with a right to a hearing thereon, and subject to
24 the requirement that Debtor must reserve amounts for Disputed Cure Payments in the full amounts
25 claimed by objecting contract counterparties. ~~The Debtors shall not include any agreement in the~~
26 ~~Schedule of Assumed Agreements or otherwise seek to assume an agreement after the filing of~~
27 ~~this Plan except an agreement as to which AH System has consented to the assumption thereof or~~
28 ~~as to which the Debtors have given AH System not less than ten (10) Business Days’ notice that it~~
~~intends to assume or list the agreement on the Schedule of Assumed Agreements and AH System~~
~~has not given the Debtors’ written notice that it opposes the assumption thereof.~~

On the Effective Date, Debtors will assume all Executory Contracts set forth on the
Schedule of Assumed Agreements. The Confirmation Order will constitute a Court order
approving the assumption, as of the Effective Date, of the Executory Contracts not rejected under
the Plan, subject to the requirement that Debtors must reserve amounts for Disputed Cure
Payments in the full amounts claimed by objecting contract counterparties to contracts to be
assumed.

2. Cure Payments

1 Any monetary amounts by which each Executory Contract to be assumed is in default shall
2 be satisfied, pursuant to § 365(b)(1), by payment from the Administrative and Priority Claims
3 Reserve, of the default amount (as set forth in the Debtors' books and records), a schedule of which
4 will be Filed and served by the Voting Deadline, in full in Cash on the later of the Effective Date
5 or when such Cure Claim is Allowed, or on such other terms as the parties to each such Executory
6 Contract may otherwise agree. In these Chapter 11 Cases, prior to Confirmation of the Plan, some
7 known Cure Payments will have already been paid or resolved by stipulation or agreement. In the
8 event of a dispute regarding (a) the amount of any Cure Payments, (b) the ability of Reorganized
9 Debtors to provide "adequate assurance of future performance" (within the meaning of § 365)
10 under the contract or lease to be assumed, or (c) any other matter pertaining to assumption, the
11 cure payments required by § 365(b)(1) shall be made following the entry of a Final Order resolving
12 the dispute and approving the assumption. Pending the Court's ruling on such motion, the
13 Executory Contract at issue shall be deemed assumed by Reorganized Debtors as of the Effective
14 Date, unless otherwise ordered by the Court on a motion to reject the agreement, and the Debtors
15 will reserve amounts for Disputed Cure Payments in the full amounts claimed by objecting contract
16 counterparties. In no event shall the GUC Distribution Trust be liable or otherwise responsible for
17 any Cure Payment. Further, the GUC Distribution Trustee shall have no authority to direct or
18 otherwise oppose any assumption or rejection of an Executory Contract.

19 3. Objections to Assumption

20 Any Entity who is a party to an Executory Contract that will be assumed under the Plan
21 must File with the Court and serve upon interested parties a written statement and supporting
22 declaration stating the basis for any objection to assumption by no later than seven (7) days after
23 the filing of the Schedule of Assumed Agreements ("Assumption Objections"). Any Entity that
24 fails to timely File and serve such a statement and declaration will be deemed to waive any and all
25 objections to the proposed assumption of its contract or lease. Debtors must file and serve its reply
26 with respect to any Assumption Objections by no later than five (5) days after the filing of an
27 Assumption Objection. A hearing on the Assumption Objections will take place at the
28 Confirmation Hearing, or as soon thereafter as the Court is available.

In the absence of a timely objection by an Entity who is a party to an Executory Contract,
the Confirmation Order shall constitute a conclusive determination as to the amount of any cure
and compensation due under the Executory Contract, and that Reorganized Debtors have
demonstrated adequate assurance of future performance with respect to such Executory Contract.

4. Resolution of Claims Relating to Assumed Agreements

In accordance with the procedures set forth in Section IV.A relating to the Cure Payments
and objections to assumption, payment of the Cure Payments with respect to Executory Contracts
that will be assumed under the Plan shall be deemed to satisfy, in full, any prepetition or post-
petition arrearage or other Claim asserted in a Filed proof of Claim or listed in the Schedules,
irrespective of whether the Cure Payment is less than the amount set forth in such proof of Claim
or the Schedules. Upon the tendering of the Cure Payment, such Claim shall be Disallowed,
without further order of the Court or action by any party.

1 the Lapis Parties shall be deemed Allowed Administrative Claims and shall be paid in Cash on the
2 Effective Date.

3 **E. Changes in Rates Subject to Regulatory Commission Approval**

4 Debtors are not subject to governmental regulatory commission approval of their rates.

5 **SECTION V. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED,
6 AND DISPUTED CLAIMS AND INTERESTS**

7 **A. Joint Pursuit of Reconciliation, Objections to, and/or Settlement of Asserted
8 General Unsecured Claims**

9 The GUC Distribution Trustee and the Debtors will jointly pursue the reconciliation, objections to,
10 and/or settlement of asserted General Unsecured Claims consistent with the terms of this Section
11 V. To the extent a dispute arises between the GUC Distribution Trustee and the Debtors as to the
12 proposed treatment of an asserted General Unsecured Claim, either party shall have standing and
13 the right to submit the matter to the Court for a determination, subject to the other party's right to
14 oppose the requested relief.

15 Reasonable attorneys' fees and expenses and other professional fees and expenses (including the
16 GUC Distribution Trustee's fees and expenses) incurred by the GUC Distribution Trust
17 attributable to services rendered in connection with the General Unsecured Claim reconciliation
18 process will be paid by the Reorganized Debtors.

19 The Debtors and Reorganized Debtors, as applicable, will cooperate with and provide
20 reasonable assistance the GUC Distribution Trustee, as applicable, including reasonable access to
21 information and personnel, in connection with the General Unsecured Claim reconciliation process.

22 **F.B. Resolution of Disputed Claims**

23 **1. Allowance of Claims and Interests**

24 Prior to the Effective Date, the Debtors, and on On and after the Effective Date, the
25 Reorganized Debtors (and with respect to General Unsecured Claims, the GUC Distribution
26 Trustee), shall have and shall retain any and all rights and defenses that the Debtors had with
27 respect to any Claim or Interest, except with respect to any Claim or Interest deemed Allowed as
28 of the Effective Date. Except as expressly provided in the Plan or in any order entered in the
Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim or
Interest shall become an Allowed Claim or Interest unless and until such Claim or Interest is
deemed Allowed under the Plan or the Bankruptcy Code or the Court has entered a Final Order,
including the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

2. Prosecution of Objections to Claims

Prior to the Effective Date, the Debtors, and on On or after the Effective Date, the
Reorganized Debtors and Litigation (and with respect to General Unsecured Claims, the GUC
Distribution Trustee), shall have the authority to File objections to Claims, and the exclusive

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1 authority, subject to Section V.A of this Plan, to settle, compromise, withdraw, or litigate to
2 judgment objections on behalf of the Debtors' Estates to any and all Claims, except with respect
3 to any Claim or Interest deemed Allowed as of the Effective Date. From and after the Effective
4 Date, the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
5 Distribution Trustee) shall have the sole authority, subject to Section V.A of this Plan, to
6 administer and adjust the Claims Register with respect to Claims to reflect any such settlements or
7 compromises and no further notice to or action, order, or approval of the Court with respect to
8 such settlements or compromises shall be required.

3. Claims Estimation

7 On and after the Effective Date, the Reorganized Debtors (and with respect to General
8 Unsecured Claims, the GUC Distribution Trustee) may, at any time, request that the Court estimate
9 (a) any Disputed Claim pursuant to applicable law and (b) any contingent or unliquidated Claim
10 pursuant to applicable law, in each case regardless of whether the Debtors ~~or~~ the Reorganized
11 Debtors, or any other party have previously objected to such Claim or whether the Court has ruled
12 against the objecting party on any such objection, and the Court shall retain jurisdiction under 28
13 U.S.C. §§ 157 and 1334 to the maximum extent permitted by law as determined by the Court to
14 estimate any such Disputed Claim, contingent Claim, or unliquidated Claim, including during the
15 litigation concerning any objection to any Claim or during the pendency of any appeal relating to
16 any such objection.

17 Notwithstanding any provision otherwise in the Plan to the contrary, a Claim that has been
18 expunged from the Claims Register but that is subject to appeal or has not been the subject of a
19 Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Court.
20 In the event that the Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim,
21 that estimated amount shall constitute either the Allowed amount of such Claim or a maximum
22 limitation on such Claim for all purposes under the Plan, including for purposes of distributions,
23 and the Reorganized Debtors (or the GUC Distribution Trustee, as applicable) may elect to pursue
24 additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes
25 a maximum limitation on such Claim, the Reorganized Debtors (or the GUC Distribution Trustee,
26 as applicable) may elect to pursue any supplemental proceedings to object to any ultimate
27 distribution on account of such Claim. Notwithstanding § 502(j), in no event shall any Holder of
28 a Claim that has been estimated pursuant to § 502(c) or otherwise be entitled to seek
reconsideration of such estimation unless such Holder has Filed a motion requesting the right to
seek such reconsideration on or before 21 days after the date on which such Claim is estimated.
All of the aforementioned Claims and objection, estimation, and resolution procedures are
cumulative and not exclusive of one another. Claims may be estimated and subsequently
compromised, settled, withdrawn, or resolved by any mechanism approved by the Court.

4. Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims
Register by the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
Distribution Trustee) or the Claims and Noticing Agent at the Reorganized Debtors' (and with
respect to General Unsecured Claims, the GUC Distribution Trustee's) direction), and any Claim
that has been amended may be adjusted thereon by the Reorganized Debtors (and with respect to

1 General Unsecured Claims, by the GUC Distribution Trustee) without a Claims objection having
2 to be Filed and without any further notice to or action, order, or approval of the Court.

3 **5. Deadline to File Objections to Claims or Interests**

4 Any objections to Claims or Interests shall be Filed no later than the Claims Objection Bar
5 Date.

6 **G.C. Disallowance of Claims**

7 Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated,
8 or disputed, and for which no Proof of Claim is or has been timely Filed, is Disallowed and shall
9 be expunged without further action by the Debtors and without further notice to any party or action,
10 approval, or Order of the Court.

11 To the maximum extent provided by § 502(d), except as otherwise provided in this Plan,
12 all Claims of any Entity from which property is recoverable by the LitigationGUC Distribution
13 Trustee under §§ 542, 543, 550, or 553 or that the LitigationGUC Distribution Trustee alleges is a
14 transferee of a transfer that is avoidable under §§ 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a)
15 shall be Disallowed if (a) the Entity, on the one hand, and the LitigationGUC Distribution Trustee,
16 on the other hand, agree or it has been determined by Final Order that such Entity or transferee is
17 liable to turnover any property or monies under any of the aforementioned sections of the
18 Bankruptcy Code, and (b) such Entity or transferee has failed to turnover such property by the date
19 set forth in such agreement or Final Order.

20 **D. Disallowance of Untimely Claims**

21 Except as expressly provided in this Plan or otherwise agreed by the Reorganized Debtors (and
22 with respect to General Unsecured Claims, the GUC Distribution Trustee) on and after the Petition
23 Date, any and all Holders of proofs of Claim filed after the applicable bar date (including the
24 Administrative Claims Bar Date, the Claims Bar Date, the Governmental Bar Date, the
25 Supplemental Bar Date) shall not be treated as creditors or claimants for purposes of voting or
26 distribution under this Plan unless, on or before the Voting Deadline or the Confirmation Date, as
27 applicable, such untimely proofs of Claim are deemed timely filed by a Final Order of the Court.

28 Claims for which proofs of Claim or requests for Allowance were required to be filed by a bar date
occurring before the Effective date, and with respect to which no proof of Claim or request for
Allowance was filed before the applicable bar date, shall be forever Disallowed, barred, and
discharged in their entirety as of the Effective Date, and shall not be enforceable against the
Debtors, their Estates, the Reorganized Debtors, or the GUC Distribution Trust, unless such proofs
of Claim or requests for Allowance are deemed timely filed by a Final Order of the Court before
the Effective Date.

Claims for which proofs of Claim or requests for Allowance are required to be filed after
the Effective Date pursuant to this Plan, and with respect to which no proof of Claim or request
for Allowance is filed by the applicable deadline, shall be forever Disallowed, barred, and
discharged in their entirety as of the applicable deadline, and shall not be enforceable against the
Debtors, their Estates, the Reorganized Debtors, or the GUC Distribution Trust.

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1 **H.E. Amendments to Claims**

2 After the Confirmation Date, a Claim or Interest may not be filed or amended without the
3 authorization of the Court and any such new or amended Claim or Interest Filed shall be deemed
4 Disallowed and expunged without any further notice to or action, order, or approval of the Court;
5 provided, that such Holder may amend the Claim or Interest Filed solely to decrease, but not to
6 increase, the amount, number, or priority of such Claim or Interest, unless otherwise provided by
7 the Court.

8 **I-F. No Interest**

9 Unless otherwise specifically provided for in the Plan, by applicable law (including,
10 without limitation, § 506(b)), or agreed to by, as applicable, the Debtors ~~or, the Committee,~~ the
11 Reorganized Debtors, or the GUC Distribution Trustee, interest shall not accrue or be paid on any
12 Claim, and no Holder of any Claim shall be entitled to interest accruing on and after the Petition
13 Date on account of any Claim. Without limiting the foregoing, interest shall not accrue or be paid
14 on any Claim after the Effective Date to the extent the final distribution paid on account of such
15 Claim occurs after the Effective Date.

16 **SECTION V-SECTION VI. RETENTION OF JURISDICTION**

17 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
18 Date, on and after the Effective Date, the Court shall retain jurisdiction over the Chapter 11 Cases
19 and all matters arising out of, or related to, the Chapter 11 Cases and the Plan, including jurisdiction
20 to:

21 1. Allow, Disallow, determine, liquidate, classify, estimate, or establish the priority,
22 Secured or unsecured status, or amount of any Claim, including the resolution of any request for
23 payment of any Administrative Claim and the resolution of any and all objections to the Secured
24 or unsecured status, priority, amount, or Allowance of Claims; provided that, for the avoidance of
25 doubt, the Court's retention of jurisdiction with respect to such matters shall not preclude the
26 Debtors or the Reorganized Debtors, as applicable, from seeking relief from any other court,
27 tribunal, or other legal forum of competent jurisdiction with respect to such matters;

28 2. decide and resolve all matters related to the granting and denying, in whole or in
part, any applications for allowance of compensation or reimbursement of expenses to
professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to (i) the assumption or assumption and assignment of
any Executory Contract to which a Debtor is a party or with respect to which a Debtor may be
liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising
therefrom, including Claims related to the rejection of an Executory Contract, cure costs pursuant
to § 365, or any other matter related to such Executory Contract; and (ii) any dispute regarding
whether a contract or lease is or was executory or unexpired;

4. adjudicate, decide, or resolve any controversies, if any, with respect to distributions
to Holders of Allowed Claims;

1 5. adjudicate, decide, or resolve any motions, adversary proceedings, contested, or
2 litigated matters, and any other matters, and grant or deny any applications involving a Debtor that
may be pending on the Effective Date;

3 6. adjudicate, decide, or resolve any and all matters related to Causes of Action;

4 7. adjudicate, decide, or resolve any and all matters related to § 1141;

5 8. enter and implement such orders as may be necessary or appropriate to execute,
6 implement, or consummate the provisions of the Plan and all contracts, instruments, releases,
7 indentures, and other agreements or documents created in connection with the Plan or the
Disclosure Statement;

8 9. enforce any order for the sale of property pursuant to §§ 363, 1123, or 1146(a);

9 10. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise
10 in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's
obligations incurred in connection with the Plan;

11 11. issue injunctions, enter and implement other orders, or take such other actions as
12 may be necessary or appropriate to restrain interference by any Entity with Consummation or
13 enforcement of the Plan;

14 12. resolve any cases, controversies, suits, disputes, or Causes of Action with respect
15 to the settlements, compromises, discharges, releases, injunctions, exculpations, and other
provisions contained in Section VII and enter such orders as may be necessary or appropriate to
16 implement such releases, injunctions, and other provisions;

17 13. enter and implement such orders as are necessary or appropriate if the Confirmation
Order is for any reason modified, stayed, reversed, revoked, or vacated;

18 14. determine any other matters that may arise in connection with or relate to the Plan,
19 the Disclosure Statement, the Confirmation Order, or the Plan Supplement, including any matter
arising in connection with or otherwise relating to the GUC Distribution Trust;

20 15. adjudicate any and all disputes arising from or relating to distributions under the
21 Plan or any transactions contemplated therein;

22 16. adjudicate, decide, or resolve any motions, adversary proceedings, contested or
23 litigated matters, and any other matters, and grant or deny any applications involving a Debtor that
24 may be pending on the Effective date, including *Washington State Nurses Association v. SHC*
Medical Center - Yakima and Astria Health, Adv. Pro. No. 20-80005 (Bankr. E.D. Wa.); *Astria*
Health, et al. v. United States Small Business Administration and Jovita Carranza, Adv. Pro. No.
25 20-80016 (Bankr. E.D. Wa.); and *Yakima HMA, LLC and Yakima HMA Physician Management,*
LLC v. SHC Medical Center - Yakima and SHC Medical Center - Toppenish, Adv. Pro. No. 20-
26 80018 (Bankr. E.D. Wa.);

1 17. consider any modifications of the Plan, to cure any defect or omission, or to
2 reconcile any inconsistency in any Court order, including the Confirmation Order;

3 18. determine requests for the payment of Claims entitled to priority pursuant to § 507;

4 19. hear and determine matters concerning state, local, and federal taxes in accordance
5 with §§ 346, 505, and 1146 (including the expedited determination of taxes under § 505(b));

6 20. hear and determine matters concerning exemptions from state and federal
7 registration requirements in accordance with § 1145;

8 21. hear and determine all disputes involving the existence, nature, or scope of the
9 release provisions set forth in the Plan, including any dispute relating to any liability arising out of
10 the termination of employment or the termination of any employee or retiree benefit program,
11 regardless of whether such termination occurred prior to or after the Effective Date;

12 22. enforce all orders previously entered by the Court;

13 23. hear any other matter not inconsistent with the Bankruptcy Code;

14 24. enter an order concluding or closing the Chapter 11 Cases; and

15 25. enforce the compromise, settlement, injunction, release, and exculpation provisions
16 set forth in Section VII.

17 **SECTION VI** **SECTION VII** **EFFECT OF CONFIRMATION OF PLAN**

18 **A. Discharge**

19 This is a reorganization plan. The rights afforded in the Plan and the treatment of all Claims
20 shall be in exchange for and in complete satisfaction, discharge, and release of all Claims of any
21 nature whatsoever arising prior to the Effective Date, including any interest accrued on such
22 Claims from and after the Petition Date (except as otherwise ordered by the Court), against the
23 Debtors, the Estates and their property.

24 Except as otherwise provided in the Plan or the Confirmation Order or in any Executory
25 Contract assumed by Debtors during the Chapter 11 Cases (including, without limitation, the
26 Debtors' indemnification obligations thereunder), the Plan and Confirmation Order shall: (a) on
27 the Effective Date, discharge and release the Debtors, the Estate, the Reorganized Debtors, and
28 their property to the fullest extent permitted by §§ 524 and 1141 from all Claims, including all
debts, obligations, demands, liabilities, and Claims that arose before the Effective Date, and all
debts of the kind specified in §§ 502(g), 502(h), or 502(i), regardless of whether or not (i) a proof
of Claim based on such debt is Filed or deemed Filed, (ii) a Claim based on such debt is allowed
pursuant to § 502, or (iii) the Holder of a Claim based on such debt or Interest has or has not
accepted the Plan; (b) void any judgment underlying a Claim discharged hereunder; and (c)
preclude all Entities from asserting against the Debtors, the Estate, the Reorganized Debtors, or
their respective property any Claims based upon any act or omission, transaction, or other activity
of any kind or nature that occurred prior to the Effective Date. To the extent any Claim is paid

1 other than under the Plan, Debtors will be deemed discharged and released with respect to such
2 Claim and such Claim and shall not receive a distribution under the Plan.

3 Except as otherwise provided in the Plan or the Confirmation Order, or as provided in
4 contracts assumed during the Case and Debtor's indemnification obligations thereunder, on and
5 after the Effective Date, all Entities who have held, currently hold, or may hold a debt or Claim
6 against the Debtors, the Estate, the Reorganized Debtors, or their respective property that is based
7 upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to
8 the Effective Date, that otherwise arose or accrued prior to the Effective Date, or that is otherwise
9 discharged pursuant to the Plan, shall be permanently enjoined from taking any of the following
10 actions on account of any such discharged debt, Claim, or Interest (the "Permanent Injunction"):
11 (a) commencing or continuing in any manner any action or other proceeding against the Debtors,
12 the ~~Estate~~Estates, the Reorganized Debtors, or their respective property that is inconsistent with
13 the Plan or the Confirmation Order; (b) enforcing, attaching, collecting, or recovering in any
14 manner any judgment, award, decree, or order against the Debtors, the Estate, the Reorganized
15 Debtors, or their respective property other than as specifically permitted under the Plan, as
16 approved by the Confirmation Order; (c) creating, perfecting, or enforcing any lien or
17 encumbrance against the Debtors, the Estate, the Reorganized Debtors, or their respective property;
18 and (d) commencing or continuing any action, in any manner, in any place that does not comply
19 with or is inconsistent with the provisions of the Plan, the Confirmation Order, or the discharge
20 provisions of § 1141. Any Entity injured by any willful violation of such Permanent Injunction
21 shall recover actual damages, including costs and attorneys' fees, and, in appropriate
22 circumstances, may recover punitive damages, from the willful violator.

23 **B. Compromise and Settlement of Claims, Interests, and Controversies**

24 Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other
25 benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan
26 or in any contract, instrument, or other agreement or document created pursuant to the Plan, the
27 distributions, rights, and treatment that are provided in the Plan shall be in complete settlement,
28 compromise, and release, effective as of the Effective Date, of Claims, Interests, and Causes of
Action of any nature whatsoever, including any interest accrued on Claims or Interests from and
after the Petition Date, including, but not limited to, all known or unknown liabilities of, Liens on,
obligations of, rights against, and Interests in, the Debtor or any of its assets or properties,
regardless of whether any property shall have been distributed or retained pursuant to the Plan on
account of such Claims and Interests, including demands, liabilities, and Causes of Action that
arose before the Effective Date, any liability to the extent such Claims or Interests relate to services
performed by employees of the Debtor before the Effective Date and that arise from a termination
of employment, any contingent or non-contingent liability on account of representations or
warranties issued on or before the Effective Date, and all debts of the kind specified in §§ 502(g),
502(h), or 502(i), in each case whether or not: (a) a Proof of Claim or proof of Interest based upon
such debt, right, or Interest is Filed or deemed Filed pursuant to § 501; (b) a Claim or Interest
based upon such debt, right, or Interest is Allowed pursuant to § 502; or (c) the Holder of such a
Claim or Interest has accepted the Plan. Any default by the Debtor or its Affiliates with respect to
any Claim or Interest that existed immediately before or on account of the filing of the Chapter 11
Case shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial

1 determination of the settlement, compromise, and release of all Claims and Interests, subject to the
2 Effective Date occurring.

3 **C. Release of Liens**

4 Except as otherwise provided in the Plan or in any contract, instrument, release, or other
5 agreement or document created pursuant to the Plan, on the Effective Date and concurrently with
6 the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim,
7 satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all
8 mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the
9 Estate shall be fully released, settled, and compromised and all rights, titles, and interests of any
10 Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any
11 property of the Estate shall revert or otherwise transfer to the Reorganized Debtors or the
12 Liquidation Trust, as applicable, and their successors and assigns. For the avoidance of doubt, this
13 Section shall not apply to DIP Claims, Senior Secured Bond Claims or Senior Secured Credit
14 Agreement Claims.

15 **D. Subordinated Claims**

16 The allowance, classification, and treatment of all Allowed Claims and Interests and the
17 respective distributions and treatments under the Plan take into account and conform to the relative
18 priority and rights of the Claims and Interests in each Class in connection with any contractual,
19 legal, and equitable subordination rights relating thereto, whether arising under general principles
20 of equitable subordination, § 510(b), or otherwise. Except with respect to Allowed Claims,
21 pursuant to § 510, the ~~Debtors reserve the right for the Debtors or the Reorganized Debtors, as~~
22 ~~applicable, Court shall retain jurisdiction~~ to re-classify, upon ~~approval by the Court~~
23 ~~proper application~~, any Claim or Interest in accordance with any contractual, legal, or equitable
24 subordination relating thereto.

25 **E. Exculpation**

26 The Exculpated Parties shall neither have, nor incur any liability to any Entity for any
27 prepetition or post-petition act taken or omitted to be taken in connection with the Chapter 11
28 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 ~~or~~, 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 advice of counsel concerning his, her, or its duties pursuant

1 to, or in connection with, the Plan or any other related document, instrument, or agreement. The
2 exculpation of the Lapis Parties is an integral component of the Senior Debt 9019 Settlement.

3 **F. Releases**

4 **1. Debtors' Releases**

5 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
6 AUTHORIZED BY APPLICABLE LAW, THE RELEASED PARTIES AND THEIR
7 RESPECTIVE PROPERTY WILL BE EXPRESSLY, UNCONDITIONALLY, GENERALLY
8 AND INDIVIDUALLY AND COLLECTIVELY RELEASED, ACQUITTED AND
9 DISCHARGED BY THE DEBTORS ON BEHALF OF THEMSELVES, THEIR ESTATES, THE
10 REORGANIZED DEBTORS, THE LITIGATIONGUC DISTRIBUTION TRUST AND THE
11 LIQUIDATION TRUST (SUCH THAT THE REORGANIZED DEBTORS, THE
12 LITIGATIONGUC DISTRIBUTION TRUST AND THE LIQUIDATION TRUST WILL NOT
13 HOLD ANY CLAIMS OR CAUSES OF ACTION RELEASED PURSUANT TO THIS PLAN),
14 FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE
15 RELEASED PARTIES, FROM ANY AND ALL ACTIONS, CLAIMS, DEBTS, OBLIGATIONS,
16 RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES AND LIABILITIES
17 WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED ON BEHALF OF
18 THE DEBTOR, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN,
19 MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW,
20 EQUITY, CONTRACT, TORT OR OTHERWISE, BY STATUTE, VIOLATIONS OF
21 FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, BASED IN WHOLE OR IN
22 PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE OR
23 CIRCUMSTANCES EXISTING OR TAKING PLACE PRIOR TO OR ON THE EFFECTIVE
24 DATE ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, ANY OF THE
25 DEBTORS' PRESENT OR FORMER ASSETS, THE RELEASED PARTIES' INTERESTS IN
26 OR MANAGEMENT OF THE DEBTORS, THE PLAN, THE DISCLOSURE STATEMENT,
27 THIS CHAPTER 11 CASE, OR ANY RESTRUCTURING OF CLAIMS OR INTERESTS
28 UNDERTAKEN PRIOR TO THE EFFECTIVE DATE, INCLUDING THOSE THAT THE
DEBTORS, THE REORGANIZED DEBTORS, THE LITIGATIONGUC 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 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

1 DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE
2 COURT'S FINDING THAT THE DEBTORS' RELEASES ARE: (1) IN EXCHANGE FOR THE
3 GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES;
4 (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY
5 THE DEBTORS' RELEASES; (3) IN THE BEST INTERESTS OF THE DEBTORS' ESTATES
6 AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE, AND
7 REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR
8 HEARING; AND (6) A BAR AGAINST ANY OF THE DEBTORS' ESTATES, THE
9 REORGANIZED DEBTORS, THE LITIGATION GUC DISTRIBUTION TRUST, OR THE
10 LIQUIDATION TRUST, ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED
11 PURSUANT TO THE DEBTORS' RELEASES.

12 THE FOREGOING RELEASE AS TO THE LAPIS PARTIES IS AN INTEGRAL
13 COMPONENT OF THE SENIOR DEBT 9019 SETTLEMENT.

14 2. Third Party Releases

15 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
16 AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES SHALL BE DEEMED
17 TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND
18 COLLECTIVELY, RELEASED AND ACQUITTED THE RELEASED PARTIES AND THEIR
19 RESPECTIVE PROPERTY ~~(INCLUDING THE RELEASED PARTIES' PREDECESSORS,
20 SUCCESSORS AND ASSIGNS, SUBSIDIARIES, AFFILIATES, MANAGED ACCOUNTS OR
21 FUNDS, CURRENT AND FORMER OFFICERS, DIRECTORS, PRINCIPALS,
22 SHAREHOLDERS, DIRECT AND INDIRECT EQUITY HOLDERS, MEMBERS, PARTNERS
23 (GENERAL AND LIMITED), EMPLOYEES, AGENTS, ADVISORY BOARD MEMBERS,
24 FINANCIAL ADVISORS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS,
25 CONSULTANTS, REPRESENTATIVES, MANAGEMENT COMPANIES, FUND ADVISORS
26 AND OTHER PROFESSIONALS) AND THE RELEASED PARTIES~~ FROM ANY AND ALL
27 ACTIONS, CLAIMS, INTERESTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES
28 OF ACTION, REMEDIES AND LIABILITIES WHATSOEVER, INCLUDING ANY
DERIVATIVE CLAIMS ASSERTED ON BEHALF OF THE DEBTOR, WHETHER KNOWN
OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED,
EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT OR
OTHERWISE, THAT SUCH HOLDER (WHETHER INDIVIDUALLY OR COLLECTIVELY)
EVER HAD, NOW HAS OR HEREAFTER CAN, SHALL OR MAY HAVE, BASED ON OR
RELATING TO, OR IN ANY MANNER 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
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 LITIGATION 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

1 DERIVATIVELY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES, EXCEPT FOR
2 (I) ANY CLAIMS AND CAUSES OF ACTION FOR ACTUAL FRAUD, GROSS
3 NEGLIGENCE OR WILLFUL MISCONDUCT AND (II) THE RIGHT TO RECEIVE
4 DISTRIBUTIONS FROM THE DEBTORS, THE REORGANIZED DEBTORS, THE
5 ~~LITIGATION~~ GUC DISTRIBUTION TRUST, OR THE LIQUIDATION TRUST ON
6 ACCOUNT OF AN ALLOWED CLAIM AGAINST THE DEBTORS PURSUANT TO THE
7 PLAN. FOR THE AVOIDANCE OF DOUBT, THE RELEASING PARTIES SHALL INCLUDE
8 (A) THE RELEASED PARTIES, AND (B) ALL HOLDERS OF CLAIMS THAT (I) VOTE TO
9 ACCEPT THE PLAN, AND (II) DO NOT AFFIRMATIVELY OPT OUT OF THE THIRD
10 PARTY RELEASE PROVIDED BY THIS SECTION PURSUANT TO A DULY EXECUTED
11 BALLOT. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IN NO
12 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
14 BALLOT TO OPT OUT OF THE THIRD PARTY RELEASE PROVIDED IN THIS SECTION
15 AND RETURNS SUCH BALLOT IN ACCORDANCE WITH THE SOLICITATION
16 PROCEDURES ORDER, BE A RELEASING PARTY.

17 ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT'S
18 APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY
19 RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS
20 AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE
21 THE COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR
22 THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED
23 PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS
24 RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE
25 DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE,
26 AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY
27 FOR HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING
28 ANY CLAIM RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

NOTWITHSTANDING ANY PROVISION HEREIN, THERE SHALL BE NO
RELEASE OR EXCULPATION BY OR INJUNCTION AGAINST ANY COMMITTEE
MEMBER HOLDING A CLAIM OR REPRESENTING A 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,

1 OCCURRENCE, OR OTHER ACTIVITY OF ANY NATURE EXCEPT FOR AS PROVIDED
2 IN THIS PLAN OR THE CONFIRMATION ORDER.

3 **G. Injunction**

4 EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION
5 ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, INTERESTS,
6 CAUSES OF ACTION, OR LIABILITIES THAT: (1) ARE SUBJECT TO COMPROMISE AND
7 SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (2) HAVE BEEN RELEASED
8 PURSUANT TO SECTION VII.F.1 HEREOF; (3) HAVE BEEN RELEASED PURSUANT TO
9 SECTION VII.F.2 HEREOF; (4) ARE SUBJECT TO EXCULPATION PURSUANT TO
10 SECTION VII.E HEREOF; OR (5) ARE OTHERWISE STAYED OR TERMINATED
11 PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND
12 PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING
13 OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY
14 KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTIONS,
15 OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED AGAINST THE
16 DEBTORS, THE REORGANIZED DEBTORS, THE ~~LITIGATION~~GUC DISTRIBUTION
17 TRUST, THE LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED
18 (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO
19 RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH
20 RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS,
21 ~~EQUITY INTERESTS~~, CAUSES OF ACTION, OR LIABILITIES; (B) ENFORCING,
22 ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY
23 JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTORS, THE
24 REORGANIZED DEBTORS, THE ~~LITIGATION~~GUC DISTRIBUTION TRUST, THE
25 LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE
26 PROPERTY OR ESTATE OF THE DEBTOR OR ANY ENTITY SO RELEASED OR
27 EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO
28 ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS,
~~EQUITY INTERESTS~~, 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 ~~LITIGATION~~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, ~~EQUITY INTERESTS~~, 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, ~~EQUITY INTERESTS~~, 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

1 OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY
2 KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, THE ~~LITIGATION~~GUC
3 DISTRIBUTION TRUST, THE LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED
4 OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTOR OR ANY ENTITY
5 SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR
6 WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR
7 EXCULPATED CLAIMS, ~~EQUITY INTERESTS~~, CAUSES OF ACTION, OR LIABILITIES
8 RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THE PLAN; *PROVIDED*
9 *THAT* NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE AN ENTITY FROM
10 OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY
11 PURSUANT TO THE TERMS OF THE PLAN ~~OR THE SALE ORDER~~; *PROVIDED,*
12 *FURTHER, THAT* NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO
13 PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR
14 COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR
15 OTHERWISE TO THE EXTENT PERMITTED BY LAW.

16 **H. Waiver of Statutory Limitations on Releases**

17 EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE
18 PLAN (INCLUDING UNDER THIS SECTION) EXPRESSLY ACKNOWLEDGES THAT
19 ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT EXTEND TO CLAIMS
20 WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS
21 FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS
22 SETTLEMENT WITH THE PARTY RELEASED, THEY HAVE CAREFULLY CONSIDERED
23 AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE ABOVE
24 RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR CLAIMS.
25 WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH RELEASING
26 PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON IT BY ANY
27 STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND
28 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 RELEASED 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.

1 **I. Limitation on Liability of GUC Distribution Trustee**

2 **The GUC Distribution Trustee will not be liable for any act they may do or omit to do as**
3 **GUC Distribution Trustee under the Plan and GUC Distribution Trust Agreement, as**
4 **applicable, while acting in good faith and in the exercise of his or her reasonable business**
5 **judgment; nor will the GUC Distribution Trustee be liable in any event except for gross**
6 **negligence, fraud, or willful misconduct. The foregoing limitation on liability will also apply**
7 **to any Person or Entity (including any attorney or other professional) employed by the GUC**
8 **Distribution Trustee and acting on behalf of the GUC Distribution Trustee in the fulfillment**
9 **of the GUC Distribution Trustee's duties under the Plan or the GUC Distribution Trust**
10 **Agreement. Also, the GUC Distribution Trustee and any Person or Entity (including any**
11 **attorney or other professional) employed by the GUC Distribution Trustee and acting on**
12 **behalf of the GUC Distribution Trustee shall be entitled to indemnification out of the assets**
13 **of the GUC Distribution Trust against any losses, liabilities, expenses (including attorneys'**
14 **fees and disbursements), damages, taxes, suits, or claims that they may incur or sustain by**
15 **reason of being, having been, or being or having been employed by, the GUC Distribution**
16 **Trustee, or for performing any function incidental to such service.**

17 **I.J. Setoffs**

18 Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on
19 and after the Effective Date, the Reorganized Debtors, the ~~Litigation~~GUC Distribution Trustee or
20 the Liquidation Trustee, as applicable, pursuant to the Bankruptcy Code (including §§ 553 and
21 558), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest,
22 may set off against any Allowed Claim or Interest on account of any Proof of Claim or proof of
23 Interest or other pleading Filed with respect thereto prior to the Confirmation Hearing and the
24 distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before
25 any distribution is made on account of such Allowed Claim or Interest), any claims, rights, and
26 Causes of Action of any nature that the Debtor's Estate may hold against the Holder of such
27 Allowed Claim or Interest, to the extent such claims, rights, or Causes of Action against such
28 Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether
pursuant to the Plan or otherwise); provided that neither the failure to effect such a setoff nor the
allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by the
Debtors, the Reorganized Debtors, the ~~Litigation~~GUC Distribution Trustee or the Liquidation
Trustee, as applicable, of any such claims, rights, and Causes of Action that the Debtors' Estates
may possess against such Holder. In no event shall any Holder of Claims or Interests be entitled
to set off any Claim or Interest against any claim, right, or Cause of Action of the Debtor's Estate
unless such Holder has timely Filed a Proof of Claim (including any Proof of Claim timely Filed
by the Governmental Bar Date) with the Court expressly preserving such setoff; provided that
nothing in the Plan shall prejudice or be deemed to have prejudiced the Debtors', the Reorganized
Debtors', the ~~Litigation~~GUC Distribution Trustee's or the Liquidation Trustee's right to assert that
any Holder's setoff rights were required to have been asserted by motion or pleading filed with the
Court prior to the Effective Date, or any such Holder's right to assert that there was no such
requirement.

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1 **N.O. Post-Confirmation Status Report**

2 Within 120 days of the entry of the order confirming the Plan, Debtors (if the Effective
3 Date has not occurred) or Reorganized Debtors (if it has) shall file a status report with the Court
4 explaining what progress has been made toward Consummation of the confirmed Plan. The status
5 report shall be served on the U.S. Trustee, the twenty largest unsecured creditors, and those parties
6 who have requested special notice. Further status reports shall be filed every 120 days and served
7 on the same Entities.

8 **O.P. Quarterly Fees**

9 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of Confirmation shall be paid
10 to the U.S. Trustee on or before the Effective Date of the Plan. Quarterly fees accruing under 28
11 U.S.C. § 1930(a)(6) after Confirmation shall be paid by the ~~Litigation Trustee~~ Liquidation Trust
12 to the U.S. Trustee in accordance with 28 U.S.C. § 1930(a)(6) and the ~~Litigation~~ Liquidation Trust
13 ~~Agreement~~ until entry of a final decree, or entry of an order of dismissal or conversion to chapter
14 7. If the Liquidation Trust fails to timely pay the quarterly fees that come due after Confirmation,
15 the Reorganized Debtors shall remain obligated to pay the fees and may seek indemnification from
16 the Liquidation Trust.

17 **P.Q. Post-Confirmation Conversion/Dismissal**

18 A creditor or party in interest may bring a motion to convert or dismiss the Chapter 11
19 Cases under § 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If
20 the Court orders the Chapter 11 Cases converted to Chapter 7 after the Plan is confirmed, then all
21 property that had been property of the Chapter 11 Estate, and that has not been disbursed pursuant
22 to the Plan, will revert in the Chapter 7 Estate, and the automatic stay will be reimposed upon the
23 reverted property only to the extent that relief from stay was not previously granted by the Court
24 during these Chapter 11 Cases.

25 The Confirmation Order may also be revoked under very limited circumstances. The Court
26 may revoke the order if the Confirmation Order was procured by fraud and if the party in interest
27 brings an adversary proceeding to revoke Confirmation within 180 days after the entry of the
28 Confirmation Order.

Q.R. Final Decree

Once the Estates have been fully administered as referred to in Bankruptcy Rule 3022,
Reorganized Debtors, or such other party as the Court shall designate in the Confirmation Order,
shall file a motion with the Court to obtain a final decree to close the Chapter 11 Cases.
="4" 104598080v.6" 104598080v.6

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and Debtors In Possession

16 **UNITED STATES BANKRUPTCY COURT**
17 **EASTERN DISTRICT OF WASHINGTON**

18 In re:
19 ASTRIA HEALTH, *et al.*,
20 Debtors and Debtors in
Possession.¹

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

**DISCLOSURE STATEMENT
RELATING TO THE ~~FIRST~~
~~AMENDED~~ JOINT CHAPTER 11
PLAN OF REORGANIZATION OF
ASTRIA HEALTH AND ITS
AFFILIATES**

25 ¹ The Debtors, along with their case numbers, are as follows: Astria Health (19-01189-11), Glacier
26 Canyon, LLC (19-01193-11), Kitchen and Bath Furnishings, LLC (19-01194-11), Oxbow Summit,
LLC (19-01195-11), SHS Holdco, LLC (19-01196-11), SHC Medical Center - Toppenish (19-
27 01190-11), SHC Medical Center - Yakima (19-01192-11), Sunnyside Community Hospital
Association (19-01191-11), Sunnyside Community Hospital Home Medical Supply, LLC (19-
28 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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EXHIBITS

Exhibit A – First Amended Joint Chapter 11 Plan of Reorganization

Exhibit B – Liquidation Analysis

Exhibit C – Financial Projections

1 **NOTICE TO HOLDERS OF CLAIMS**
2 **AND DISCLAIMERS**

3 THIS DISCLOSURE STATEMENT (**TOGETHER WITH ITS EXHIBITS, THE**
4 **“DISCLOSURE STATEMENT”**) INCLUDES AND DESCRIBES THE **FIRST AMENDED**
5 **JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ASTRIA HEALTH AND ITS**
6 **AFFILIATES, DATED ~~JULY 7, NOVEMBER 4~~, 2020 (THE “PLAN”),**² A COPY OF WHICH IS
7 ATTACHED HERETO AS **EXHIBIT A**, WHICH WAS FILED JOINTLY BY ASTRIA
8 HEALTH, A WASHINGTON NONPROFIT PUBLIC BENEFIT CORPORATION (**“ASTRIA”**),
9 AND THE ABOVE-REFERENCED AFFILIATED DEBTORS AND DEBTORS IN
10 POSSESSION (THE **“DEBTORS”**) UNDER CHAPTER 11 OF TITLE 11 OF THE UNITED
11 STATES CODE, 11 U.S.C. §§ 101, *ET SEQ.* (THE **“BANKRUPTCY CODE”**),³ IN THESE
12 CHAPTER 11 CASES (THE **“CHAPTER 11 CASES”**), AND LAPIS ADVISERS, LP AS
13 LENDER UNDER THE DEBTOR IN POSSESSION FACILITY IN THE CHAPTER 11 CASES,
14 AGENT UNDER THE DEBTORS’ PREPETITION CREDIT AGREEMENT, AND AS
15 INVESTMENT ADVISOR AND INVESTMENT MANAGER FOR CERTAIN FUNDS WHICH
16 ARE BENEFICIAL HOLDERS OF THOSE CERTAIN WASHINGTON HEALTH CARE
17 FACILITIES AUTHORITY REVENUE BONDS, SERIES 2017A BONDS AND THE SERIES
18 2017B BONDS (COLLECTIVELY THE **“LAPIS PARTIES”**) AND, TOGETHER WITH THE
19 DEBTORS, THE **“PLAN PROPONENTS”**).

20 THIS DISCLOSURE STATEMENT, THE PLAN, AND THE ACCOMPANYING
21 BALLOTS AND RELATED MATERIALS DELIVERED HERewith, ARE BEING
22 PROVIDED TO KNOWN HOLDERS OF CLAIMS PURSUANT TO § 1125 IN CONNECTION
23 WITH THE SOLICITATION OF VOTES TO ACCEPT THE PLAN PROPOSED JOINTLY BY
24 THE PLAN PROPONENTS.

25 IF YOU ARE ENTITLED TO VOTE ON THE PLAN, YOU ARE RECEIVING A
26 BALLOT WITH YOUR NOTICE OF THIS DISCLOSURE STATEMENT. THE PLAN
27 PROPONENTS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF AND
28 PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF
ALL CLAIMS. THE PLAN PROPONENTS URGE YOU TO VOTE TO ACCEPT THE PLAN.

29 **EACH HOLDER OF A CLAIM AGAINST THE DEBTORS ENTITLED TO VOTE**
30 **TO ACCEPT OR REJECT THE PLAN SHOULD READ THIS DISCLOSURE**
31 **STATEMENT, ITS EXHIBITS, AND THE PLAN IN THEIR ENTIRETY BEFORE**
32 **VOTING. THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT**
33 **INFORMATION THAT MAY BEAR UPON YOUR DECISION TO VOTE TO ACCEPT**
34 **OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT AND ITS EXHIBITS WITH**
35 **CARE.**

36 NO SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN MAY BE
37 MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT, **ITS EXHIBITS**, AND §
38 1125. NO HOLDER OF A CLAIM SHOULD RELY ON ANY INFORMATION RELATING TO
THE DEBTORS, THEIR PROPERTY, OR THE PLAN OTHER THAN THAT CONTAINED IN

25 ² All capitalized terms used but not otherwise defined herein have the meaning ascribed to them in
26 the Plan.

27 ³ All references to § herein are to sections of the Bankruptcy Code. All references to “**Bankruptcy**
28 **Rules**” are to provisions of the Federal Rules of Bankruptcy Procedure. All references to “**LBR**”
are to provisions of the Local Bankruptcy Rules of the United States Bankruptcy Court for the
Eastern District of Washington.

1 THIS DISCLOSURE STATEMENT AND THE ATTACHED EXHIBITS.

2 THIS DISCLOSURE STATEMENT ~~IS~~ AND ITS EXHIBITS ARE THE ONLY
3 DOCUMENTS AUTHORIZED BY THE UNITED STATES BANKRUPTCY
4 COURT FOR THE EASTERN DISTRICT OF WASHINGTON (THE "BANKRUPTCY
5 COURT")⁴ TO BE USED IN CONNECTION WITH THE PLAN. NO SOLICITATIONS FOR
6 OR AGAINST THE PLAN MAY BE MADE EXCEPT THROUGH THIS DISCLOSURE
7 STATEMENT AND ITS EXHIBITS.

8 THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN
9 PROVISIONS OF THE PLAN. ALTHOUGH EVERY EFFORT HAS BEEN MADE TO
10 ENSURE THAT THIS DISCLOSURE STATEMENT PROVIDES ADEQUATE
11 INFORMATION WITH RESPECT TO THE PLAN, IT DOES NOT PURPORT TO BE
12 COMPLETE, AND ALL PLAN SUMMARIES AND STATEMENTS MADE HEREIN ARE
13 QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE
14 EXHIBITS ANNEXED TO THE PLAN. THE STATEMENTS CONTAINED IN THIS
15 DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND
16 THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN
17 WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. IF THERE IS ANY
18 INCONSISTENCY BETWEEN THE PLAN AND THE SUMMARY OF THE PLAN
19 CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN SHALL CONTROL.
20 ACCORDINGLY, EACH HOLDER OF A CLAIM SHOULD REVIEW THE PLAN IN ITS
21 ENTIRETY.

22 THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE
23 WITH § 1125 AND BANKRUPTCY RULE 3016(b), AND NOT NECESSARILY IN
24 ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-
25 BANKRUPTCY LAW. PERSONS OR ENTITIES TRADING IN OR OTHERWISE
26 PURCHASING, SELLING, OR TRANSFERRING SECURITIES OF OR CLAIMS
27 AGAINST THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT
28 AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.
29 THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE ADVICE ON
30 THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION
31 OR LIQUIDATION OF THE DEBTORS AS TO HOLDERS OF CLAIMS AGAINST THE
32 DEBTORS. NO PERSON OR ENTITY SHOULD RELY ON THE INFORMATION
33 CONTAINED IN, OR THE TERMS OF, THIS DISCLOSURE STATEMENT OR THE
34 PLAN, INCLUDING IN CONNECTION WITH ANY PURCHASE OR SALE OF THE
35 DEBTORS' SECURITIES PRIOR TO THE CONFIRMATION OF THE PLAN BY THE
36 BANKRUPTCY COURT.

37 THIS DISCLOSURE STATEMENT INCLUDES A SUMMARY OF CERTAIN
38 MATERIAL FEDERAL TAX CONSEQUENCES OF THE PLAN, WHICH IS PROVIDED
39 FOR INFORMATION PURPOSES ONLY, IS NOT TAX ADVICE, AND IS NOT A
40 SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL.

41 THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES
42 AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE AUTHORITY AND
43 NEITHER THE SEC NOR ANY STATE AUTHORITY HAS PASSED UPON THE
44 ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE
45 MERITS OF THE PLAN. NEITHER THIS DISCLOSURE STATEMENT NOR THE
46 SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN CONSTITUTES AN

47 ⁴ As defined in the Plan and used in this Disclosure Statement, "Court" means the Bankruptcy
48 Court or any other court of the United States exercising competent jurisdiction over the Chapter 11
49 Cases or any proceeding any proceeding therein.

1 OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN
2 ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT
3 AUTHORIZED.

4 THIS DISCLOSURE STATEMENT MAY CONTAIN "FORWARD LOOKING
5 STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES
6 LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY
7 STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE
8 IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS
9 "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE
10 NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE
11 TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD LOOKING
12 STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN
13 RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR
14 RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH
15 FORWARD LOOKING STATEMENTS.

16 HOLDERS OF CLAIMS SHOULD NOT CONSTRUE THE CONTENTS OF THIS
17 DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL,
18 OR TAX ADVICE. EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN
19 LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY SUCH MATTERS
20 CONCERNING THE SOLICITATION, THE PLAN, AND THE TRANSACTIONS
21 CONTEMPLATED THEREBY. THIS DISCLOSURE STATEMENT SHALL NOT BE
22 ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING.

23 HOLDERS OF CLAIMS AND OTHER THIRD PARTIES SHOULD BE AWARE
24 THAT THE PLAN CONTAINS INJUNCTIONS AND RELEASES THAT MAY
25 MATERIALLY AFFECT THEIR RIGHTS.

26 ALL OF THE PROJECTED RECOVERIES TO CREDITORS ARE BASED UPON
27 THE ANALYSES PERFORMED BY THE PLAN PROPONENTS AND THEIR
28 PROFESSIONALS. ALTHOUGH EVERY EFFORT HAS BEEN MADE TO VERIFY THE
ACCURACY OF THE INFORMATION PRESENTED HEREIN AND IN THE EXHIBITS
ATTACHED HERETO, THE PLAN PROPONENTS CANNOT MAKE ANY
REPRESENTATIONS OR WARRANTIES REGARDING THE ACCURACY OF THE
INFORMATION.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER
ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL
NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR
LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS THE PLAN
PROponents' STATEMENT OF THE STATUS OF THE RESPECTIVE MATTER, AS
APPLICABLE.

THE PLAN PROPONENTS RECOMMEND THAT CREDITORS SUPPORT AND
VOTE TO ACCEPT THE PLAN. IT IS THE OPINION OF THE PLAN PROPONENTS THAT
THE TREATMENT OF CREDITORS UNDER THE PLAN CONTEMPLATES A GREATER
RECOVERY THAN THAT WHICH IS LIKELY TO BE ACHIEVED UNDER OTHER
ALTERNATIVES FOR THE REORGANIZATION OR LIQUIDATION OF THE DEBTORS.
ACCORDINGLY, THE PLAN PROPONENTS BELIEVE THAT CONFIRMATION OF THE
PLAN IS IN THE BEST INTERESTS OF CREDITORS.

AS SET FORTH BELOW, THE PLAN, AS AMENDED, EMBODIES THE TERMS OF
A SETTLEMENT WITH THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE
"COMMITTEE") RESOLVING THE COMMITTEE'S OBJECTIONS TO THE PRIOR

1 VERSION OF THE PLAN FILED AT DOCKET NUMBER 1471 (THE “COMMITTEE PLAN
2 SETTLEMENT”)⁵ AS A RESULT OF THE MODIFICATIONS TO THE PLAN
3 CONSISTENT WITH THE TERMS OF THE COMMITTEE PLAN SETTLEMENT,
4 INCLUDING WITH RESPECT TO THE TREATMENT OF GENERAL UNSECURED CLAIMS
5 UNDER THE PLAN AND CERTAIN MODIFICATIONS RELATED THERETO, THE
6 COMMITTEE SUPPORTS THE PLAN’S CONFIRMATION.

7 **THE DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. PACIFIC**
8 **DAYLIGHT STANDARD TIME, SEPTEMBER 10-DECEMBER 4, 2020 (THE “VOTING**
9 **DEADLINE”), UNLESS EXTENDED BY ORDER OF THE BANKRUPTCY COURT. ALL**
10 **BALLOTS MUST BE ACTUALLY RECEIVED BY KURTZMAN CARSON**
11 **CONSULTANTS, LLC (“KCC” OR THE “SOLICITATION AGENT”) NO LATER THAN**
12 **THE VOTING DEADLINE. DO NOT RETURN ANY OTHER DOCUMENTS WITH**
13 **YOUR BALLOT. YOUR VOTE ON THE PLAN IS IMPORTANT.**

14
15 **I.**
16 **INTRODUCTION**

17 On May 6, 2019 (the “**Petition Date**”), Astria Health, a Washington nonprofit public benefit
18 corporation (“**Astria**”), and the above-referenced affiliated debtors and debtors in possession (the
19 “**Debtors**”), filed voluntary petitions for relief under chapter 11 of title 11 of the United States
20 Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”),⁶ in the United States Bankruptcy Court
21 for the Eastern District of Washington (the “**Bankruptcy Court**”). The chapter 11 cases are jointly
22 administered under lead bankruptcy case number 19-01189-11 (the “**Chapter 11 Cases**”). Since
23 the Petition Date, the Debtors have remained in possession of their assets, and managed their
24 businesses as debtors in possession, pursuant to §§ 1107 and 1108.

25 The Debtors submit this disclosure statement (together with its exhibits, the “**Disclosure**
26 **Statement**”) pursuant to § 1125 on behalf of themselves and Lapis Advisers, LP as lender under
27 the Debtor in Possession Facility in the Chapter 11 Cases, agent under the Debtors’ prepetition
28 Credit Agreement, and as investment advisor and investment manager for certain funds which are
beneficial holders of those certain Washington Health Care Facilities Authority Revenue Bonds,
and any fund managed or affiliated with the foregoing (collectively the “**Lapis Parties**” and,
together with the Debtors, the “**Plan Proponents**”) in connection with the solicitation of votes to
accept or reject their First Amended Joint Chapter 11 Plan of Reorganization of Astria Health and
Its Affiliates, dated July 7, November 4, 2020 (the “**Plan**”), a copy of which is attached hereto as
Exhibit A. The summary of the Plan provided herein is qualified in its entirety by reference to the
Plan. To the extent that the information provided in this Disclosure Statement and the Plan
(including any Plan supplements or amendments) conflict, the terms of the Plan (including any Plan
supplements or amendments) will control. Terms not otherwise specifically defined herein will
have the meanings attributed to them in the Plan. Each definition in this Disclosure Statement and
in the Plan includes both the singular and plural. Headings are for convenience or reference and
shall not affect the meaning or interpretation of this Disclosure Statement.

At a hearing~~hearings~~ to be held on the adequacy of this Disclosure Statement and

⁵ All references to the “**Docket**” herein refer to the Court maintained chronological listing of all
documents filed in the Chapter 11 Cases. All documents on the Docket are available free of charge
at a website maintained by Kurtzman Carson Consultants for the Debtors, available at .

⁶ All references to § herein are to sections of the Bankruptcy Code. All references to “**Bankruptcy**
Rules” are to provisions of the Federal Rules of Bankruptcy Procedure. All references to “**LBR**”
are to provisions of the Local Bankruptcy Rules of the United States Bankruptcy Court for the
Eastern District of Washington.

1 confirmation of the Plan, the Plan Proponents will request that the Bankruptcy Court (i) approve
2 this Disclosure Statement as containing “adequate information” in accordance with § 1125(b) to
3 enable a hypothetical, reasonable investor typical of claimholders in a Class of Claims entitled to
4 vote as set forth in the Plan to make an informed judgment about whether to accept or reject the
5 Plan, and (ii) confirm the Plan in accordance with § 1129. A hearing to consider the adequacy of
6 this Disclosure Statement and confirmation of the Plan (the “Confirmation Disclosure Statement
7 Hearing”) will be held on ~~September 24, November 6, 2020~~, at 11:00 a.m. Pacific Daylight Time,
8 and a hearing to consider confirmation of the Plan (the “Confirmation Hearing”) will be held on
9 ~~December 16, 2020~~, at 11:00 a.m. Pacific Standard Time, before the Honorable Whitman L. Holt,
10 United States Bankruptcy Judge, at the Bankruptcy Court, 402 East Yakima Avenue, Suite 200,
11 Yakima, Washington 98901. At the Confirmation Hearing, the Bankruptcy Court will consider
12 whether the Plan satisfies the various requirements for confirmation under the Bankruptcy Code.

13 The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must
14 be filed and served so they are received on or before ~~September 10, December 4, 2020, at 4:00 p.m.~~
15 ~~Pacific Daylight Time~~, in the manner described in section VI.B.1 of this Disclosure Statement. The
16 Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further
17 notice except for the announcement of the adjournment date made at the Confirmation Hearing or
18 at any subsequent adjourned Confirmation Hearing.

19 The following documents are attached as Exhibits to this Disclosure Statement:

20 Exhibit A: The Plan

21 Exhibit B: Liquidation Analysis

22 Exhibit C: Financial Projections

23 Voting instructions are contained in section VI.B.1 of this Disclosure Statement, as well as
24 on the ballot you received in connection with this Disclosure Statement. To be counted, your
25 original ballot must be actually received by 4:00 p.m., Pacific ~~Daylight~~Standard Time, on
26 ~~September 10, December 4, 2020~~ (the “Voting Deadline”).

27 If your ballot is not timely received, it may not be counted in determining whether the Plan
28 has been accepted. You are urged to carefully review the contents of the Plan and Disclosure
Statement, including all exhibits attached thereto, before making your decision to vote to accept or
reject the Plan. Pursuant to the provisions of the Bankruptcy Code, only holders of Allowed Claims
in Classes of Claims that are “impaired” (as defined in section VI.B.3 of this Disclosure Statement)
and not deemed to have rejected the Plan are entitled to vote to accept or reject the Plan. Particular
attention should be directed to the provisions of the Plan affecting or impairing your rights as they
may presently exist, including, but not limited to, the provisions which provide for injunctions and
releases.

This Disclosure Statement is intended to provide adequate information of a kind, and in
sufficient detail, to enable the Debtors’ creditors to make an informed judgment about the Plan,
including whether to accept or reject the Plan. This Disclosure Statement sets forth certain
information regarding (i) the Debtors’ prepetition operating and financial history; (ii) the Debtors’
need to file for relief under chapter 11 of the Bankruptcy Code; (iii) significant events that have
occurred during the Debtors’ Chapter 11 Cases; (iv) the terms of the Plan; (v) the manner in which
distributions will be made under the Plan; (vi) certain effects of confirmation of the Plan; (vii)
certain risk factors associated with the Plan; and (viii) the confirmation process and the voting
procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be
counted.

This Disclosure Statement is subject to the Bankruptcy Court’s approval as containing

1 information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor
2 typical of each of the Classes whose votes are being solicited to make an informed judgment with
3 respect to the Plan. **THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE**
4 **STATEMENT DOES NOT CONSTITUTE A DETERMINATION WITH RESPECT TO**
5 **THE MERITS OF THE PLAN. ALL CREDITORS ARE ENCOURAGED TO READ THIS**
6 **DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND IN THEIR**
7 **ENTIRETY BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE PLAN.**

8 **II.**
9 **EXPLANATION OF CHAPTER 11**

10 **A. Overview of Chapter 11**

11 Chapter 11 is the principal reorganization chapter of the Bankruptcy Code pursuant to which
12 a debtor in possession may reorganize its business for the benefit of its creditors and other parties
13 in interest. The commencement of a chapter 11 case creates an estate comprising all the legal and
14 equitable interests of the debtor in possession as of the date the petition is filed. The Debtors
15 commenced the Chapter 11 Cases on the Petition Date. *See* Section I.

16 Sections 1101, 1107, and 1108 provide that a debtor may continue to operate its business
17 and remain in possession of its property as a “debtor in possession” unless the bankruptcy court
18 orders the appointment of a trustee. In the Chapter 11 Cases, each Debtor remains in possession of
19 its property and continues to operate its businesses as a debtor in possession. *See* Section I.

20 Section 1102(a) and (b)(1) provides for the appointment of a committee of creditors holding
21 unsecured claims. On May 24, 2019, the Office of the United States Trustee (the “**U.S. Trustee**”)
22 appointed such a committee (as defined above, the “**Committee**”). *See* Section V.C.1.

23 Section 333(a)(2) further provides for the appointment of a patient care ombudsman where
24 the debtor is a health care business as defined in § 101(27A). On June 17, 2019, the U.S. Trustee
25 appointed a patient care ombudsman in these Chapter 11 Cases (the “**Patient Care**
26 **OmbudsmanPCO**”). *See* Section V.C.2.

27 The filing of a chapter 11 petition triggers the automatic stay provisions of the Bankruptcy
28 Code. Section 362 provides, among other things, for an automatic stay of all attempts by creditors
or other third parties to collect prepetition claims from the debtor or otherwise interfere with its
property or business. Exempted from the automatic stay are governmental authorities seeking to
exercise regulatory or policing powers. Except as otherwise ordered by the bankruptcy court, the
automatic stay remains in full force and effect until the effective date of a confirmed plan of
reorganization. In the Chapter 11 Cases, no creditor or party in interest has obtained relief from
the automatic stay, except for David Becerril, Jan Hemstad, and Suzanne Cleland-Zamudio, as well
as the DIP Lenders with limited regard to enforcing the terms of the DIP Facility. *See* Section
V.B.6. In addition, the Debtors were forced to file an emergency motion to enforce the automatic
stay against one party. *Id.*

B. Plan of Reorganization

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case.
The plan sets forth the means for satisfying the holders of claims against and interests in the debtor’s
estate. Although referred to as a plan of reorganization, a plan may provide anything from a
complex restructuring of a debtor’s business and its related obligations to a simple liquidation of
the debtor’s assets. In either event, upon confirmation of the plan, it becomes binding on the debtor
and all of its creditors, and the prior obligations owed by the debtor to such parties are compromised
and exchanged for the obligations specified in the plan. For a description of key components of
the Plan, *see* Section III.A.

1 After a plan of reorganization has been filed, the holders of impaired claims against a debtor
2 are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed
3 plan, § 1125 requires the debtor to prepare and file a disclosure statement containing adequate
4 information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make
5 an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims
6 against the Debtors to satisfy the requirements of § 1125 in connection with the Debtors'
7 solicitation of votes on the Plan.

8 **C. Confirmation of a Plan of Reorganization**

9 If all classes of claims accept a plan of reorganization, the bankruptcy court may confirm
10 the plan if the bankruptcy court independently determines that the requirements of § 1129(a) have
11 been satisfied. See Section VI.C. The Debtors believe that the Plan satisfies all the applicable
12 requirements of § 1129(a).

13 Chapter 11 of the Bankruptcy Code does not require that each holder of a claim in a
14 particular class vote in favor of a plan of reorganization for the bankruptcy court to determine that
15 the class has accepted the plan. See Section VI.C.7.

16 In addition, classes of claims that are not "impaired" under a plan of reorganization are
17 conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore,
18 classes that are to receive no distribution under the plan are conclusively deemed to have rejected
19 the plan. See Section VI.B.3. Accordingly, acceptances of a plan will generally be solicited only
20 from those persons who hold claims in an impaired class. **Except for Class 1 Priority Claims and
21 Class 2C Other Secured Claims, which are unimpaired and deemed to have accepted the
22 Plan, all classes of Claims are impaired under the Plan and entitled to vote on the Plan.**

23 The Plan contemplates the grouping—or deemed consolidation—of all the Debtors, treating
24 them as a single Estate solely for purposes of voting on the Plan, confirmation of the Plan, and
25 determining treatment of and making distributions in respect of Claims against in the Debtors. For
26 each Debtor that is able to satisfy the requirements of § 1129(a)(8) and/or (10) on a standalone
27 basis, provided that all other requirements to confirmation of the Plan are met, the consolidation of
28 the Debtors will be deemed to occur by operation of the Plan. If a Debtor is unable to satisfy the
29 requirements of § 1129(a)(8) and/or (10) on a standalone basis, the inclusion of such Debtor will
30 be subject to a determination of the Bankruptcy Court that such inclusion is appropriate under
31 applicable standards, which determination may be made at the Confirmation Hearing. Accordingly,
32 for purposes of determining whether the Plan satisfies § 1129(a)(8) and/or (10) with respect to each
33 Debtor, the Debtors will tabulate votes on an individual Debtor basis and to the extent relevant and
34 appropriate as determined by the Bankruptcy Court, on a consolidated basis. See Sections VI.E.2
35 and VI.N.

36 In general, a bankruptcy court also may confirm a plan of reorganization even though fewer
37 than all the classes of impaired claims accept such plan. For a plan of reorganization to be
38 confirmed, despite its rejection by a class of impaired claims, the plan must be accepted by at least
39 one class of impaired claims (determined without counting the vote of insiders) and the proponent
40 of the plan must show, among other things, that the plan does not "discriminate unfairly" and that
41 the plan is "fair and equitable" with respect to each impaired class of claims that has not accepted
42 the plan. See Section VI.C.7. **The Plan has been structured so that it will satisfy the foregoing
43 requirements as to any rejecting class of Claims, and can therefore be confirmed, if necessary,
44 over the objection of any (but not all) classes of Claims.**

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III.
OVERVIEW OF THE PLAN

A. **Summary of the Terms of the Plan**

The Plan is built around the following key elements:

- The Debtors will be deemed consolidated for the sole purpose of treatment of Claims and liabilities under a single Plan, but will otherwise retain the separate corporate structure of individual Debtors (and any other Debtor not included therein shall be treated under a separate Plan).
- AH NP 2, a Washington nonprofit corporation and currently a wholly owned nondebtor subsidiary of Astria, will become the sole member of Astria; and Astria will change from a no-member nonprofit corporation to a single member nonprofit corporation.
- A newly created nondebtor entity, AH System, a freestanding Washington nonprofit corporation, will assume the non-discharged debt of the Debtors in exchange for AH NP 2's transfer of its sole membership interest in Astria to AH System.
- The Lapis Parties have agreed to reinstatement of the Senior Secured Bond Debt Claims which will be paid by the Reorganized Debtors over time.
- AH System will issue debt instruments described in the scheduled attached as Exhibit A to the Plan to satisfy the DIP Claims and Senior Secured Credit Agreement Claims in full.
- A LitigationGUC Distribution Trust will be created to pursue all Avoidance Actions, (other than any Avoidance ~~Action~~Actions against the Debtors' vendor ~~which~~that provided revenue cycle, billing and collection services ~~prepetition, to enable recoveries pro rata to the Debtors pre-petition and as of the Petition Date (collectively with such vendor's affiliates, the "Vendor")~~), reconcile General Unsecured Claims, receive certain assets from the Debtors and/or Reorganized Debtors (including the Initial GUC Distribution Amount of \$5 million and additional funds totaling not less than \$2.3 million), and make pro rata distributions to Holders of Allowed General Unsecured Creditor Claims consistent with the terms of the Plan.
- A Liquidation Trust (together with the LitigationGUC Distribution Trust, the "**Plan Trusts**," and each individually, a "**Plan Trust**") will be created from assets of the Debtors not necessary for the operation of their core health care businesses or constituting GUC Distribution Trust Assets under the Plan. In the event any assets in the Liquidation Trust are liquidated, the proceeds of such liquidation shall be used to fund AH System's operating cash account up to an amount equal to the lesser of \$10 million or 30 days cash on hand and then to pay debt issued by AH System.
- Holders of Allowed Claims will receive a distribution of Cash or proceeds from the applicable Plan Trust, consistent with the priority provisions of the Bankruptcy Code.
- All Intercompany Claims will be expunged and eliminated through the limited consolidation of the Debtors for purposes of treatment of Claims and distributions under the Plan.
- The Debtors will proceed with the Closure Plan of SHC Medical Center - Yakima, doing business as Astria Regional Medical Center ("**ARMC**" or the "**Medical Center**") in Yakima, Washington, and dissolve the non-operating Debtors relating thereto.

1 **B. Summary of Distributions Under the Plan**

2 The estimated potential range of recovery to holders of Allowed Claims in the Classes of
 3 Impaired Claims is set forth in the chart below. The range of recoveries set forth below is not a
 4 guarantee of actual results, but is an estimate based on the currently available information and
 5 assumptions that are subject to material change. The actual distributions to holders of Allowed
 6 Claims in the Classes of Impaired Claims will necessarily be affected by a variety of contingencies
 7 that cannot be determined with certainty at this time, including, without limitation, the ultimate
 8 amount of funds that will be available for distribution with respect to the Allowed Claims after
 9 payment in full of unclassified Claims, Claims senior in priority to each such Class, and the
 10 expenses of effectuating the Plan and administering the Liquidation Trust; the aggregate amount of
 11 Allowed Claims in each such Class; the results of the claim objection and reconciliation process;
 12 and the results of prosecution of the Chapter 5 Actions and other Causes of Action, which may
 13 have a material effect on funding a distribution to holders of Allowed Claims in Classes of Impaired
 14 Claims.

9 **1. Unclassified Claims**

10 Certain types of Claims are not placed into voting classes; instead they are unclassified.
 11 They are not considered impaired and they do not vote on the Plan because they are automatically
 12 entitled to specific treatment provided for them in the Bankruptcy Code. As such, Debtors have not
 13 placed the following Claims in a class. The treatment of these Claims is provided below.

DESCRIPTION	TREATMENT
DIP Claims	In accordance with the Senior Debt 9019 Settlement, all DIP Claims shall be shall be Allowed and satisfied, without setoff, reduction or subordination, by the exchange of DIP Claims for DIP Claims Exchange Debt with the attributes described in the schedule attached to the Plan as Exhibit A in the amount of all DIP Claims as of the Effective Date. This treatment of DIP Claims is an integral component of the Senior Debt 9019 Settlement.
Other Administrative Claims	Except for Ordinary Course Administrative Expenses ⁷ (which will be paid in the ordinary course of business) and DIP Claims, all Administrative Claims, including Cure Payments, and U.S. Trustee Fees, will be paid in full in Cash (a) on the later of the Effective Date or the date such Claims are Allowed under § 503, or (b) upon such other terms as may be mutually agreed upon between the Holder of such Claim and the Debtors, and consistent with the terms of the Definitive Documents.
Professional Fee Claims	All persons and entities seeking an award by the Court of professional fees on behalf of the Debtors (a) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses no later than forty-five (45) days after the

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 27 ⁷ “**Ordinary Course Administrative Expense**” means Administrative Claims for goods and
 28 services of types consistent with the Debtors’ ordinary course business operations as of the Petition
 Date that will be paid as they come due after the Effective Date in the ordinary course of
 Reorganized Debtors’ business.

	Effective Date, and, (b) upon Court approval of such final application, shall receive, in full satisfaction, settlement, and release of, and in exchange for such Claim, from the Administrative and Priority Claims Reserve, Cash in such amounts as allowed by the Court (i) on the later of (A) the Effective Date (or as soon thereafter as reasonably practicable) and (B) the date that is ten (10) days after the allowance date, or (ii) upon such other terms as may be mutually agreed upon between the holder of such Claim and the Plan Proponents, and consistent with the terms of the Definitive Documents. For the avoidance of doubt, estate Professionals may still receive interim compensation prior to the Effective Date if otherwise able to under existing court orders.
Priority Tax Claims	Priority Tax Claims shall be paid in full in Cash from the Administrative and Priority Claims Reserve (a) on the later of the Effective Date or the date such Claim is allowed, (b) after the Effective Date, over a period not to exceed five years from the date of assessment of the subject tax, together with interest thereon at a rate satisfactory to the Debtors or such other rate as may be required by the Bankruptcy Code, or (c) upon such other terms as may be mutually agreed upon between the holder of such Claim and the Plan Proponents, and consistent with the terms of the Definitive Documents.

2. Classified Claims

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS	TREATMENT
1	Priority Claims (priority unsecured claims alleged pursuant to Code §§ 507(a)(4) and (5)) Total Amount = Unknown	Unimpaired	Not Entitled to Vote / Deemed to Accept	Paid in cash in full on later of Effective Date or when Allowed
2A	Senior Secured Bond Debt Claims Total Amount = <u>\$43,194,789.04</u> <u>Estimated Amount = \$43,571,500.00, less any amount(s) paid down prior to the Effective Date pursuant to pending asset sale pleadings. Actual amount subject to per diem adjustment.</u>	Impaired	Entitled to Vote	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

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				such Senior Secured Bond Debt Claims as of the Effective Date.
2B	Senior Secured Credit Agreement Claims Total <u>Estimated</u> Amount = <u>\$13,007,397.26</u> <u>13,162,397.26</u> <u>Actual amount subject to per diem adjustment.</u>	Impaired	Entitled to Vote	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 to the Plan <u>hereto</u> in Exhibit A in the amount of all Senior Secured Credit Agreement Claims as of the Effective Date.
2C	Other Secured Claims	Unimpaired <u>Impaired</u>	Entitled to Vote <u>Not Deemed to Accept</u>	On or as soon as practicable after the Effective Date, each Holder of an allowed Other Secured Claim against the Debtors will

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				receive from the assets of the Debtors, at the discretion of the Debtors (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.
3	Convenience Class Claims Total Amount = Est. Allowed amount of \$1,611,501, ⁸ assuming all claimants with Claims between \$5,000 and \$10,000 elect Class 3 treatment	Impaired	Entitled to Vote	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.
4	General Unsecured Claims (Not Otherwise Classified)	Impaired	Entitled to Vote	Holdings of Allowed General

⁸ This amount of is based on General Unsecured Claims filed and the Debtors believe that this amount will materially reduce following the claims adjudication process.

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	Total Amount = Approximately \$101,950,399.80 ⁹			Unsecured Claims shall be satisfied pro rata solely from assets transferred to the Litigation receive, <u>on one or more GUC Distribution Dates, a Pro Rata share of the Net GUC Distribution Trust Assets.</u>
4A	Insured Claims	Impaired	Entitled to Vote	Subject to the terms and conditions set forth in in 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.
5	Intercompany Claims	N/A	N/A	All intercompany claims shall be expunged and eliminated through the limited consolidation of the Debtors for purposes of treatment of

⁹ This amount of is based on General Unsecured Claims filed and the Debtors believe that this amount will materially reduce following the claims adjudication process.

				Claims and distributions under the Plan.
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Based on an initial review of the Claims filed in the Chapter 11 Cases, the total amount of General Unsecured Claims are approximately \$101,950,399.80. The Debtors, however, believe that this amount will materially reduce following the claims adjudication process. The actual amount distributed to Holders of Class 4 General Unsecured Claims (and the timing any such distributions) will vary based on the Assets that are recovered by ~~the Litigation Trust, or otherwise transferred by the Debtors or Reorganized Debtors to, the GUC Distribution Trust (which will total not less than \$7.3 million)~~ and the reconciled amount of General Unsecured Claims that are Allowed. Holders of Class 5 Intercompany Claims are eliminated through the limited consolidation of the Debtors for Plan purposes.

**IV.
GENERAL OVERVIEW OF THE DEBTORS¹⁰**

The discussion below briefly describes the Debtors and their businesses as they exist as of the date of this Disclosure Statement.

A. Overview of the Debtors

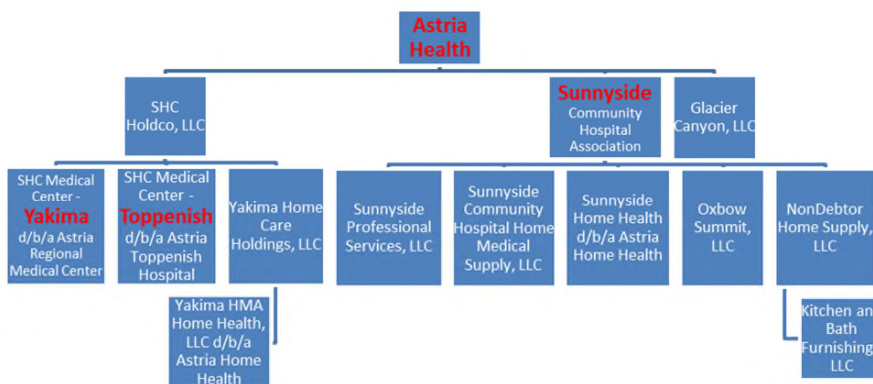
The Astria Health system, headquartered in the heart of Yakima Valley, Washington, is the largest non-profit healthcare system based in Eastern Washington, with annual revenues of approximately \$140 million. Astria is the parent non-profit organization of ~~three~~two operating hospitals ~~and one former hospital~~—(1) Sunnyside Community Hospital Association (“**Sunnyside**”), based in Sunnyside, Washington; (2) SHC Medical Center – Yakima (“**SHC–Yakima**”) formerly d/b/a Astria Regional Medical Center, based in Yakima, Washington; and (3) SHC Medical Center – Toppenish d/b/a Astria Toppenish Hospital (“**SHC–Toppenish**,” and collectively with Sunnyside and SHC–Yakima, the “**Hospitals**”), based in Toppenish, Washington—along with outpatient Astria Health Centers (~~1411~~ medical clinics and ~~2419~~ specialty clinics), Ambulatory Surgical Center, Astria Hearing and Speech, and Astria Home Health and Hospice with healthcare sites and providers conveniently located in towns and cities throughout the region.

In addition to Astria and the Hospitals, the other Debtors in these Chapter 11 Cases are:

- SHC Holdco, LLC (“**SHC Holdco**”);
- Sunnyside Community Hospital Home Medical Supply, LLC (“**Sunnyside Home Medical Supply**”);
- Sunnyside Home Health d/b/a Astria Home Health (“**Astria Home Health**”);
- Sunnyside Professional Services, LLC (“**SPS**”);
- Yakima Home Care Holdings, LLC (“**Yakima Home Care**”);
- Kitchen and Bath Furnishings, LLC (“**K&B**”);
- Glacier Canyon, LLC (“**Glacier**”);
- Oxbow Summit, LLC (“**Oxbow Summit**”); and

¹⁰ The Debtors have prepared and are solely responsible for the statements and assumptions reflected in this Section IV.

The following graphic depicts the perpetuation organizational structure of the Debtor entities:



As depicted above, Astria is the sole member of Debtors SHC Holdco, Sunnyside, and Glacier. SHC Holdco is, in turn, the sole member of Debtors SHC–Yakima, SHC–Toppenish, and Yakima Home Care. Yakima Home Care is, in turn, the sole member of Debtor Yakima HMA Home Health. Sunnyside is the sole member of Debtors SPS, Sunnyside Home Medical Supply, Astria Home Health, and Oxbow Summit; and the sole member of nondebtor Home Supply, LLC, which, in turn, is the sole member of Debtor K&B.

a. Astria

As depicted in the graphic above, Astria sits atop the Health System’s corporate structure. Astria is the holding company for the entire Health System, and is the sole member of SHC Holdco, Sunnyside, and Glacier. SHC Holdco and Sunnyside are, in turn the direct or indirect sole members of other Debtors, as described below.

Astria and each of the Hospitals have a separate Board of Trustees to ensure local representation.

b. Sunnyside entities

Sunnyside, located in Sunnyside, Washington, is a 38-bed critical access hospital. Services offered at Sunnyside include medical, surgical, labor/delivery and nursery care, 24-hour emergency, laboratory, imaging services, physical therapy, rehabilitation, urgent care, oncology, cardiology, and clinics. Members of the Sunnyside medical staff include specialists in emergency medicine, family practice, internal medicine, general surgery, neurosurgery, cardiology, pediatrics, obstetrics/gynecology, orthopedics, otolaryngology, radiology, and inpatient hospitalization. Sunnyside was originally established as Valley Memorial Hospital in 1946 and Sunnyside General Hospital in 1962, merging in 1986 as Sunnyside Community Hospital. In October 2017, the hospital began doing business as Astria Sunnyside Hospital.

Sunnyside has been in the planning stages of constructing a new hospital facility that will house the majority of the current operations of Sunnyside.

Sunnyside is the sole owner of the following Debtors: 1) SPS, 2) Astria Home Health, 3) Sunnyside Home Medical Supply, and 4) Oxbow Summit. Sunnyside is also the sole owner of nondebtor Home Health, LLC, which, in turn, is the sole owner of Debtor K&B.

- 1 • SPS is a wholly owned subsidiary of Sunnyside, and a for-profit limited liability
2 corporation. SPS owns two medical office buildings and manages those buildings for
3 Sunnyside.
- 4 • Astria Home Health is a wholly-owned subsidiary of Sunnyside. It is a nonprofit
5 organization providing home health services in Sunnyside. Astria Home Health is
6 exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the
7 “IRC”) from federal income taxes except for unrelated business income.
- 8 • Sunnyside Home Medical Supply is a wholly-owned subsidiary of Sunnyside. It buys
9 and sells inventory and leases medical equipment, such as oxygen tanks, concentrators,
10 transcutaneous electrical nerve stimulation (“TENS”) units and similar equipment. It
11 is a nonprofit organization exempt under Section 501(c)(3) of the IRC from federal
12 income taxes except for unrelated business income.
- 13 • Oxbow Summit is a wholly owned subsidiary of Sunnyside. Oxbow Summit owns 50
14 acres of land in Sunnyside to be developed for the future Sunnyside replacement
15 hospital.
- 16 • K&B is a wholly owned subsidiary of Home Supply, LLC, which is a wholly owned
17 nondebtor subsidiary of Sunnyside. K&B owns approximately 2.5 acres of land on I-
18 84 in Zillah being held for future medical development.

12 **c. Yakima entities**

13 As of the Petition Date, SHC–Yakima was a 214-bed hospital which provided medical
14 services including open-heart surgery, advanced imaging, comprehensive robotics, neurosurgery,
15 and a Commission on Accreditation of Rehabilitation Facilities (CARF) accredited inpatient
16 rehabilitation. The Astria Heart Institute (part of SHC–Yakima) was a Level I Cardiac and Level
17 II Stroke center, with a Level III Trauma designation. SHC–Yakima ~~owns~~owns 14 clinics with
18 various specialties. SHC–Yakima was originally established by the Sisters of Province as St.
19 Elizabeth’s Hospital in 1891. On September 1, 2017, the hospital became a part of Astria and began
20 doing business as ARMC on October 17, 2018. On January 8, 2020, in these Chapter 11 Cases, the
21 Bankruptcy Court authorized the Debtors to close ARMC, which the Debtors then closed. *See*
22 Section V.F. The Plan envisions the dissolution of SHC–Yakima.

23 Yakima Home Care is a for-profit limited liability corporation. Another wholly-owned
24 subsidiary of SHC Holdco, Yakima Home Care owns and operates Yakima HMA Home Health,
25 which, in turn, provides home health and hospice services throughout Yakima County, Washington.

21 **d. SHC–Toppenish**

22 SHC–Toppenish, located in Toppenish, Washington, is a 63-bed hospital, with medical and
23 surgical capabilities, pediatrics, behavioral health, medical detox, and a Family Maternity Center.
24 SHC–Toppenish was originally established by a group of residents as Toppenish Community
25 Hospital in 1944. On September 1, 2017, this hospital became a part of Astria and began doing
26 business as SHC–Toppenish on October 17, 2018.

25 **e. Nondebtor entities**

26 The following is a list of the Debtors’ nondebtor affiliates:¹²

27 _____
28 ¹² Each of the Debtors’ nondebtor affiliates have no assets and do not file tax returns.

- Sunnyside Medical Center, LLC
- Sunnyside Hospital Foundation¹³
- Caravan Health ACO. 19, LLC d/b/a Astria Health Clinically Integrated Network, LLC
- Bridal Dreams, LLC
- Depot Plus, LLC
- Home Supply, LLC
- Kitchen Appliances, LLC
- Northwest Health, LLC
- Pacific Northwest ASC Management, LLC
- Sunnyside Hospital Service Corp.
- Wedded Bliss, LLC
- Yakima HMA Physician Management, LLC
- AH NPP
- AH NP1
- AH NP2
- AN NP3
- AH NP4
- AH NP5
- AH NP6
- AH NP7
- AN NP8

2. Employees

a. Physicians

The Debtors are dependent on approximately 329 local physicians practicing in their service area to provide admissions and utilize hospital services on an outpatient basis.

b. Employees

The Debtors have 890 regular employees, including 724 full-time, and 166 part-time and per diem. Of the total employees, 640 are at Sunnyside, 223 are at SHC–Toppenish, 22 are at Yakima HMA Home Health, 3 are at Astria Home Health, and 2 are at Sunnyside Home Medical Supply. Astria also contracts with two third party staffing agencies.

c. Collective Bargaining Agreements

The Debtors have three Collective Bargaining Agreements (“CBAs”): between (a) Washington State Nurses Association (“WSNA”) and each of (i) Sunnyside and (ii) SHC–Toppenish; and (b) SEIU Healthcare 1199NW (“SEIU”) and SHC–Toppenish.

d. Benefits

Although the Debtors have no pension obligations, they sponsor the Regional Health 401(k) Plan (the “**401(k) Plan**”), a defined contribution plan that covers all employees with a minimum of three months’ service. Employees are 100 percent vested upon entering the 401(k) Plan. The Debtors make 100% matching contributions to the 401(k) Plan up to 3% of employee compensation

¹³ Sunnyside Hospital Foundation (the “**Foundation**”) is a nonprofit organization that provides contributions to Sunnyside. The Foundation is exempt under Section 501(c)(3) of the IRC from federal income taxes except for unrelated business income.

1 plus additional matching of 50% of employee contributions between 3-5% of compensation. Total
2 expenses are approximately \$640,000 per year. Additional benefits include: medical, dental,
3 vision, basic life insurance, dependent life insurance, accidental death and dismemberment
4 (“AD&D”), long-term disability (“LTD”), vacation and sick pay, and tuition assistance.

3. Management

5 Astria’s current (a) Interim President and Interim Chief Executive Officer (“CEO”) is John
6 M. Gallagher, who has held suchBrian Gibbons, who is also the President and CEO of Sunnyside
7 and has served in that latter position since September 2016^[*]; and (b) Chief Financial Officer
8 (“CFO”) is Cary RowanMaxwell Owens, who has held such position since August 2016-2020.
9 These officers arewere formerly employed by AHM, Inc. (“AHM”), a nondebtor entity that
10 provides management services to the Health System. AHM qualifies as an “insider” under §
11 101(31), with pass-through compensation over the course of these Chapter 11 Cases as reflected in
12 the monthly operating reports (see section V.B.6 below). Section V.B.6 below). However, the
13 Executive Services Agreement between Astria and AHM will be rejected, and Astria will offer
14 employment to all AHM employees who currently work for Astria on the same financial terms as
15 they are currently employed.

16 It is anticipated that Mr. Gallagher will continue to serve in his capacity as CEO with the
17 Debtors through Confirmation and with the Reorganized Debtors as of the Effective Date. See
18 Section VI.E.5. If required by the Court, his future compensation will be disclosed under seal. Mr.
19 Gallagher has served as President and CEO of Astria since September 2016. He previously served
20 as CEO of Sunnyside from May 2012. He has been a healthcare executive for more than twenty
21 (20) years, leading both non-profit and for-profit hospitals and systems. His experience includes
22 healthcare consulting, strategic planning (both short-term and long-term), setting organizational
23 missions, vision and values, mergers and acquisitions, hospital turnarounds, board relations,
24 hospital and system governance, and community relations. He has experience in building and
25 sustaining healthcare growth strategies, healthcare delivery, and operations management through
26 financial management, negotiations, integrated marketing, communications and business
27 development, physician practice acquisition and expansion, healthcare service line leadership,
28 quality care and population health oversight, disease management, recruiting, and employee
relations. He is a Board Certified Fellow in the American College of Healthcare Executives, and
received a Master of Business Administration (1997) and a Master of Healthcare Administration
(1997) from the University of Houston, and a Bachelor of Science in Zoology from Texas A&M
University (1995).

Mr. Rowan is anticipated to retire as CFO before the Effective Date. His successor has been
identified but has not yet started in the position. Maxwell Owens is currently a Senior Vice
President of Finance, and then will be promoted to the role of CFO upon Mr. Rowan’s departure.
If required by the Court, Mr. Owen’s future compensation will be disclosed under seal.

B. Events Leading to the Commencement of the Chapter 11 Cases

Astria was financially successful when it only owned Sunnyside. However certain issues
arose in connection with Astria’s acquisitions of SHC–Yakima and SHC–Toppenish resulting in
significant financial setback for Astria. During the acquisition process, the Washington State
Department of Health CON Program unexpectedly moved the approval of the CON of a sale from
an expedited approval process, as required in regulations and precedent, to a public hearing process.
This, in turn, created extended uncertainty, and resulted in a degradation of EBITDA of
approximately \$12 million annually. The full impact of this harm did not become apparent until
September 2017.

1 Of greater significance, in preparation for its acquisitions of SHC–Yakima and SHC–
 2 Toppenish, Astria contracted for a new system-wide Electronic Health Record (“EHR”) platform
 3 for ambulatory and inpatient services for all three Hospitals and their clinics. Shortly thereafter,
 4 Astria also contracted for the outsourcing of its revenue cycle, billing and collection functions and
 5 extended business office services. In connection with the system conversion and the outsourcing
 6 of its revenue cycle functions, Astria experienced certain unexpected challenges including, among
 7 other things, a significant decline in cash flow from collections on accounts receivable (“A/R”).

8 Astria’s lack of cash flow caused Astria to default or otherwise fall behind on its obligations
 9 to lenders and creditors, which in turn significantly limited its liquidity and, in turn, caused the need
 10 for chapter 11 protections.

11 **1. The Debtors’ Prepetition Secured Debt**

12 As of the Petition Date, the Debtors collectively had a total of approximately \$71.7 million
 13 of outstanding secured debt outstanding, held by Banner Bank, MidCap Financial Trust as Agent
 14 for the MidCap Lenders, UMB Bank, N.A. as the trustee for bondholders, certain entities affiliated
 15 with Lapis Advisers, LP, Lapis Advisers, LP, as agent for certain lenders, and GE HFS LLC
 16 (collectively, the **Prepetition Secured Parties**”), consisting of liens on the following collateral in
 17 the approximate principal amounts:

Lien Priority	Sunnyside	SHC–Yakima and SHC–Toppenish A/R	SHC–Yakima and SHC–Toppenish Assets (other than A/R)	Certain Equipment Owned By Astria
Senior Liens	Banner Bank (\$10.6m)	MidCap (\$10.7m)	UMB Bank (principal = \$35.4m)/ Lapis Advisers, LP (principal = \$10m). <u>Amounts reflected do not include interest or expenses, including professional fees.</u>	GE HFS, LLC (\$5m)
Junior Liens	UMB Bank (principal = \$35.4m)/ Lapis Advisers, LP (principal = \$10m). <u>Amounts reflected do not include interest or expenses, including professional fees.</u>	UMB Bank (principal = \$35.4m)/ Lapis Advisers, LP (principal = \$10m). <u>Amounts reflected do not include interest or expenses,</u>		

		<u>including professional fees.</u>		
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a. Banner Bank Prepetition Debt

Prior to the commencement of the Chapter 11 Cases, Sunnyside entered into various Business Loan Agreements, dated December 30, 2010, May 19, 2015, March 21, 2016, August 2, 2016, October 6, 2016, March 21, 2017, and May 4, 2018, each between Banner Bank and Sunnyside (as each such agreement has been amended, modified, or supplemented to date, the “**Banner Bank Loan Documents**”) providing Sunnyside with financing in the aggregate principal amount of \$27,006,225. The advances made pursuant to the Banner Bank Loan Documents were secured by a first priority lien (the “**Banner Senior Sunnyside Liens**”) on personal property and real property of Sunnyside as set forth in the Banner Bank Loan Documents and associated documents (such assets the “**Banner Bank Collateral**”). As of the Petition Date, Sunnyside was indebted to Banner Bank in the approximate principal amount of \$10.6 million (the “**Outstanding Prepetition Banner Bank Obligations**”).

b. MidCap Financial Trust Prepetition Debt

Prior to the commencement of the Chapter 11 Cases, SHC Holdco, LLC, SHC–Yakima, SHC–Toppenish, Yakima Home Care Holdings, LLC, and Yakima HMA Home Health, LLC, as co-borrowers (collectively, the “**MidCap Borrowers**”), entered into that certain Credit and Security Agreement dated September 18, 2017 (as amended, modified, or supplemented to date, the “**MidCap Credit Agreement**”), with the lenders party thereto (the “**MidCap Lenders**”) and MidCap Financial Trust, as agent for the MidCap Lenders (the “**MidCap Agent**”), providing the MidCap Borrowers with a revolving loan facility in the maximum principal amount of \$15 million. The advances made pursuant to the MidCap Credit Agreement were secured by a first priority lien (the “**MidCap Senior A/R Liens**”) on A/R of SHC–Toppenish and SHC–Yakima as well as certain other assets of the MidCap Borrowers as set forth in Schedule 9.1 to the MidCap Credit Agreement (such assets, the “**MidCap A/R Collateral**”). As of the Petition Date, the MidCap Borrowers were indebted to the MidCap Lenders in the approximate principal amount of \$10.7 million (the “**Outstanding Prepetition MidCap Obligations**”).

In addition, the Debtors defaulted or otherwise missed financial covenants under their facility with MidCap. MidCap did not agree to waive certain defaults but, instead, had increased the borrowing base reserves under the MidCap Credit Agreement resulting in the reduction of the borrowing base as well as the reduction of cash available to the Debtors. The borrowing base under the MidCap Credit Agreement was calculated based upon aged A/R that are further reduced for certain aging categories and payor classes. As a result, the availability to the Debtors under the MidCap Credit Agreement was significantly less than the net A/R for SHC–Yakima and SHC–Toppenish, which serve as collateral for the MidCap Credit Agreement. This, in turn, created significant liquidity restrictions and placed Astria in further financial distress.

Thus, the Debtors were burdened by the highly restricted, high cost of capital with regard to the MidCap Credit Agreement. The Debtors believed these problems could be alleviated by entering into the proposed debtor in possession facility (the “**DIP Facility**”) through the Chapter 11 Cases.

1 c. **Lapis Obligations**

2 Pursuant to that certain Bond Indenture, dated as of November 1, 2017, between
3 Washington Health Care Facilities Authority (the “**Authority**”), as issuer, and UMB Bank, N.A.
4 as the trustee (the “**Bond Trustee**”) for the bondholders, entities affiliated with Lapis Advisers, LP
5 (collectively, the “**Bondholders**”), the Authority issued \$27 million of tax-exempt Washington
6 Health Care Facilities Authority Revenue Bonds, Series 2017A (the “**Series 2017A Bonds**”) and
7 \$8.4 million of tax-exempt Washington Health Care Facilities Authority Revenue Bonds, Series
8 2017B (the “**Series 2017B Bonds**”) and, together with the Series 2017A Bonds, collectively the
9 “**2017 Bonds**”).

10 Also on November 1, 2017, SHC–Yakima, SHC–Toppenish, SHC Holdco, LLC, and Astria
11 as co-borrowers (the “**Lapis 2017 Loan Borrowers**”), entered into a Loan and Security Agreement
12 (the “**Lapis 2017 Loan Agreement**”) with the Authority, wherein the Authority loaned the
13 proceeds of the sale of the 2017 Bonds (\$35.4 million) (the “**Lapis 2017 Loan**”) to the Lapis 2017
14 Loan Borrowers. Sunnyside and Kitchen and Bath Furnishings, LLC, as well as certain other non-
15 filing affiliates, as guarantors (the “**Lapis 2017 Loan Guarantors**”), entered into a Continuing
16 Guaranty (the “**Lapis 2017 Loan Guaranty**”) and together with the Lapis 2017 Loan Agreement,
17 the “**Lapis 2017 Loan Documents**”), dated November 1, 2019, wherein the Lapis 2017 Loan
18 Guarantors agreed to guaranty the obligations of the Lapis 2017 Loan Borrowers under the Lapis
19 2017 Loan. The advances made pursuant to the Lapis 2017 Loan were secured by (i) a first priority
20 lien (the “**Lapis 2017 SHC Holdco Liens**”) on the assets of the Lapis 2017 Loan Borrowers not
21 subject to the MidCap Senior A/R Liens, (ii) a junior lien (the “**Lapis 2017 A/R Liens**”) on the
22 assets of the Lapis 2017 Loan Borrowers subordinate and subject to the MidCap Senior A/R Liens,
23 and (iii) a junior lien (the “**Lapis 2017 Sunnyside Liens**”) on the assets of the Lapis 2017 Loan
24 Guarantors subordinate and subject to the Banner Senior Sunnyside Liens (collectively, the “**Lapis**
25 **2017 Loan Collateral**”). See Intercreditor and Lien Subordination Agreement, dated as of
26 November 1, 2017 (as amended, modified, or supplemented to date), by and among the Bond
27 Trustee, MidCap Funding IV Trust, as successor-by-assignment to the MidCap Agent, Regional
28 Health, the Lapis 2017 Loan Borrowers and Sunnyside. The Authority assigned this security
interest to the Bond Trustee, as trustee for the Bondholders. As of the Petition Date, approximately
\$35.4 million of principal was outstanding under the Lapis 2017 Loan.

29 Prior to the commencement of the Chapter 11 Cases, Astria and Sunnyside, as co-borrowers
30 (the “**Lapis 2019 Loan Borrowers**”), entered into a Credit Agreement dated January 18, 2019 (the
31 “**Lapis 2019 Loan Agreement**”) with Lapis Advisers, LP (the “**Lapis Agent**”), as agent for lenders
32 party thereto (the “**Lapis 2019 Loan Lenders**”), whereby the Lapis 2019 Loan Lenders agreed to
33 make advances to the Lapis 2019 Loan Borrowers in the principal amount of up to \$10 million (the
34 “**Lapis 2019 Loan**”). SHC Holdco, LLC, Glacier Canyon, LLC, SHC–Yakima, SHC–Toppenish,
35 Yakima Home Care Holdings, LLC, Yakima HMA Home Health, LLC, as well as certain other
36 non-filing affiliates, as guarantors (the “**Lapis 2019 Loan Guarantors**”), entered into a Continuing
37 Guaranty (the “**Lapis 2019 Loan Guaranty**”) and together with the Lapis Sunnyside Loan
38 Agreement, the “**Lapis 2019 Loan Documents**”), dated January 18, 2019, wherein the Lapis 2019
Loan Guarantors agreed to guaranty the obligations of the Lapis 2019 Loan Borrowers under the
Lapis 2019 Loan. The advances made pursuant to the Lapis 2019 Loan were secured by (i) a junior
lien (the “**Lapis 2019 Sunnyside Liens**”) and together with the Lapis 2017 Sunnyside Liens, the
“**Lapis Subordinated Sunnyside Liens**”) on the assets of the Lapis 2019 Borrowers subordinate
and subject to the Banner Senior Sunnyside Liens, (ii) a junior lien (the “**Lapis 2019 SHC Holdco**
Liens”) and together with the Lapis 2017 SHC Holdco Liens, the “**Lapis Senior Holdco Liens**”)

1 on the assets of the Lapis 2019 Loan Guarantors not subject to the MidCap Senior A/R Liens as set
2 forth in the Lapis 2019 Loan Documents, and (iii) a junior lien (the “**Lapis 2019 A/R Liens**” and
3 together with the Lapis 2017 A/R Liens, the “**Lapis Subordinated A/R Liens**”) on the MidCap
4 Priority Collateral (such assets, the “**Lapis 2019 Collateral**” and together with the Lapis SHC
5 Holdco Collateral, the “**Lapis Prepetition Collateral**”).

6
7 ~~For example, on April 23, 2019, Lapis sent Astria a notice of default.~~ As of the Petition
8 Date, approximately \$10 million of principal was outstanding under the Lapis 2019 Loan.

9
10
11
12 **d. Equipment Loan**

13 On June 12, 2018, GE HFS, LLC (“**GE**”) entered into a Master Security Agreement with
14 Astria, whereby GE agreed to provide Astria with a \$5 million term loan (the “**GE Note**”) to finance
15 Astria’s purchase of certain equipment which was previously leased by Astria from GE. As of the
16 Petition Date, a principal amount of approximately \$5 million was outstanding under the GE Note.
17 The GE Note was secured by approximately \$4.6 million in capital assets at SHC–Yakima and
18 SHC–Toppenish, with the \$400,000 balance held in escrow.

19
20
21
22 **2. The Debtors’ Prepetition Unsecured Debt**

23 As of the Petition Date, the Debtors collectively had a total of approximately \$75 million in
24 unsecured debt, not including amounts owed among the Debtors, affiliates, and subsidiaries, which
25 includes approximately \$21 million to Community Health Systems (“**CHS**”) based upon a) a
26 working capital note of August 31, 2017, to finance, in part, the Debtors’ purchase of SHC–Yakima
27 and SHC–Toppenish (the “**CHS Note**”), which was reduced after settlement to \$13.6 million; and
28 b) a \$8 million line of credit which was utilized by the Debtors between August and October 2018.

C. Certain Affiliate Transactions

1. Centralized Cash Management

As of the Petition Date, the Debtors maintained 37 accounts with six banks. Twenty-eight
of the accounts were regular depository and/or checking accounts; four were savings accounts (two
money market accounts and two CDs); five were credit card accounts.

For the most part, the Debtors maintain cash systems for each of (a) Astria; (b) Sunnyside
and its affiliates, including Sunnyside Community Hospital Home Medical Supply, LLC, and
Astria Home Health (collectively, the “**Sunnyside Entities**”); and (c) SHC–Yakima and SHC–
Toppenish together and with their affiliates, including Yakima HMA Home Health, LLC
(collectively “**Yakima/Toppenish**”). These grouped cash systems further connect through a
complex series of intercompany transfers. From a broad perspective, (a) each Debtor (or Debtor
group) maintains one or more depository accounts to collect receivables and one or more credit
card accounts; (b) Astria’s depository account also serves as a checking account from which it pays
corporate obligations, such as corporate management fees, life insurance costs, other employee
benefits, property insurance, and other corporate vendors; (c) the Sunnyside Entities maintain an
account for non-payroll accounts payable (“**A/P**”), payroll account, accounts related to their health
insurance, and money market accounts and certificates of deposit; and (d) Yakima/Toppenish
maintains a payroll account and A/P account, both of which list Astria as owner. As of the Petition
Date, all of Yakima/Toppenish deposit accounts were swept to MidCap, and their operating
accounts are then funded by Midcap on regular request; but this mechanism was eliminated with
the DIP Facility.

1 [Docket No. 293].

2 On December 13, 2019, the Debtors filed a motion [Docket No. 818], seeking a new order
3 (I) Authorizing the Debtors to Obtain Replacement Postpetition Financing; (II) Granting Security
4 Interests and Superpriority Administrative Expense Status; (III) Granting Adequate Protection to
5 Certain Prepetition Secured Credit Parties; (IV) Modifying the Automatic Stay; (V) Authorizing
6 the Debtors to Enter Into Agreements with Lapis Advisers, L.P. (VI) Authorizing Use of Cash
7 Collateral; (VII) Scheduling a Final Hearing; and (VIII) Granting Related Relief [Docket No. 841],
8 authorizing the Debtors to obtain from Lapis Advisers, L.P., as agent for the lenders party thereto
9 (collectively, the “**Replacement DIP Lenders**”), additional senior secured postpetition financing
10 in an amount sufficient to pay off and replace the Initial DIP Facility plus \$700,000 of Committed
11 Advances to fund the Debtors’ working capital needs, with the Debtors’ request to obtain a total of
12 \$43,100,000 in postpetition financing to be considered at the final hearing (the “**Replacement DIP
13 Facility**”).

14 On December 20, 2019, following a hearing held on December 18, 2019, the Bankruptcy
15 Court entered an order granting the Replacement DIP Motion on an interim basis [Docket No. 841].

16 On February 5, 2020, the Bankruptcy Court held a hearing and entered the second interim
17 order granting the Replacement DIP Motion [Docket No. 1020].

18 On March 18, 2020, the Bankruptcy Court held a hearing and entered the third interim order
19 granting the Replacement DIP Motion [Docket Nos. 1117, 1181].

20 On April 15, 2020, the Bankruptcy Court held the final hearing and entered the *Final Order*
21 (*I) Authorizing the Debtors to Obtain Replacement Postpetition Financing; (II) Granting Security
22 Interests and Superpriority Administrative Expense Status; (III) Granting Adequate Protection to
23 Certain Prepetition Secured Credit Parties; (IV) Modifying the Automatic Stay; (V) Authorizing
24 the Debtors to Enter Into Agreements with Lapis Advisers, L.P. (VI) Authorizing Use of Cash
25 Collateral; and (VII) Granting Related Relief* [Docket No. 1201] (the “**Final DIP Order**”). The
26 Final DIP Order authorizes the Debtors, until July 17, 2020, to (a) continue to use cash collateral
27 to support ongoing operations, and (b) borrow additional funds if necessary (although the budget
28 does not currently anticipate any additional borrowings).

18 2. Cash Management

19 As described above, as is typical with most enterprises, as of the Petition Date the Debtors
20 had in place a cash management system for the collection of receipts and the disbursement of funds.
21 On May 9, 2019 [Docket No. 85], the Bankruptcy Court authorized the Debtors to continue to use
22 their existing cash management system, bank accounts, and business forms; and continue
23 postpetition their system of intercompany transfers, with limited exception.

24 3. Employee-Related Matters

25 Of particular importance to the Debtors’ efforts to stabilize their businesses and continue
26 their operations uninterrupted was their ability to maintain the continued support and cooperation
27 of their employees. Accordingly, on the Petition Date, the Debtors sought and, on May 9, 2019
28 [Docket Nos. 83 and 368], the Bankruptcy Court authorized the Debtors to pay and honor certain
prepetition obligations owing to the Debtors’ employees, including, but not limited to, (i) paying
amounts owed to employees for wages, salaries, and leased employee fees; (b) paying and honoring
benefits and other workforce obligations, such as remitting withholding obligations, maintaining
workers’ compensation and benefits programs, paying related administration obligations, making
contributions to retirement plans, and paying reimbursable employee expenses; and (c) continuing
to pay and honor such obligations as they arose postpetition in the ordinary course of business.
Furthermore, the Bankruptcy Court authorized and directed each of the banks in which the Debtors

1 maintained a bank account to honor all prepetition and postpetition checks related to such
2 prepetition obligations to employees.

3 **4. Maintenance of Utility Services**

4 Prior to the Petition Date, in connection with the operation of their businesses and
5 management of their properties, the Debtors obtained a wide range of utility services (collectively,
6 the "Utility Services") from certain utility companies (the "Utility Companies"), including
7 electricity, telephone, and similar service suppliers for which no alternate service can be expected.
8 It was essential that the Utility Services continued uninterrupted after the Petition Date. The
9 Bankruptcy Court issued an order on May 9, 2019 [Docket No. 84], (a) prohibiting the Utility
10 Companies from altering, refusing, or discontinuing service to the Debtors, and (b) establishing
11 procedures for determining adequate assurance of payment for future Utility Services.

12 **5. The Employment and Interim Compensation of Professionals**

13 During the course of the Chapter 11 Cases, the Court approved the employment of the
14 following professionals:

- 15 • Dentons US LLP – Counsel for the Debtor, retained July 8, 2019 *nunc pro tunc* to
16 the Petition Date [Docket No. 377];
- 17 • Bush Kornfeld KKP – Co-Counsel for the Debtor, retained June 26, 2019 *nunc pro*
18 *tunc* to the Petition Date [Docket No. 337];
- 19 • Piper Sandler Companies¹⁵ – Investment Banker to the Debtors, retained September
20 13, 2019 *nunc pro tunc* to July 2, 2019 [Docket No. 606];
- 21 • Cushman & Wakefield U.S., Inc. – Broker to the Debtors, retained April 30, 2020
22 *nunc pro tunc* to March 1, 2020 [Docket No. 1244];
- 23 • Almon Commercial Real Estate – Broker for the Debtors, retained April 30, 2020
24 *nunc pro tunc* to March 1, 2020 [Docket No. 1245];
- 25 • Sills Cummis & Gross P.C. – Co-Counsel to the Committee, retained July 5, 2019
26 *nunc pro tunc* to May 23, 2019 [Docket No. 371];
- 27 • Polsinelli PC – Co-Counsel to the Committee, retained July 5, 2019 *nunc pro tunc*
28 to May 23, 2019 [Docket No. 372];
- Berkeley Research Group, LLC – Financial Advisor to the Committee, retained July
15, 2019 *nunc pro tunc* to May 29, 2019 [Docket No. 392];
- Susan N. Goodman – ~~Patient Care Ombudsman~~PCO, appointed June 17, 2019
[Docket Nos. 278, 1382];¹⁶
- Kurtzman Carson Consultants LLC – Noticing Agent, appointed June 19, 2019,
nunc pro tunc to June 6, 2019 [Docket No. 292].

26 ¹⁵ Effective January 3, 2020, Piper Jaffray & Co. changed its name through merger to Piper Sandler
27 Companies.

28 ¹⁶ The Patient Care Ombudsman ~~has sought authorization to retain~~retained Crowe & Dunlevy and
Sussman Shank LLP as counsel. See Docket Nos. 1384-87.

1 On August 6, 2019, the Bankruptcy Court issued an order establishing certain procedures
2 by which all Professionals would be required to comply in seeking compensation for fees and
3 reimbursement of expenses [Docket No. 453]. During the course of these Chapter 11 Cases, the
4 Debtors' have paid ~~\$2,691,516~~4,492,797 to Debtor professionals, ~~\$1,214,283.91~~2,818,512 to Lapis
Parties professionals, ~~\$1,773,732~~ to Committee professionals, ~~\$217,198.65~~272,867 to the Patient
Care OmbudsmanPCO, \$0 to Patient Care OmbudsmanPCO professionals, ~~\$653,466.95~~1,029,550
to KCC, and ~~\$1,979,577.73~~3,262,776 to the U.S. Trustee.

5 In addition, prior to the Petition Date, the Debtors employed and was in the practice of
6 employing certain professionals, in the ordinary course of business, to render services to their
7 Estates (collectively, the "Ordinary Course Professionals"), including legal, tax, and insurance
8 services, which were necessary to the day-to-day continuation of the Debtors' operations. On June
9 21, 2019, and as amended on July 5, 2019, the Bankruptcy Court granted the Debtors the authority
10 to continue to employ and compensate the Ordinary Course Professionals in the ordinary course
11 [Docket Nos. 306 and 370].

9 6. Reporting and Disclosures

10 The Debtors have ~~made every effort to comply~~complied with their duties under §§ 521,
11 1106 and 1107 and all applicable U.S. Trustee guidelines, including the filing of the Debtors'
12 monthly operating reports with the U.S. Trustee. See Docket Nos. 310, 409, 521, 626, 768, 847,
955, 1075, 1174, 1248, 1347, 1455. The Debtors also attended their initial interview with the U.S.
Trustee and the meeting of creditors required under § 341(a).

13 7. Current Financial Information

14 Following the closure of ARMC, the Debtors were able to stabilize operations and finances
15 prior to the onset of the COVID-19 pandemic. On March 13, 2020, the Governor of Washington
16 State issued a moratorium on elective procedures which had a significant impact on net patient
17 revenues generated. The Debtors responded by further reducing operating expenses including
18 management and staff salary reductions along with temporary furloughs. In response to the
19 pandemic, the federal government provided payments to providers based upon their recent
20 historical patient revenues to compensate for the loss of patient revenues. The Debtors received
21 payments approximating ~~\$4618~~ million in aggregate COVID funding during the months of April
22 through June ~~2019,2020~~, resulting in net operating profits during those months. As of ~~June~~
~~1,October 31~~, 2020, the Debtors had approximately ~~\$19,428.0~~ million in cash in the bank and are
meeting postpetition liabilities, including payment of professional fees approved to date. For the
six months ending December 31, 2020, the Debtors are projected to generate approximately ~~\$7880~~
million in net revenue and net income and EBIDA (earnings before interest, depreciation and
amortization) of ~~\$2,78.4~~ million and ~~\$8,613.7~~ million, respectively. The Debtors are projected to
generate positive monthly EBIDA in every month subsequent to confirmation of the Plan sufficient
to pay operating expenses in the normal course of business, debt service and capital expenditures
("capex") as needed.

23 C. Appointment of Statutory Parties in Interest

24 1. Formation and Representation of the Committee

25 On May 24, 2019, the U.S. Trustee appointed the Committee pursuant to § 1102(a) and
26 (b)(1) [Docket No. 135]. The members of the Committee are CHSPSC, LLC, LocumTenens.com,
27 LLC, Medtronic USA, Inc., Morrison Management Specialists, Inc., Apogee Physicians, and
28 Boston Scientific.

1 **2. Appointment of the Patient Care Ombudsman**

2 Because the Debtors are a health care business as defined in § 101(27A), on June ~~10, 11,~~
3 2019, the Bankruptcy Court directed the U.S. Trustee to appoint a ~~patient care ombudsman~~PCO
4 pursuant to § 333(a)(2) [Docket Nos. ~~239 and~~No. 241]. On June 17, 2019, the U.S. Trustee
5 appointed Susan Goodman, of Mesch, Clark & Rothschild, as the ~~Patient Care Ombudsman~~
6 ~~[Docket No. 278], which the Bankruptcy Court~~PCO [Docket No. 278, with change of firm update
7 at Docket No. 379]. ~~The amended approval order to formally include record access language was~~
8 approved on June 12, 2020 [Docket No. 1382]. ~~The Patient Care Ombudsman has filed two interim~~
9 ~~reports relating to Yakima [Docket Nos. 465, 682], two interim reports relating to~~Since
10 ~~appointment, the PCO initially filed geographic location-specific reports for ARMC, Toppenish~~
11 ~~[Docket Nos. 464, 686], two interim reports relating to, and Sunnyside [first report series at~~ Docket
12 ~~Nos. 463, 687], three interim~~463-465; second report series at Docket Nos. 682, 686-687].
13 ~~Thereafter, PCO has filed seven consolidated reports [Docket Nos. 855, 1042, 1205], and two~~
14 ~~interim two supplemental reports [Docket Nos. 750, 1356~~750 and 1356] and five interim reports
15 ~~[Docket Nos. 855, 1042, 1205, 1484, and 1793].~~

9 **D. The Automatic Stay**

10 As discussed above, the automatic stay under § ~~363~~362 provides that, as of the Petition
11 Date, most pending litigation is stayed, and absent further order of the bankruptcy court, no party,
12 subject to certain exceptions, may take any action, again subject to certain exceptions, to recover
13 on prepetition claims against the Debtors.

13 During the Chapter 11 Cases, the Bankruptcy Court granted limited relief from the
14 automatic stay in six discrete instances, as described below.

14 Pursuant to the DIP Order, the DIP financing parties have been granted limited relief from
15 the automatic stay to protect their security interests.

16 On August 21, 2019, the Bankruptcy Court also granted relief to Dr. David Becerril to
17 exercise his contractual rights to terminate his employment contract without providing the Debtors
18 the full contractual notice [Docket No. 519]. Initially the Debtors appealed this order to the
19 Bankruptcy Appellate Panel of the Ninth Circuit, Case No. 19-1209. On October 23, 2019, the
20 Court granted the parties' stipulated dismissal of the appeal [App. Docket No. 5-1].

19 On October 4, 2019, the Bankruptcy Court lifted the automatic stay to authorize both Maria
20 Estrella [Docket No. 665] and Florenda LeClair [Docket No. 666] to proceed with their respective
21 personal injury lawsuits pending in Yakima County Superior Court through judgment; provided,
22 however, that Estrella and LeClair could only recover any judgment from proceeds of the applicable
23 medical liability insurance policy or policies. Also in October 2019, the Bankruptcy Court granted
24 a stipulation between the Debtors and Dr. Jan Hemstad, lifting the automatic stay to permit both
25 parties to exercise their respective rights under Hemstad's employment agreement [Docket Nos.
26 707 and 718]. On January 31, 2020, the ~~Bankruptcy~~Bankruptcy Court annulled the automatic stay
27 as to Dr. Suzanne Cleland-Zamudio regarding a contractual dispute [Docket No. 1007].

24 In addition, in one instance the Debtors were forced by an action of a contract counterparty
25 to seek emergency relief to enforce the automatic stay. On May 29, 2019, the Bankruptcy Court
26 entered the Order Granting Debtors' Emergency Motion to Enforce the Automatic Stay [Docket
27 No. 171] against a staffing agency that violated the stay.

27 On June 30, 2020, the Bankruptcy Court approved [Docket No. 1454] a stipulation [Docket
28 No. 1303] between the Debtors and Cardinal Health 110, LLC ("CH 100"), Cardinal Health 200,
29 LLC ("CH 200"), and Cardinal Health 414, LLC ("CH 414," and together with CH 100 and CH
30 200, "Cardinal Health"), granting Cardinal Health limited relief from the automatic stay to permit

1 it to set off certain prepetition credits owing to the Debtors, first, against prepetition claims that
2 would otherwise constitute § 503(b)(9) Claims, and, second against Cardinal Health’s General
Unsecured Claim.

3 **E. The ~~Preliminary Debtors’ Sale Process~~ Efforts**

4 On November 20, 2019, the Debtors filed a motion (the “**Sale Motion**”) for an order, among
5 other things, establishing bid procedures related to the sale of substantially of the Debtors’ Assets,
6 scheduling an auction and hearing to consider approval of the sale, and authorizing the sale of free
and clear of any liens, security interests, claims, charges, or encumbrances in accordance with §
363(f) [Docket No. 765].

7 On December 6, 2019, following a hearing held on December 5, 2019, the Bankruptcy Court
8 entered an order approving the bidding procedures and related matters associated with the sale
process (the “**Bid Procedures Order**”) [Docket No. 807].

9 An auction, if necessary, was scheduled to be held on February 5, 2020.

10 The Debtors engaged Piper Sandler (“**Piper**”) to conduct a dual track process seeking
11 potential refinancing of existing senior secured indebtedness or sale of some or all of the operating
12 assets of the Debtors. After an extensive marketing process to local, regional and national
13 healthcare operating companies only two hospital operating company buyers submitted letters of
14 interest for certain operating assets of the Debtors. One company submitted an offer for all three
15 Hospitals at a level insufficient to pay existing senior secured indebtedness. Through Piper, the
16 Debtors were informed that their offer was contingent on acquiring all three Hospitals and would
17 not be increased due to the losses incurred at ARMC. The Debtors determined this was
unacceptable and further discussions ceased. The second company was only interested in the
Sunnyside hospital but, after weeks of confirmatory due diligence, withdrew from consideration
citing decisions made by their senior management. Piper re-canvassed the market again without
success. Thus, the Plan Proponents ultimately concluded that a sale process is not a viable exit
strategy for the Debtors. Accordingly, on April 24, 2020, the Debtors filed a notice cancelling all
dates and deadlines relating to the Sale Motion and Bid Procedures Order [Docket No. 1229].

18 Piper also conducted an extensive marketing process reaching out to approximately 130
19 financial institutions seeking exit financing for the Debtors sufficient to pay down senior secured
20 debt and support a plan of reorganization. Fifty-seven of the financial institutions contacted by
21 Piper requested and received marketing material outlining the opportunity. Six indications of
22 interest were received, both verbal and written, ranging from refinancing only the DIP Facility to a
23 complete takeout of the Debtors’ senior secured debt. The Debtors pursued opportunities with two
24 lenders offering the most liquidity and the best opportunity to takeout the entire existing
25 indebtedness. The search for financing was reduced to only one lender after one of the lenders
required exclusivity and significant due diligence requirements, including engaging a third party
consultant for due diligence at the expense of the Debtors. Subsequent to significant due diligence,
the Debtors received positive feedback from the lender and the credit was presented for approval
to the lender’s commitment committee. Unfortunately, the timing was not favorable and the lender
ultimately declined the opportunity citing the uncertainty of the impact of the COVID pandemic on
financial markets. Throughout the process, Piper continued to reach out to all of the original
financial institutions contacted but received no further interest in the transaction.

26 **F. The Closure and Sale of SHC-Yakima**

27 From the Petition Date through December 2019, the Debtors worked to obtain exit financing
28 or a buyer interested in acquiring ARMC, the medical center operated by SHC–Yakima and Astria,
under acceptable terms. Notwithstanding those efforts (including retention of an investment
banker), the Debtors were not able to obtain such financing or buyer. In fact, ARMC’s deteriorating

1 financial condition coupled with a ~~last gasp~~ failed effort to obtain refinancing or a purchaser led to
2 the emergency closure of ARMC in order to prevent a risk to patient safety at ARMC.

3 On January 3, 2020, the Debtors moved on an emergency basis to close ARMC [Docket
4 No. 867] (the “**Closure Motion**”). As set forth in the Bankruptcy Court’s order approving the
5 Closure Motion [Docket No. 874] (the “**Closure Order**”), the Debtors filed the Closure Motion
6 under seal because, if the relief sought became public, “maintaining adequate staff to provide
7 quality patient care could have become problematic” and created “an immediate threat to both
8 patient and public health and safety.” *Id.* at 2. The Bankruptcy Court granted the Closure Motion
9 on January 8, 2020, and authorized the Debtors “to implement a plan (the “**Closure Plan**”) . . . for
10 the closure of the Medical Center.” *Id.* at 3. The Bankruptcy Court-approved Closure Plan
11 provided for a safe but quick closure of ARMC’s operations. *Id.* at 5-9. ARMC closed on or about
12 January 13, 2020, when the last patient was discharged.

13 On January 16, 2020, after an evidentiary hearing, the Bankruptcy Court denied an
14 emergency motion for reconsideration of the Closure Order filed by the Washington State Nurses
15 Association [Docket Nos. 876, 897].

16 On March 27, 2020 [Docket No. 1146] and June 11, 2020 [Docket No. 1369], the Court
17 granted the Debtors’ two omnibus motions to reject certain executory contracts and unexpired
18 leases of real property relating to the terminated operations at ARMC.

19 In accordance with their agreement with Lapis and the Committee, the Debtors retained
20 Cushman & Wakefield U.S., Inc. and Almon Commercial Real Estate as real estate brokers to
21 market the ARMC facility, as well as other real estate in the Yakima area. *See* Docket Nos. 1243-
22 44.

23 On May 6, 2020, Debtors filed their (a) *Motion to Authorize And Approve Private Sale of*
24 *Property (910 S. 10th Avenue, Yakima)* [Docket No. 1255], and (b) *Motion to Authorize And*
25 *Approve Private Sale of Property (Unit 42, Yakima Professional Center)* [Docket No. 1256], both
26 supported by the *Declaration of William Almon in Support of the Private Sales of These Properties*
27 [Docket No. 1257]. On June 11 and 12, 2020, the Bankruptcy Court approved these two sales,
28 which will result in value to the estates of more than \$230,000. *See id.*; Docket Nos. 1368, 1381].

29 Cushman Wakefield ~~is also then commenced~~ actively marketing the ARMC building and
30 the adjacent medical office building. After negotiating with two prospective buyers, the Debtors,
31 in consultation with the Lapis Parties, selected Yakima MOBIC, LLC as the entity to acquire the
32 medical office building and the ARMC hospital building, for \$20 million. On October 7, 2020, the
33 Debtors’ filed a motion to approve this sale [Docket No. 1891]. On October 26, 2020, the Court
34 entered an order approving the sale [Docket No. 1950].

35 G. COVID-19 PANDEMIC

36 1. ARMC Lease Discussions

37 In late March 2020, the Debtors were approached by representatives of the State of
38 Washington, seeking to lease the formally operating ARMC facility building to deal with the
39 expected surge of COVID-19 patients. On March 30, 2020, the Debtors filed a Motion to Authorize
40 Approval of Interim Lease to the State of Washington in Response to the Covid-19 Pandemic and
41 Request for Emergency Hearing [Docket No. 1151]. This matter was heard and approved on an
42 emergency basis on March 31, 2020. The Court entered a formal order approving the relief on
43 April 3, 2020 [Docket No. 1172], concluding that due to the pandemic it was in the best interest of
44 the estate and the community to lease the ARMC facility to the State of Washington (the “**Lease**”).

45 On April 11, 2020, the State notified the Debtors that it had concluded that the facility was

1 no longer needed, and, therefore, the Lease would be terminated as of May 11, 2020. Nonetheless,
2 to date, the Debtors have been paid \$1,596,7442,428,000 by the State pursuant to the Lease ~~and~~
3 ~~expect the State to additionally pay the Debtors approximately \$530,000 plus related costs under~~
4 ~~the Lease.~~

2. Suspension of Elective Procedures

5 On March 18, 2020, CMS issued a memorandum recommending the immediate suspension
6 of all elective non-essential surgeries and procedures, including dental procedures. On March 19,
7 2020, Washington Governor Jay Inslee ordered a halt to all elective surgeries and dental procedures
8 for all hospitals, ambulatory surgery centers, dental and orthodontic offices. The Governor's
9 proclamation did not apply to emergency care or patients with urgent needs. High end procedures
10 such as elective orthopedic and cardiology services were explicitly mentioned in the proclamation
11 as banned procedures. Emergency and trauma services were not included in the proclamation.

12 The majority of surgical cases in hospitals are performed on an outpatient elective basis, a
13 trend that has been occurring for decades. This includes joint replacements, most orthopedic
14 surgeries, GI procedures, general surgery and non-emergency cardiac procedures. Inpatient
15 revenue at Sunnyside represents only 24% of revenue volume. Following the ban on elective
16 procedures, nearly all scheduled elective procedures at Sunnyside were cancelled. Following the
17 outbreak of the COVID-19 pandemic, Governor Inslee issued a proclamation prohibiting non-life
18 threatening elective procedures. Total surgical procedures at Sunnyside for the month of March
19 2020 were down to 228 compared to 319 the prior month and a budgeted value of 298, consistent
20 with the prior year, a 29% reduction from the prior month and directly related to the state order
21 halting procedures. Prior to the Governor's proclamation in mid-March, surgical procedures ~~in~~
22 ~~March~~ were on target to meet budget. Surgical volume for the ~~month of May was down~~
23 ~~approximately 27% from budget and prior year, with year to date procedures down approximately~~
24 ~~20%-six months ended June 30, 2020 were down approximately 17% with the biggest reduction in~~
25 ~~outpatient elective procedures. Inpatient surgical procedures through June 30, 2020 were up~~
26 ~~slightly compared to 2019. Surgical procedures have slowly improved across the summer and for~~
27 ~~the nine months ended September 30, 2020 surgical procedures are down 13% a slight~~
28 ~~improvement, however, for the month of September surgical volume is up 9% compared to the~~
29 ~~same period in 2019. Emergency department visits are down approximately 60% from~~
30 ~~January-27% for the nine months ended September 30, 2020 compared to the prior year, however,~~
31 ~~this is partially offset by a higher percentage of admissions per visit, and along with higher acuity~~
32 ~~an increase in the average daily census through September 30, 2020.~~ With a significant percentage
33 of volume dependent on outpatient visits and surgical procedures, net patient revenue for April and
34 May ~~is was~~ down approximately 35%, before receipt of CARES funds, from January and February,
35 just prior to the Governor's proclamation. SHC-Toppenish, while much smaller than Sunnyside,
36 had similar results in March, April and May with net revenue down, before receipt of CARES
37 funds, approximately 20% from the beginning of the year. On a combined basis, net revenue has
38 slowly rebounded for the quarter ended September 30, 2020 compared to the three months ended
39 March 31, 2020, \$37.2 million versus \$38.8 million, only a 4% reduction. While net revenue
40 declined in the second quarter, CARES funding and reductions in operating expenses allowed the
41 organization to remain profitable. With less revenue generation there will be an overall reduction
42 in A/R and future cash collections as billed claims are being collected but not replaced at the same
43 level prior to the order to halt procedures. Reduced cash collections will not be immediate but
44 deferred approximately 30-60 days (depending on payor) from the date of service. Reimbursement
45 for COVID-19 inpatient admissions along with special funding from CMS will not come close to
46 replacing lost revenue. The long-term impact is unknown, but patients have communicated their
47 concerns and will not return until they are absolutely sure hospitals are safe environments.
48 Utilization and revenue lost overnight will not return quickly but rather slowly over the next several
49 months.

1 **H. Continuing Cost Reimbursement at Sunnyside and SHC-Toppenish**

2 Sunnyside is a critical access hospital (“CAH”) and therefore reimbursed for the cost of
3 rendering all care for the entire year with payments made on an interim basis. Cost is determined
4 based on filing an annual cost report. As a CAH, Sunnyside is reimbursed for Medicare and
5 Medicaid services at cost plus 1%, plus pass-thru reimbursement for certain capital costs like
6 interest and depreciation. Individual claims are paid on an interim basis on a flat daily rate that
7 approximates/estimates the cost of rendering care on an aggregate basis, established based on
8 historical results from the most recently filed cost report. At the end of the provider’s fiscal year
9 (calendar for Astria) cost reports are filed for each hospital. Annually, CMS (through fiscal
10 intermediaries) reviews (and eventually audits) filed cost reports and compares the cost of rendering
11 care for the entire year to the aggregate payments made on an interim basis. The difference between
12 what was paid and what should have been paid determines if the provider owes money back to
13 CMS or is entitled to receive more money from CMS for that cost reporting year. This process
14 does not get finalized for up to 2-3 years after filing the cost report. In any one given year there
15 could be multiple cost reports outstanding with amounts owing or owed. It is not unusual to see a
16 provider owe money for one outstanding cost report year while at the same time have a receivable
17 from CMS for another open cost report. Therefore, for Sunnyside Medicare and Medicaid claims,
18 any overpayment, or underpayment is determined on an aggregate basis after filing the annual cost
19 report, after desk review of the cost report and, finally, ONLY after a final audit and determination
20 of final cost which is a process each and every provider goes through yearly. Every hospital in the
21 country goes through the same process annually, including the 1,000+ cost reimbursed critical
22 access hospitals. Finally, commercially insured claims representing approximately 25% of the
23 business at Sunnyside are paid based on contracted rates for inpatient and outpatient services with
24 updates negotiated periodically. Overpayments on an individual claim could occur but are unlikely
25 as commercial insurers typically reject a claim first or ask for additional information to determine
26 the appropriateness or necessity of the claim. All third-party payors, including CMS and the State
27 of Washington Medicaid, routinely audit claims or batches of claims under audit recovery
28 provisions consistent with provider-payor agreements. Sunnyside has no outstanding disputes with
29 payors related to over-payments.

30 SHC-Toppenish is reimbursed for medical and surgical services based on a prospective
31 payment basis-system basis and, accordingly, ~~claims are reimbursement for medical/surgical cases~~
32 on a claim basis reimbursed on an individual claim based on diagnostic related groups for inpatient
33 Medicare and Medicaid inpatient claims and based on fee schedules for outpatient services.
34 Behavioral Behavioral claims are paid on a per diem basis—, with rates adjusted periodically
35 following completion of annual cost reports. SHC-Toppenish received increases in Medicaid
36 reimbursement rates for medical surgical admissions as well as increased per diem rates for
37 behavioral patents effective July 1, 2020. Medicaid rates for medical and surgical admissions
38 increased approximately fifty percent while per diem rates for behavioral patients increased from
39 \$1,171 to \$2,024, an increase of approximately 73%. In addition, SHC-Toppenish was awarded a
40 certificate of need (CON) for 47 more psych beds to meet the shortfall in Yakima County. In
41 addition to being awarded the CON the State of WA awarded SHC-Toppenish a grant of \$1,960,000
42 to build out the first ten beds awarded under the CON.

43 Individual claims at both hospitals go through a complex process of charge capture, coding,
44 audit and claims review prior to being submitted to the third-party payor. Claims that don’t meet
45 criteria within SHC-Toppenish’s systems are rejected internally until a “clean” claim can be
46 submitted. After going through a complex internal process, claims rejected by third party payors
47 are *de minimis*.

1 **I. The Adversary Proceedings**

2 **1. Washington State Nurses Association**

3 On January 31, 2020, Washington State Nurses Association (“WSNA”), the collective
4 bargaining representative of nurses currently and formerly employed by the Debtors, filed a
5 complaint [Adv. Docket No. 1] (the “WSNA Complaint”) against the Debtors, commencing an
6 adversary proceeding, Adv. Pro. Case No. 20-80005-WLH (the “WSNA Adversary Proceeding”).
7 The WSNA Complaint alleges violations of the Worker Adjustment and Retraining Notification
8 Act (“WARN Act”), 29 U.S.C. §§ 2101-09, the Washington Wage Payment and Collection Act
9 (“Washington Payment Act”), RCW 49.48.010-900, and the Washington Wage Rebate Act
10 (“Washington Rebate Act”), RCW 49.52.010-090, on account of the Debtors’ closing the Medical
11 Center without providing nurses or other employees at least 60 days advance notice of the closure.
12 As relief, the WSNA Complaint ~~seeks~~sought damages, punitive damages, fees and costs under three
13 counts. The first count ~~seeks~~sought an unspecified amount of damages for all WSNA-represented
14 employees under the WARN Act. The second and third counts ~~seeks~~sought payment of all accrued
15 and unused paid time off (“PTO”), regardless of when earned, plus double damages equal to the
16 value of such PTO under the Washington Payment Act and the Washington Rebate Act, based upon
17 Defendants’ alleged failure to pay all PTO on the nurses’ last day of employment.

18 On March 4, 2020, the Debtors filed a motion to dismiss the WSNA Adversary Proceeding
19 [Adv. Docket No. 6] (the “WSNA-AP MTD”).

20 ~~On March 13, 2020, WSNA filed, on behalf of the parties, a Joint Status Report and
21 Discovery Plan [Adv. Docket No. 10], under which the parties may conduct discovery until May
22 15, 2020, and briefing will occur in June 2020. The Debtors advised the Bankruptcy Court of their
23 position that discovery should be stayed pending resolution of the WSNA-AP MTD. On March
24 18, 2020, the Bankruptcy Court conducted a scheduling conference in which it addressed, among
25 other things, the permissible scope of discovery pending resolution of the WSNA-AP MTD.~~

26 On March 25, 2020, WSNA filed an Objection to the WSNA-AP MTD [Adv. Pro. Docket
27 No. 13] (the “WSNA Objection”).

28 ~~On April 1, 2020, the Defendants, on behalf of the parties, filed a Stipulated Protective
29 Order [Adv. Pro. Docket No. 14] and a Jointly Proposed Scheduling Order [Adv. Pro. Docket No.
30 16]. On that same day, this Court entered an order setting the scheduled April 15, 2020 hearing on
31 the WSNA-AP MTD to be conducted telephonically. On April 3, 2020, the Defendants responded
32 to WSNA’s permissible discovery requests. On April 10, 2020, this Court entered the Jointly
33 Proposed Scheduling Order, with modification [Adv. Pro. Docket No. 18].~~

34 On April 13, 2020, Defendants filed their Reply to the WSNA Objection and in support of
35 the WSNA-AP MTD. On April 17, 2020, Defendants filed a notice of payment in full of unused
36 administrative and prepetition priority PTO balances [Adv. Pro. Docket No. 23].

37 On April 21, 2020, the Bankruptcy Court held a hearing to deliver its oral decision on the
38 WSNA-AP MTD. On April 30, 2020, the Bankruptcy Court entered an Order granting in part and
39 denying in part the ~~WSNA-AP~~ WSNA-AP [Adv. Pro. Docket No. 29] (the “WSNA-AP MTD
40 Order”). Specifically, the WSNA-AP MTD Order denied the WSNA-AP MTD as to the first cause
41 of action (alleged WARN violations); but granted the WSNA-AP MTD, *with prejudice*, as to the
42 second (alleged Washington Payment Act violations) and third (alleged Washington Rebate Act
43 violations) causes of action.

44 ~~On May 5, 2020, WSNA filed its Answer to the Complaint [Adv. Pro. Docket No. 31].
45 Discovery has been scheduled to continue until August. See Adv. Pro. Docket No. 29. The WSNA
46 Adversary Proceeding was later settled and, on September 9, 2020, the Court entered an order~~

1 [approving a settlement agreement between WSNA and the Debtors. \[Adv. Docket No. 43\]. On](#)
2 [September 22, 2020, a Stipulation of Dismissal was filed. \[Adv. Docket No. 45\].](#)

3 2. Small Business Administration

4 On May 15, 2020, the Debtors filed a complaint [Docket No. 1278; Adv. Docket No. 1] (the
5 “**SBA Complaint**”) against the U.S. Small Business Administration (“**SBA**”) and Jovita Carranza
6 (in her capacity as Administrator for the SBA, “**SBA Administrator**,” and together with the SBA,
7 “**SBA Defendants**”), commencing an adversary proceeding, Adv. Pro. Case No. 20-80016-WLH
8 (the “**SBA Adversary Proceeding**”). The Complaint alleges improper and unlawful
9 administration of the Paycheck Protection Program (“**PPP**”), on account of Banner Bank’s denial,
10 at the direction of the SBA acting through the Administrator, of two of the Debtors’ applications
11 for loans under the PPP because the applicants are debtors in bankruptcy. The first count seeks an
12 order enjoining: (a) the SBA, the SBA Administrator, any of their agents, servants, employees, and
13 any parties acting in concert with any of the foregoing, or any commercial lender (collectively, the
14 “**Restrained Parties**”) from denying an application under PPP funds on the basis that the applicant
15 is a debtor in bankruptcy or because of the words “presently involved in any bankruptcy” on the
16 PPP Application; and (b) the SBA and the SBA Administrator from issuing loan guaranties or
17 approving PPP Applications in an amount that would leave insufficient funds for the Debtors’
18 funding pursuant to the Applications (or any amended applications). The second through seventh
19 counts further seek determinations, declaratory judgments, and/or writ of mandamus in connection
20 with the SBA and SBA Administrator’s implementation of PPP, including that it violates § 525(a)
21 and the Administrative Procedure Act, 5 U.S.C. § 701 *et seq.*, and is not consistent with the
22 Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”), Public Law 116-136.
23 The third, sixth, and seventh counts also seek damages if no injunction is issued and it is later
24 determined that the Debtors were eligible for PPP funds but none remain available.

25 On May 15, 2020, the Debtors also filed a motion for a temporary restraining order [Adv.
26 Docket No. 2] (the “**TRO Motion**”), which, among other things, sought to ensure that the SBA
27 Defendants would reserve sufficient funds or guaranty authority pending resolution of the issues
28 raised in the SBA Complaint. The Debtors and the SBA Defendants agreed to a briefing schedule
on the TRO Motion, during which the SBA agreed to maintain sufficient funds to make the
requested loan if the Bankruptcy Court held for the Debtors, and to have a hearing on the TRO
Motion as if it were seeking a preliminary injunction. The SBA Defendants opposed the TRO
Motion on May 26, 2020 [Adv. Docket Nos. 14-15], and the Debtors filed their reply on June 1,
2020 [Adv. Docket No. 16].

On June 8, 2020, the Debtors and the Lapis Parties entered into a stipulation [Adv. Docket
No. 18] regarding the treatment and use of any funds obtained by the Debtors in connection with
their PPP Application.

On June 10, 2020, the Bankruptcy Court entered an order granting the Debtors’ request for
a preliminary injunction. *See* Adv. Docket No. 10. The order, among other things: (a) authorizes
the Debtors to submit modified PPP applications; (b) enjoining the Restrained Parties from
conditioning approval of or otherwise refusing to guaranty a PPP loan sought by the Debtors on the
basis of their status as debtors in these Chapter 11 Cases; and (c) enjoining the Restrained Parties
from continuing to provide PPP loans without reserving sufficient funds or guaranty authority to
provide the Debtors with access to PPP funds should they be eligible. The Bankruptcy Court denied
the SBA’s oral motion for stay pending appeal, and certified its order for direct appeal to the Ninth
Circuit. *Id.*

The Debtors received confirmation that their resubmitted PPP applications were approved
and will be funded. *See* Adv. Docket No. 33. In fact, the Debtors have now received approximately
\$2.7 million in PPP loans. [The United States Department of Justice asserts that it is entitled to
repayment of these funds as an administrative expense, which the Debtors dispute.](#)

1 On June 23, 2020, the SBA Defendants filed a notice of appeal [Adv. Docket No. 28] of the
2 Bankruptcy Court's decision to the District Court, which is proceeding under Case No. 1:20-cv-
03089-RMP. The parties have agreed [Adv. Docket No. 33] to stay the SBA Adversary Proceeding
3 pending appeal. A status conference is scheduled for August 25, 2020. The SBA Defendants have
4 also filed a motion to withdraw the reference, which, if granted, would result in the SBA Adversary
Proceeding being held before the District Court. See Adv. Docket No. 26.

3. Yakima HMA

5 On May 19, 2020, Yakima HMA, LLC and Yakima HMA Physician Management, LLC
6 (collectively the "**YHMA Plaintiffs**") filed a complaint [Docket No. 1293; Adv. Docket No. 1]
7 (the "**YHMA Complaint**") against Yakima and Toppenish (the "**YHMA Debtor Defendants**"),
8 commencing an adversary proceeding, Adv. Pro. Case No. 20-80018-WLH (the "**YHMA**
9 **Adversary Proceeding**"). The YHMA Complaint seeks judgment for turnover by the YHMA
Debtor Defendants of all funds they received resulting from cost reports for periods before the
effective date of the asset purchase agreement, dated as of December 13, 2016, relating to the
YHMA Debtor Defendant hospitals and related businesses. *See id.*

10 A scheduling conference had been set in the YHMA Adversary Proceeding for July 8, 2020,
11 but a delayed continuance of approximately one month has been requested so that the YHMA
12 Plaintiffs could obtain a new summons and re-serve the YHMA Complaint on the YHMA Debtor
Defendants. *See* Adv. Docket No. 6.

13 On August 31, 2020, the YHMA Debtor Defendants filed a motion to dismiss the YHMA
14 Complaint for failure to state a claim. [Adv. Docket No. 18]. On October 8, 2020, the Court
15 entered an order granting the YHMA Debtor Defendants' motion to dismiss. [Adv. Docket No.
16 33].

J. Schedules and Claims Bar Dates

17 On June 20, 2019, after having received one extension from the Bankruptcy Court, the
18 Debtors filed their respective Schedules. On November 12, 2019, the Debtors filed amendments
19 to certain of the original Schedules.

20 In addition to claims scheduled by the Debtors, more than 800 proofs of claim have been
21 filed against the Debtors in these Chapter 11 Cases in an amount exceeding \$770 million in the
22 aggregate.

23 The Bankruptcy Court has fixed certain deadlines—or "bar dates"—for creditors and
24 contract counterparties to file their Claims against the Debtors, as follows:

25 (A) *Bar Date for Prepetition Claims.* On August 10, 2016, the Bankruptcy Court
26 entered the *Notice of Chapter 11 Bankruptcy Case* [Docket No. 91], which fixed August 5, 2019
27 as the last day for the filing of proofs of claim in this case for all Claims against the Debtors arising
28 prior to the Petition Date (including any claims arising under § 503(b)(9)) (the "**General Bar**
Date"), except for claims by Governmental Units. The bar date for Governmental Claims was
November 4, 2019 (the "**Governmental Bar Date**," and together with the General Bar Date, the
"**Bar Dates**"). On June 17, 2020, the Bankruptcy Court entered an order [Docket No. 1417] setting
a second general bar date of July 22, 2020, for those certain potential prepetition claimants who did
not receive notice of the General Bar Date before August 5, 2019.

Any Claims required to be filed before the Bar Dates that were not timely filed are forever
barred from assertion against the Debtors, the Estates or property thereof, the LitigationGUC
Distribution Trust or property thereof, and/or the Liquidation Trust or property thereof, and the
holder of such Claim is not entitled to vote on the Plan or to participate in any distribution in this

1 case.

2 (B) *Bar Date for Rejection Damage Claims.* The Debtors currently have until August
3 30, 2020, subject to further extension prior to Confirmation, to assume or reject their unexpired
leases of nonresidential real property pursuant to § 365(d) [Docket No. 1466].

4 The Plan provides that any Rejection Damage Claim or other Claim for damages arising
5 from the rejection under the Plan of an executory contract or unexpired lease must be Filed and
6 served upon counsel to the Debtors within 30 days after the entry of an order (including the
7 Confirmation Order) approving such rejection. Any such Claims that are not timely Filed and
served will be forever barred and unenforceable against Debtors, the Estate, Reorganized Debtors,
and their respective property, and Entities holding these Claims will be barred from receiving any
distribution under the Plan on account of such untimely claims.

8 Except as (1) already rejected during the Chapter 11 Cases, (2) expressly set forth in the
9 Schedule of Assumed Agreements attached to the Plan, or (3) otherwise expressly provided in the
Plan or the Confirmation Order, all contracts, leases, and other agreements that Debtors entered
into after Petition Date will be rejected by Reorganized Debtors.

10 On February 5, 2020, the Debtors filed their first omnibus motion [Docket No. 1019] for an
11 order authorizing them to reject certain executory contracts and unexpired leases of real property,
to which certain counterparties objected [Docket Nos. 1052, 1096]. The Bankruptcy Court granted
12 the first omnibus motion on March 27, 2020. *See* Docket No. 1146. On May 8, 2020, the Debtors
filed their second omnibus motion [Docket No. 1262] for an order authorizing them to reject certain
13 additional executory contracts and unexpired leases of real property, to which certain counterparties
objected [Docket Nos. 1321]. The Bankruptcy Court granted the second omnibus motion on June
14 11, 2020 [Docket No. 1369], with the exception of two agreements the rejection of which was
authorized on July 6, 2020 [Docket No. 1465].

15 (C) *Administrative Claims Bar Date.* On June 17, 2020, the Bankruptcy Court entered
16 an order [Docket No. 1416] fixing July 20, 2020 as the deadline by which all proofs of claim for
Administrative Claims must have been filed, other than with respect to the following excluded
17 Claims (the “**Excluded Administrative Claims**”):

18 a) Administrative Claims based upon liabilities that the Debtors (other than
19 ARMC) incur in the ordinary course of their business to providers of goods and services.
To be clear, Administrative Claims held by vendors of goods and services to ARMC are *not*
20 Excluded Administrative Claims and such vendors *must* file an Administrative Claim;

21 b) Administrative Claims arising out of the employment by one or more of the
22 Debtors (other than ARMC) of an individual after the Petition Date. To be clear,
Administrative Claims held by former employees of ARMC who are no longer employed
23 by a Debtor are *not* Excluded Administrative Claims and such former employees *must* file
an Administrative Claim;

24 c) Any entity that has already properly filed a motion requesting allowance of
an Administrative Claim pursuant to § 503(b) related to the Postpetition Period;

25 d) A holder of an Administrative Claim related to or incurred during the
26 Postpetition Period that previously has been allowed by order of the Court;

27 e) A holder of an Administrative Claim that has been paid in full by the Debtors
pursuant to the Bankruptcy Code or in accordance with an Order of the Court; and
28

1 f) Any Claims held by the Bond Trustee or the Lapis Parties in connection with
2 (i) the 2017 Bonds, (ii) the Lapis 2019 Loan Agreement, and/or (iii) the Final DIP Order or
any similar order in these proceedings.

3 ~~A hearing on the Debtors' motion is scheduled for June 17, 2020. See Docket No. 1354.~~

4 **K. Committee Plan Settlement**

5 On July 7, 2020, the Debtors filed the Joint Chapter 11 Plan of Reorganization of Astria
6 Health and Its Debtor Affiliates (the "First Plan") [Docket No. 1471] and disclosure statement in
7 support (the "First Disclosure Statement") [Docket No. 1472]. Following the filing of the First
8 Plan and First Disclosure Statement, the Committee raised and engaged in discussions with the
9 Debtors regarding several issues with the First Plan that the Committee believed would prevent
10 confirmation of the First Plan, including the proposed treatment of Holders of General Unsecured
11 Claims thereunder (which, among other things, did not provide for any guaranteed funds for
12 distribution to the Holders of General Unsecured Claims).

13 The Debtors and the Committee engaged in extensive negotiations regarding these issues
14 culminating in a settlement resolving the Committee's objections as set forth in a plan settlement
15 term sheet between the parties, the terms of which have been incorporated into the amended Plan.
16 The settlement, as embodied in the amended Plan, reflects a compromise and resolution of
17 numerous complex issues, including those set forth in the Committee Objection, and is the result
18 of significant efforts by both the Debtors and the Committee.

19 As amended in light of the settlement, the Plan provides for, among other things,
20 contributions totaling not less than \$7.3 million by the Debtors and/or Reorganized Debtors to the
21 GUC Distribution Trust for distribution to the Holders of Allowed General Unsecured Claims
22 consistent with the Plan's terms, and the potential for additional funds dependent upon the ultimate
23 resolution of certain potential causes of action belonging to the Debtors and their estates and/or
24 Avoidance Actions to be transferred to the GUC Distribution Trust on the Effective Date. This
25 treatment represents a significant improvement over the treatment of General Unsecured Creditors
26 provided for in the First Plan.

27 **VI.**
28 **THE CHAPTER 11 PLAN**

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT AND IMPLEMENTATION OF THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH IS ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT A. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE, AND CREDITORS ARE URGED TO READ THE PLAN IN FULL.

The Claims against the Debtors are divided into Classes according to their seniority and other criteria. The Classes of Claims for each of the Debtors and the funds and other property to be distributed under the Plan are described more fully below.

A. Introduction

The Plan provides for the reorganization of the Debtors, with the sole exception of SHC-Yakima, which will proceed along its Closure Plan and be dissolved. As a result of the chapter 11 process and through the Plan, the Debtors expect that creditors will obtain a substantially greater recovery from the Estates than the recovery that would be available if the Debtors' assets had been liquidated under chapter 7 of the Bankruptcy Code.

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1 **B. Voting Procedures and Confirmation Requirements**

2 **1. Ballots and Voting Deadlines**

3 Accompanying this Disclosure Statement is a Ballot for acceptance or rejection of the Plan.
4 The Bankruptcy Court has directed that, to be counted for voting purposes, Ballots for the
5 acceptance or rejection of the Plan must be filed with the Solicitation Agent by no later than 4:00
6 p.m. Pacific Daylight Standard Time on ~~September 10~~ December 4, 2020. Ballots not actually
7 received by the Voting Deadline may not be counted, and Ballots that do not indicate either an
8 acceptance or rejection of the Plan will be deemed to constitute an acceptance of the Plan. If you
9 have any questions regarding the procedure for voting, please contact:

7 Geoffrey M. Miller
8 Dentons US LLP
9 1221 Avenue of the Americas
10 New York, New York 10020-1089
11 geoffrey.miller@dentons.com
12 (212) 768-6734

10 Correspondence sent by hand delivery or overnight mail should be sent to the address
11 provided above.

12 It is important for all ~~Creditors~~ Holders of Claims that are entitled to vote on the Plan to
13 exercise their right to vote to accept or reject the Plan. Even if you do not vote to accept the Plan,
14 you may be bound by the Plan if it is accepted by the requisite Holders of Claims and confirmed
15 by the Bankruptcy Court.

14 **2. Parties in Interest Entitled to Vote**

15 Pursuant to the provisions of the Bankruptcy Code, only Holders of Allowed Claims in
16 Classes of Claims that are “impaired” (see subsection below) and not deemed to have rejected the
17 Plan are entitled to vote to accept or reject the Plan. In addition, any Claim to which an objection
18 has been filed is not entitled to vote unless the Bankruptcy Court, upon application of the Holder
19 of the Claim, temporarily allows the Claim in an amount that it deems proper for the purpose of
20 accepting or rejecting the Plan. Any such application must be heard and determined by the
21 Bankruptcy Court on or before the Voting Deadline. A vote may be disregarded if the Bankruptcy
22 Court determines, after notice and a hearing, that the vote was not solicited or procured in good
23 faith or in accordance with the provisions of the Bankruptcy Code.

20 **3. Definition of Impairment**

21 Pursuant to § 1124, a class of claims is impaired under a plan unless, with respect to each
22 claim of such class, the plan:

- 23 1) leaves unaltered the legal, equitable, and contractual rights of the holder of
24 the claim or equity interest; or
25 2) notwithstanding any contractual provision or applicable law that entitles the
26 holder of a claim or equity interest to demand or receive accelerated payment
27 of such claim or equity interest after the occurrence of a default:
28 (A) cures any such default that occurred before or after the
commencement of the case under the Bankruptcy Code, other than a
default of a kind specified in § 365(b)(2);

- 1 (B) reinstates the maturity of such claim or interest as it existed before
such default;
- 2 (C) compensates the holder of such claim or interest for any damages
3 incurred as a result of any reasonable reliance on such contractual
4 provision or such applicable law;
- 5 (D) if such claim arises from any failure to perform a nonmonetary
6 obligation, other than a default arising from failure to operate a
7 nonresidential real property lease subject to § 365(b)(1)(A),
8 compensates the Holder of such claim or such interest (other than the
9 debtor or an insider) for actual pecuniary loss incurred by such
Holder as a result of such failure; and
- 10 (E) does not otherwise alter the legal, equitable or contractual rights to
11 which such claim or interest entitles the Holder of such claim or
12 interest.

13 The following Classes are impaired under the Plan and not deemed to have rejected the
14 Plan and are thus entitled to vote:

- 15 • Class 2A (Senior Secured Bond Debt Claims)
- 16 • Class 2B (Senior Secured Credit Agreement Claims)
- 17 • Class 2C (Other Secured Claims)
- 18 • Class 3 (Convenience Class Claims)
- 19 • Class 4 (General Unsecured Claims)
- 20 • Class 4A (Insured Claims).

21 Pursuant to § 1126(g), because the Holders of Intercompany Claims are not entitled to
22 receive or retain any property under the Plan on account of such Claims, Class 5 is deemed to
23 have rejected the Plan and, thus, Holders of Class 5 Intercompany Claims are not entitled to vote.

24 **C. Confirmation Procedure**

25 **1. Confirmation Hearing**

26 A hearing before the Honorable Whitman L. Holt, United States Bankruptcy Judge, to
27 consider confirmation of the Plan, has been scheduled for ~~September 24, December 16, 2020~~ at
28 11:00 a.m. Pacific ~~Daylight~~Standard Time, at the Bankruptcy Court, 402 East Yakima Avenue,
Suite 200, Yakima, Washington 98901. The Confirmation Hearing may be adjourned from time to
time by the Bankruptcy Court without further notice, except for an announcement of the adjourned
date made at the Confirmation Hearing.

29 **2. Procedure for Objections**

30 Any objection to confirmation of the Plan must be made in writing and specify in detail the
31 name and address of the objector, all grounds for the objection and the amount of the Claim held
32 by the objector. Any such objection must be filed with the Bankruptcy Court and served on counsel
33 for the Plan Proponents, counsel for the Committee, the U.S. Trustee, and all parties who have filed
34 a notice of appearance by 4:00 p.m. Pacific ~~Daylight~~Standard Time on ~~September 10, December 4,~~

1 2020. Unless an objection is timely filed and served, it may not be considered by the Bankruptcy
2 Court.

3 **3. Requirements for Confirmation**

4 The Bankruptcy Court will confirm the Plan only if it meets all the requirements of § 1129.
5 Among the requirements for confirmation are that the Plan be: (a) accepted by all impaired classes
6 of Claims that are entitled to vote or, if rejected by an impaired Class, that the Plan “does not
discriminate unfairly” against and is “fair and equitable” with respect to such Class; (b) feasible;
and (c) in the “best interests” of Creditors impaired under the Plan that have not voted to accept the
Plan. The Bankruptcy Court also must find that:

- 7 • the Plan has classified Claims in a permissible manner;
- 8 • the Plan complies with the technical requirements of chapter 11 of the
Bankruptcy Code; and
- 9 • the Plan has been proposed in good faith.

10 **4. Voting and Acceptance of the Plan**

11 As a condition to confirmation of the Plan, the Bankruptcy Code requires each Class of
12 “impaired” Claims entitled to vote on the Plan to vote to accept the Plan. The Bankruptcy Code
13 defines acceptance of a plan by a class of creditors as acceptance by holders of two-thirds (2/3) in
14 dollar amount and more than one-half (1/2) number of those claims or interests in that class actually
15 voting. Holders of Claims who fail to vote will not be counted as either accepting or rejecting the
Plan. A vote, moreover, may be disregarded if the Bankruptcy Court determines, after notice and
a hearing, that it was not made or solicited in good faith.

16 Classes of Claims that are not “impaired” under the Plan are conclusively presumed to have
17 accepted the Plan and, therefore, are not entitled to vote. Classes of Claims that receive no
distribution under the Plan are conclusively presumed to have rejected the Plan and are not entitled
to vote.

18 **5. Best Interests Test**

19 The “best interests” of impaired creditors test requires that each Holder of a Claim that has
20 not voted to accept the Plan and belongs to an impaired Class receive or retain under the Plan
21 property of a value that is not less than the value such Holder would receive or retain if the Debtors
22 were liquidated under chapter 7 of the Bankruptcy Code. To determine what members of each
23 impaired Class of Claims would receive if the Debtors were liquidated, the Bankruptcy Court must
determine the dollar amount that a liquidation of the Debtors’ assets would generate in the context
of a Chapter 7 liquidation. The amount available for satisfaction of Claims would consist of the
proceeds resulting from the liquidation, reduced by the Claims of secured creditors to the extent of
the value of their collateral, and the costs and expenses of the liquidation.

24 Attached as Exhibit B is a liquidation analysis prepared by the Debtors, reflecting a greater
25 distribution to Creditors pursuant to the Plan than Creditors would receive in a hypothetical Chapter
7 liquidation. Accordingly, the Plan Proponents believe the Plan satisfies the “best interests” of
impaired creditors test.

26 **6. The Feasibility Test**

27 The “feasibility” test requires the Bankruptcy Court to find that confirmation of the Plan is
28 not likely to be followed by the liquidation or the need for further reorganization of the Debtors.

1 For purposes of determining whether the Plan satisfies this condition, the Debtors have analyzed
2 the capacity of each Debtor to service its obligations under the Plan.

3 The Debtors have prepared the projected operating and financial results (the “**Financial**
4 **Projections**”) for the Debtors for a period of five years. The Financial Projections are attached to
5 this Disclosure Statement as Exhibit C. The Financial Projections should be read in conjunction
6 with the assumptions, qualifications, and the footnotes to the tables containing the Financial
7 Projections.

8 Based upon their analysis of their Financial Projections, the Debtors believe they will be
9 able to make all payments required to be made under the Plan.

7. Unfair Discrimination and the Fair and Equitable Test

10 If any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still
11 confirm the Plan despite such non-acceptance under the “cram down” provisions set forth in
12 § 1129(b). To obtain a confirmation under those circumstances, the Plan Proponents must show,
13 among other things, that the Plan “does not discriminate unfairly” against and is “fair and equitable”
14 with respect to each impaired Class of Claims that has rejected the plan.

15 Under § 1129(b), a plan is “fair and equitable” to a class of claims or equity interests if,
16 among other things, the plan provides: (i) with respect to secured claims, that each holder of a claim
17 included in the rejecting class will receive or retain on account of its claim property that has a value,
18 as of the effective date of the plan, equal to the allowed amount of such claim; and (ii) with respect
19 to unsecured claims and equity interest, that the holder of any claim or equity interest that is junior
20 to the claims or equity interest of such class will not receive or retain on account of such junior
21 claim or equity interest any property at all unless the senior class is paid in full. A plan does not
22 discriminate unfairly if the legal rights of a dissenting class are treated in a manner consistent with
23 the treatment of other classes whose legal rights are similar to those of the dissenting class and if
24 no class receives more than it is entitled to receive on account of its claim or interest.

~~25 AS THE HOLDERS OF INTERCOMPANY CLAIMS (CLASS 5) ARE ELIMINATED
26 AND DEEMED TO REJECT THE PLAN, THE PLAN PROPONENTS WILL SEEK
27 CONFIRMATION OF THE PLAN UNDER THE “CRAM DOWN” PROVISIONS OF § 1129(b).~~

8. Other Requirements of § 1129

28 The Plan Proponents believe that the Plan meets all the other technical requirements of
29 § 1129, including that the Plan has been proposed in good faith.

D. Reservation and Preservation of Causes of Action

30 Unless any Causes of Action¹⁷ against any party are expressly preserved (the “Preserved

¹⁷ As defined in Section 1.22 of the Plan, “Causes of Action” means “any and all claims, actions, causes of action,
31 choses in action, rights, demands, Liens, suits, liabilities, encumbrances, lawsuits, adverse consequences, debts,
32 damages, dues, sums of money, obligations, accounts, reckonings, deficiencies, bonds, bills, disbursements, expenses,
33 losses, specialties, covenants, guaranties, contracts, controversies, agreements, promises, variances, trespasses, powers,
34 judgments, privileges, licenses, franchises, remedies, rights of setoff, rights of recoupment, third-party claims,
35 subrogation claims, defenses, contribution claims, reimbursement claims, indemnity claims, counterclaims, and cross-
36 claims (including those of the Debtors and/or the Estates), each of any kind or character whatsoever, whether known
37 or unknown, foreseen or unforeseen, suspected or unsuspected, liquidated or unliquidated, fixed or contingent, matured
38 or unmatured, secured or unsecured, disputed or undisputed, and whether held or assertable in a personal or
representative capacity, based in law or equity, including under the Bankruptcy Code or under any other federal or state
statute or common law, whether in contract or tort or any other theory of law, whether direct, indirect, derivative, or
otherwise, whether arising before, on, or after the Petition Date, and whether asserted or unasserted as of the Effective

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1 Claims”), they are hereby, waived, relinquished, exculpated, released, compromised, or settled in
2 the Plan. For the avoidance of Doubt, Preserved Claims include claims against the Vendor and are
3 not preserved as to the Exculpation of Exculpated Parties in Section VIII.E and the releases of the
4 Released Parties in Section III.F of the Plan. With respect to Preserved Claims, the Debtors, their
5 Estates, the Reorganized Debtors, the GUC Distribution Trustee, and the Liquidation Trustee
6 expressly reserve, retain, and preserve all claims and/or Causes of Action (as defined in Section
7 I(A) of the Plan) of the Debtors and their Estates of any kind or nature whatsoever, whether arising
8 before or after the Petition Date, without limitation. Consistent with §1123(b)(3), this reservation,
9 retention, and preservation is intended to provide for settlement and/or adjustment of claims and/or
10 retention and/or enforcement of all claims and Causes of Action that constitute a Preserved Claim.
11 This Preserved Claim reservation, retention, and preservation is intended to be broad in scope, and
12 provides notice to enable Holders of Claims to (i) identify the claims and Causes of Action (or
13 potential claims and Causes of Action) at issue and (ii) evaluate whether those claims and Causes
14 of Action might provide additional assets for distribution.

15
16 This Preserved Claims reservation, retention, and preservation of claims and Causes of
17 Action further provides notice to creditors and other parties in interest herein about the types and
18 categories of claims and Causes of Action that might enlarge the Estates, and is based upon
19 information known by the Debtors to date. To the extent that any creditor or party in interest has
20 any questions or concerns regarding the scope and breadth of the types and/or categories of claims
21 and Causes of Action reserved, retained, and preserved, any such creditor or party in interest should
22 object to this Disclosure Statement and request that the Court require a more complete description
23 of the types or categories of claims and Causes of Action reserved, retained, and preserved.

24
25 Further, no Person or Entity may rely on the absence of a specific reference in the Plan or
26 the Disclosure Statement to any claim and/or Cause of Action against them as any indication that
27 the Debtors, their Estates, the Reorganized Debtors, the GUC Distribution Trustee, or the
28 Liquidation Trustee, as applicable, will not pursue any and all available claims and/or Causes of

1 Date, including, without limitation, (i) the right to object to, challenge or otherwise contest any claims, whether or not
2 any such claim is the subject of a proof of claim; (ii) any right of setoff, counterclaim, or recoupment and any claim
3 for breach of contract or for breach of duties imposed by law or in equity; (iii) any claim pursuant to § 362; (iv) any
4 claim or defense including fraud, mistake, duress, and usury, and any other defenses set forth in § 558; (v) all claims,
5 causes of action (avoidance or otherwise), objections, rights, and remedies arising under Chapter 5 of the Bankruptcy
6 Code pursuant to, among others, §§ 502, 510, 542 through 545 and 547 through 553 or 558 thereof, or similar or
7 equivalent claims, causes of action, objections, rights, and remedies arising under state law, including all Avoidance
8 Actions, irrespective of whether or not the targets of such causes of action have been identified by name, or any transfers
9 subject to avoidance have been listed, in the Debtors’ Schedules, the Disclosure Statement, this Plan, or any other
10 document Filed in the Chapter 11 Cases; (vi) the Vendor Claims; (vii) claims under any Insurance Policies applicable
11 to the Debtors; (viii) all claims of any kind or nature arising under state or federal law against any of the Debtors’
12 current or former vendors relating to services rendered prior to the Petition Date; (ix) all claims, causes of action, and
13 other rights (including rights to challenge any asserted Lien) of any kind or nature against any party asserting secured
14 claim in these cases, other than claims or Causes of Action released or otherwise waived during the Chapter 11 Cases,
15 including under this Plan; (x) all legal and equitable defenses against any Claim or Cause of Action asserted against
16 the Debtors; (xi) all claims and/or Causes of Action of any kind or nature arising under state or federal law arising
17 under a theory of negligence, professional negligence, and/or malpractice; (xii) all claims and/or Causes of Action of
18 any kind or nature arising under state law based fraudulent conveyance theories; (xiii) all claims and/or Causes of
19 Action constituting, for, based upon, or relating to a breach of fiduciary duty, a tort, a contract, federal or state
20 preference or fraudulent transfer laws, or any federal or state statutory rights or requirements, whether based in law or
21 equity, against any of the current and former members, managers, and/or officers of the Debtors; and (xiv) all
22 Avoidance Actions against AHM, Inc. The foregoing definition shall be construed in accordance with its broadest
23 possible meaning, and any doubts or ambiguities shall be resolved in favor of inclusivity. **Except as otherwise**
24 **expressly provided in the Plan, any and all Causes of Action are preserved under the Plan. For the avoidance**
25 **of doubt, the Board Trustees are Exculpated Parties and Released Parties and, thus, are not subject to any**
26 **Causes of Action or Avoidance Actions.”**

1 Action against them, it being the intent of such parties that all claims and Causes of Action
2 described herein shall be reserved, retained, and preserved for the benefit of all creditors and parties
3 in interest. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue
4 preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to
5 such claims and/or Causes of Action upon, after, or as a consequence of the Plan's confirmation or
6 occurrence of the Effective Date. Any counterparty to a claim or Cause of Action that is concerned
7 whether a claim and/or Cause of Action may or will be asserted against it, him, or her, may contact
8 the Debtors in connection with the Plan confirmation process described in this Disclosure Statement
9 for further information.

10 As set forth herein and in the Plan, consistent with applicable law, the Debtors, their Estates,
11 the Reorganized Debtors, the GUC Distribution Trustee, and the Liquidating Trustee identify the
12 following type and categories of claims and Causes of Action, which constitute a Preserved Claim,
13 to be preserved and reserved, subject to the Exculpation of Exculpated Parties in Section VIII.E
14 and the releases of the Released Parties in Section III.F of the Plan, without limitation:

- 15 a. the right to object to, challenge or otherwise contest any claims, whether or not any
16 such claim is the subject of a proof of claim;
- 17 b. any right of setoff, counterclaim, or recoupment and any claim for breach of contract
18 or for breach of duties imposed by law or in equity;
- 19 c. any claim pursuant to § 362;
- 20 d. any claim or defense including fraud, mistake, duress, and usury, and any other
21 defenses set forth in § 558;
- 22 e. all claims, causes of action (avoidance or otherwise), objections, rights, and
23 remedies arising under Chapter 5 of the Bankruptcy Code pursuant to, among others,
24 §§ 502, 510, 542 through 545 and 547 through 553 or 558 thereof, or similar or
25 equivalent claims, causes of action, objections, rights, and remedies arising under
26 state law, including all Avoidance Actions¹⁸, irrespective of whether or not the
27 targets of such causes of action have been identified by name, or any transfers
28 subject to avoidance have been listed, in the Debtors' Schedules, the Disclosure
29 Statement, this Plan, or any other document Filed in the Chapter 11 Cases;
- 30 f. the Vendor Claims¹⁹;
- 31 g. claims under any Insurance Policies applicable to the Debtors;
- 32 h. all claims of any kind or nature arising under state or federal law against any of the
33 Debtors' current or former vendors relating to services rendered prior to the Petition
34 Date;

35 ¹⁸ As defined in Section 1.11 of the Plan, "Avoidance Actions" means "any and all actual or potential claims and causes
36 of action to avoid a transfer of property or an obligation incurred by a Debtor pursuant to any applicable section of the
37 Bankruptcy Code, including §§ 502, 510, 542, 544, 547, 548, 549, 550, 551, 553 and 724(a) or under similar or related
38 state or federal statutes and common law, including fraudulent transfer laws."

39 ¹⁹ As defined in Section 1.152 of the Plan, "Vendor Claims" means "any and all actual potential
40 claims and causes of action of the Debtors against the Vendor, including any and all Vendor
41 Avoidance Actions." As defined in Section 1.150 of the Plan, "Vendor" means "Cerner
42 Corporation and all of its subsidiaries and affiliates." As defined in Section 1.151, "Vendor
43 Avoidance Actions" mean any Avoidance Actions against the Vendor."

- 1 i. all claims, causes of action, and other rights (including rights to challenge any
2 asserted Lien) of any kind or nature against any party asserting secured claim in
3 these cases, other than claims or Causes of Action released or otherwise waived
4 during the Chapter 11 Cases, including under this Plan;
- 5 j. all legal and equitable defenses against any Claim or Cause of Action asserted
6 against the Debtors;
- 7 k. all claims and/or Causes of Action of any kind or nature arising under state or federal
8 law arising under a theory of negligence, professional negligence, and/or
9 malpractice;
- 10 l. all claims and/or Causes of Action of any kind or nature arising state law based
11 fraudulent conveyance theories;
- 12 m. all claims and/or Causes of Action constituting, for, based upon, or relating to a
13 breach of fiduciary duty, a tort, a contract, an Avoidance Action, federal or state
14 preference or fraudulent transfer laws, or any federal or state statutory rights or
15 requirements, whether based in law or equity, against any of the current and former
16 members, managers, and/or officers of the Debtors; and
- 17 n. all Avoidance Actions against AHM, Inc.

18 **This Disclosure Statement constitutes notice to any party in interest of the intent to**
19 **pursue any and all such Causes of Action described and defined herein to**
20 **judgment and collection, and that the proceeds of all such Causes of Action are**
21 **essential to the Plan.**

22 **D.E. Classification of Claims and Their Treatment Under the Plan**

23 **1. General Overview**

24 As required by the Bankruptcy Code, the Plan classifies Claims in various classes according
25 to their right to priority of payments as provided in the Bankruptcy Code. The Plan states whether
26 each Class of Claims is impaired or unimpaired. The Plan provides the treatment each Class will
27 receive under the Plan.

28 **2. Limited Consolidation**

Except as expressly provided in the Plan, each Debtor shall continue to maintain its separate
corporate existence for all purposes other than the treatment of Claims and distributions under the
Plan. Except as expressly provided in the Plan, the Exchange Debt Documents, the other Definitive
Documents, or as otherwise ordered by the Court, on the Effective Date: (a) all assets and all
liabilities of each of the Debtors shall be deemed merged or treated as though they were merged
into and with the assets and liabilities of each other; (b) no distributions shall be made under the
Plan on account of Intercompany Claims among the Debtors, and all such Claims shall be
eliminated and extinguished; (c) all guaranties of the Debtors of the obligations of any other Debtor
shall be deemed eliminated and extinguished so that any Claim against any Debtor and any
guarantee thereof executed by any Debtor and any joint or several liability of any of the Debtors
shall be deemed to be one obligation of the consolidated Debtors; (d) each and every Claim filed
or to be filed in any of the Chapter 11 Cases shall be treated as if filed against the consolidated
Debtors and shall be treated one Claim against and obligation of the consolidated Debtors; and (e)
for purposes of determining the availability of the right of setoffset-off under § 553, the Debtors
shall be treated as one entity so that, subject to the other provisions of § 553, debts due to any of
the Debtors may be set off against the debts of any of the other Debtors. Such consolidation shall

not (other than for purposes relating to the Plan) affect the legal and corporate structures of the Reorganized Debtors. Notwithstanding anything in this section (and the corresponding Section II.B of the Plan) to the contrary, all U.S. Trustee Fees, if any, shall be calculated on a separate legal entity basis for each Reorganized Debtor.

3. Summary and Classification of Claims

The Plan classifies Claims—except for Administrative Claims, Priority Tax Claims, Professional Fee Claims, and DIP Claims which are not classified—for all purposes, including voting, Confirmation, and distribution under the Plan. A Claim is classified in a particular Class only to the extent that the Claim falls within the Class description. To the extent that part of the Claim falls within a different Class description, the Claim is classified in that different Class. The classification of Senior Secured Bond Debt Claims and Senior Secured Credit Agreement Claims is an integral component of the Senior Debt 9019 Settlement.

The following table summarizes the Classes of Claims under the Plan that are Allowed Claims:

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	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	Unimpaired Impaired	Not Entitled to Vote / Deemed to Accept
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

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM.

The treatment in the Plan is in full and complete satisfaction of the legal, contractual, and equitable rights (including any Liens) that each individual or Entity holding an Allowed Claim may have in or against Debtors, the Estates, or their respective property. This treatment supersedes and replaces any agreements or rights those individuals or Entities may have in or against Debtors, the Estates, or their respective property. Except as otherwise provided in the Plan, all distributions in respect of Allowed Claims will be allocated first to the principal amount of such Allowed Claim, as determined for federal income tax purposes, and thereafter, to the remaining portion of such Allowed Claim, if any.

1 **4. Unclassified Claims**

2 Pursuant to § 1123(a)(1), Claims of a kind specified in § 507(a)(2) or (8) are not to be
3 designated in a class. Thus, Claims for fees, costs or expenses of administering the Debtors'
4 Chapter 11 Cases that are allowed under § 503(b)—including Administrative Claims, DIP Claims,
5 Professional Fee Claims requesting professional compensation pursuant to §§ 330 and 331, and
6 Priority Tax Claims for unsecured income, employment and other taxes described by § 507(a)(8),²⁰
7 as well as statutory fees under 28 U.S.C. § 1930—are treated separately under the Plan as
8 unclassified Claims. They do not vote on the Plan because they are automatically entitled to
9 specific treatment provided for them in the Bankruptcy Code. As such, the Debtors have not placed
10 the following Claims in a class. The treatment of these Claims is provided below.

11 **a. Administrative Claims**

12 **i. Types of Claims Entitled to Administrative Priority**

13 The following types of Claims are entitled to administrative priority under the Plan:
14 Administrative Claims (including Ordinary Course Administrative Expense Claims), DIP Claims,
15 Professional Fee Claims, U.S. Trustee Fees, 503(b)(9) Claims and Cure Payments. The foregoing
16 claims, other than Ordinary Course Administrative Expense Claims and DIP Claims are estimated
17 to be Allowed in the approximate aggregate amount of \$4,624,674.

18 **ii. Administrative Claims Bar Date**

19 Holders of Administrative Claims incurred during the period from and after the Petition
20 Date until the date of entry of the Administrative Claims Bar Date Order were required to File and
21 serve a request for payment of such Administrative Claims and those that did not File and serve
22 such a request by the Administrative Claims Bar Date are forever barred, estopped, and enjoined
23 from asserting such Administrative Claims against the Debtors or their Estates, and such
24 Administrative Claims shall be deemed discharged as of the Effective Date, except as provided in
25 the Plan.

26 **iii. Supplemental Administrative Claims Bar Date**

27 Holders of Administrative Claims based upon liabilities incurred by the Debtors in the
28 ordinary course of their business on or after the date the Administrative Claims Bar Date Order was
29 entered but prior to the Effective Date must File and serve such Claims on the Reorganized Debtors
30 within thirty (30) days after the Effective Date or such claims shall be forever barred against the
31 Debtors or their Estates. Objections to the requests for payment of such Administrative Claims
32 must be Filed and served on the Reorganized Debtors and the requesting party within twenty (20)
33 days after the Filing of the applicable request for payment of such Administrative Claims.

34 **iv. Treatment of Administrative Claims**

35 **1) DIP Claims**

36 . In accordance with the Senior Debt 2019 Settlement, all DIP Claims shall be Allowed and
37 satisfied, without setoff, reduction, or subordination, by the exchange of DIP Claims for DIP Claims
38 Exchange Debt with the attributes described in the schedule attached to the Plan in Exhibit A in the

39 _____
40 ²⁰ During the Chapter 11 Cases, Debtors obtained Bankruptcy Court authority to bring wages,
41 benefits and payroll taxes current for the prepetition period, so no prepetition employment related
42 taxes remain due. Debtors have otherwise kept current on taxes.

1 amount of all DIP Claims as of the Effective Date. This treatment of DIP Claims is an integral
2 component of the Senior Debt 2019 Settlement.

3 **2) Other Administrative Claims**

4 . The Plan provides that, except for Ordinary Course Administrative Expenses (which will be paid
5 in the ordinary course of business) and DIP Claims, all Administrative Claims, including Cure
6 Payments, 503(b)(9) Claims, and U.S. Trustee Fees, will be paid in full in Cash (a) on the later of
7 the Effective Date or the date such Claims are Allowed under § 503, or (b) upon such other terms
8 as may be mutually agreed upon between the Holder of such Claim and the Plan Proponents, and
9 consistent with the terms of the Definitive Documents.

10 **b.3) Treatment of Professional Fee Claims**

11 .
12 The Plan provides that all persons and entities seeking an award by the Bankruptcy Court
13 of professional fees on behalf of the Debtors (a) shall file their respective final applications for
14 allowance of compensation for services rendered and reimbursement of expenses no later than
15 forty-five (45) days after the Effective Date, and, (b) upon Bankruptcy Court approval of such final
16 application, shall receive, in full satisfaction, settlement, and release of, and in exchange for such
17 Claim, from the Administrative and Priority Claims Reserve, cash in such amounts as allowed by
18 the Bankruptcy Court (i) on the later of (A) the Effective Date (or as soon thereafter as reasonably
19 practicable) and (B) the date that is ten (10) days after the allowance date, or (ii) upon such other
20 terms as may be mutually agreed upon between the holder of such Claim and the Plan Proponents,
21 and consistent with the terms of the Definitive Documents. For the avoidance of doubt, estate
22 Professionals may still receive interim compensation prior to the Effective Date if otherwise able
23 to under existing court orders.

24 **e.4) Treatment of Priority Tax Claims**

25 .
26 The Plan provides that Priority Tax Claims shall be paid in full in Cash from the
27 Administrative and Priority Claims Reserve (a) on the later of the Effective Date or the date such
28 Claim is allowed, (b) after the Effective Date, over a period not to exceed five years from the date
of assessment of the subject tax, together with interest thereon at a rate satisfactory to the Debtors
or such other rate as may be required by the Bankruptcy Code, or (c) upon such other terms as may
be mutually agreed upon between the holder of such Claim and the Plan Proponents, and consistent
with the terms of the Definitive Documents.

29 **5. Classified Claims**

30 Section 1122 requires the Plan to place a Claim in a particular Class only if such Claim is
31 substantially similar to the other Claims in that Class. The Plan Proponents believe the Plan's
32 classifications place substantially similar Claims in the same Class and thus meet the requirements
33 of § 1122.

34 The Plan classifies Claims into five (5) Classes, some with subclasses: Class 1 consisting
35 of all Priority Claims (Other than Priority Tax Claims); Class 2 consisting of all Secured Claims
36 (broken down further into Class 2A Senior Secured Bond Debt Claims, Class 2B Senior Secured
37 Credit Agreement Claims, and Class 2C Other Secured Claims); Class 3 consisting of Convenience
38 Class Claims; Class 4 consisting of all General Unsecured Claims (with Class 4A consisting of

1 Class 4 Claims that are also Insured Claims); and Class 5 consisting of all Intercompany Claims.
 2 For each Class, the Plan states whether the Claims are not Impaired (Classes 1, 2B, and 2C Class 1)
 3 or Impaired (Classes 2A, 2B, 2C, 3, 4, and 4A) and how the Holders of the Claims will be treated
 4 under the Plan. The Classes and proposed treatment of Allowed Claims of each Class under the
 Plan are summarized and described below. **After Confirmation, and upon the occurrence of the
 Effective Date, the Plan binds the Debtors and all Creditors, whether or not those Creditors
 have accepted the Plan.**

5 The following describes the Plan's classification of those Claims against the Debtors
 6 required to be classified under the Bankruptcy Code:

7 **a. Class 1 – Priority Claims (Other than Priority Tax Claims)**

8 Class 1 consists of Priority Claims against Debtors, other than Priority Tax Claims. These
 9 Priority Claims are entitled to priority treatment in that each Holder of such a Claim is entitled to
 10 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.

11 Excluded from this Class are (a) wage claims (including severance pay) in excess of the
 12 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 4.²¹

13 Class 1 is not Impaired. Holders of Class 1 Priority Claims, therefore, are conclusively
 14 presumed to have accepted the Plan pursuant to § 1126(f) and are not entitled to vote to accept or
 reject the Plan.

15 CLASS #	16 DESCRIPTION	17 INSIDER (Y/N)	18 IMPAIRED (Y/N)	19 TREATMENT
20 1	21 Priority unsecured claims alleged pursuant to Code §§ 507(a)(4) and (5) Total Amount = Unknown	No	No	Paid in cash in full on later of Effective Date or when Allowed

22 **b. Classes 2A, 2B, and 2C – Secured Claims**

23 Classes 2A, 2B, and 2C consist of Secured Claims against Debtors. Secured Claims are
 24 claims secured by liens on property of the Estate. The treatment of Senior Secured Bond Debt

25 ²¹ Under Debtors' human resources policies, employees Employees may have accumulated paid time off
 26 ("PTO") that the employees were able to roll forward from year to year, or cash out at retirement
 27 or departure. With limited exception regarding certain employees who were employed by ARMC, separated after January 1, 2020 and then rehired by another Debtor and who were paid on account of unused PTO earned while at ARMC or provided with an allowed claim, the Reorganized Debtors
 28 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 Claims and Senior Secured Credit Agreement Claims is an integral component of the Senior Debt
2 9019 Settlement.

3 All Class 2A Senior Secured Bond Debt Claims shall be Allowed and reinstated without
4 setoff, reduction or subordination on the terms of the Exchange Debt Documents in the amount of
5 all such Senior Secured Bond Debt Claims as of the Effective Date.

6 All Class 2B Senior Secured Credit Agreement Claims shall be paid Allowed and satisfied,
7 without setoff, reduction, subordination or challenge, by the exchange of such Senior Secured
8 Credit Agreement Claims for Senior Secured Credit Agreement Exchange Debt with the attributes
9 described in the schedule attached to the Plan in Exhibit A in the amount of all Senior Secured
10 Credit Agreement Claims as of the Effective Date.

11 Classes 2A and 2B are Impaired. Therefore, Holders of Class 2A and 2B Secured Claims
12 are entitled to vote to accept or reject the Plan.

13 Class 2C consists of all Other Secured Claims that are not Senior Secured Bond Debt Claims
14 or Senior Secured Credit Agreement Claims. On or as soon as practicable after the Effective Date,
15 each Holder of an allowed Other Secured Claim against the Debtors will receive from the assets of
16 the Debtors, at the discretion of the Debtors (i) cash equal to the full amount of its Claim, (ii) a
17 reinstated note on the same payment and collateral terms as its prior Claim, (iii) a return of collateral
18 securing the Claim against the Debtor, with any deficiency to result in a General Unsecured Claim,
19 or (iv) such less favorable treatment to which the Holder otherwise agrees.

20 Class 2C Claims are ~~not~~ Impaired. ~~Therefore, Holders of Class 2C Other-Secured Claims,~~
21 ~~therefore, are conclusively presumed to have accepted the Plan pursuant to § 1126(f) and are not~~
22 ~~are~~ entitled to vote to accept or reject the Plan.

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
2A	Senior Secured Bond Debt Claims Total Amount = \$43,194,789.04 <u>Estimated</u> <u>Amount = \$43,571,500.00,</u> <u>less any amount(s) paid down</u> <u>prior to the Effective Date</u> <u>pursuant to pending asset sale</u> <u>pleadings.</u> <u>Actual amount subject to per</u> <u>diem adjustment.</u>	No	Yes	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.
2B	Senior Secured Credit Agreement Claims	No	Yes	In accordance with the Senior Debt 9019 Settlement, all Senior Secured Credit

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	<p>Total <u>Estimated</u> Amount = \$13,007,397.26 <u>13,162,397.26</u></p> <p><u>Actual amount subject to per diem adjustment.</u></p>			<p>Agreement Claims shall be Allowed and satisfied, without setoff, reduction, subordination or challenge, by the exchange of such Senior Secured Credit Agreement Claims for Senior Secured Credit Agreement Exchange Debt with the attributes described in the schedule attached to the Plan in Exhibit A in the amount of all Senior Secured Credit Agreement Claims as of the Effective Date.</p>
2C	Other Secured Claims	No	No <u>Yes</u>	<p>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.</p>

c. **Class 3 – Convenience Class Claims**

1 Class 3 consists of Convenience Class Claims, meaning those General Unsecured Claims
 2 that are either (i) less than or equal to ~~\$5,000~~, five thousand dollars (\$5,000), or (ii) if the ~~claim~~ Claim
 3 amount is greater, ~~the claimant elects to reduce its Claim to \$5,000 pursuant to the than five~~
 4 ~~thousand dollars (\$5,000), a General Unsecured Claim with respect to which the claimant has made~~
 5 ~~a Convenience Class Election, and thus ~~accept~~ accepted a maximum of one thousand dollars~~
 6 ~~(\$1,000) as payment of such claimant's Claim in full. As used in the Plan and herein,~~
 7 **“Convenience Class Election”** means the timely election by a Holder of an General Unsecured
 8 Claim in the amount of five thousand dollars (\$5,000) or greater to have such entire General
 9 Unsecured Claim be treated as a claim in the Convenience Class (Class 3), in which case the portion
 10 of such General Unsecured Claim in excess of \$5,000 shall be discharged in full on the Effective
 11 Date.

12 Holders of Class 3 Convenience Class Claims shall be entitled to receive 20% of the allowed
 13 amount of their claim up to a maximum of \$1,000, on the Effective Date or as soon as practicable
 14 thereafter. There shall be no limitation on the number of Convenience Class members.

15 Class 3 is Impaired. Therefore, Holders of Class 3 Claims are entitled to vote to accept or
 16 reject the Plan.

17 CLASS #	18 DESCRIPTION	19 INSIDER (Y/N)	20 IMPAIRED (Y/N)	21 TREATMENT
22 3	23 Convenience Class Claims 24 Total Amount = Est. 25 Allowed amount of 26 \$1,611,501, ²² assuming 27 all claimants with Claims between \$5,000 and \$10,000 elect Class 3 treatment	No	Yes	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.

28 **d. Classes 4 and 4A – General Unsecured Claims Not Otherwise
Classified and Insured General Unsecured Claims**

Class 4 consists of General Unsecured Claims. Class 4A is a subclass consisting of
 Class 4 General Unsecured Claims that are also Insured Claims. Class 4 and 4A Claims do not
 include claims arising under any assumed contracts and leases, which shall be treated as
 Administrative Claims and paid or otherwise satisfied according to the terms of the assumed
 contract or lease and any order of the Court authorizing its assumption. To the extent any Class 4
 or 4A Claim is paid in the ordinary course of business by any party that has reached a prior
 agreement with Debtors, such Claim will be deemed satisfied and shall not receive a distribution

²² This amount ~~of~~ is based on General Unsecured Claims filed ~~and the~~. The Debtors believe that this amount will
 materially reduce following the claims adjudication process.

1 under the Plan. Otherwise, Holders of Allowed Class 4 General Unsecured Claims shall ~~be satisfied~~
 2 ~~pro rata solely from assets transferred to the Litigation~~ receive, on one or more GUC Distribution
 3 ~~Dates, a Pro Rata share of the net assets of the GUC Distribution~~ Trust; and Holders of Class 4A
 4 Allowed Insured Claims shall, subject to the terms and conditions set forth in the Plan, recover only
 5 from the available insurance and Debtors shall be discharged to the extent of any such excess. As
 6 of the Effective Date, all Insured Claims are Disputed.

7 Classes 4 and 4A are Impaired. Therefore, Holders of Class 4 and 4A Claims are entitled
 8 to vote to accept or reject the Plan.

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
4	General Unsecured Claims (Not Otherwise Classified) Total Amount = Approximately \$101,950,399.80 ²³	No	Yes	Holders of Allowed General Unsecured Claims shall be satisfied pro rata solely from assets transferred to the Litigation receive, on one or more GUC Distribution Dates, a Pro Rata share of the Net GUC Distribution Trust Assets .
4A	Insured Claims	No	Yes	Subject to the terms and conditions set forth in in 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.

9 e. Class 5 – Intercompany Claims

10 All Intercompany Claims shall be expunged and eliminated through the limited
 11 consolidation of the Debtors ~~for purposes of treatment of Claims and distributions under the~~
 12 ~~Plan unless otherwise indicated in the Plan Supplement.~~

13 Class 5 is not entitled to receive or retain any property under the Plan. Holders of Class 5
 14 Intercompany Claims, therefore, are conclusively presumed to have rejected the Plan pursuant to §
 15 1126(g) and are not entitled to vote to accept or reject the Plan.

16 ²³ This amount ~~of~~ is based on General Unsecured Claims filed ~~and the~~. ~~The~~ Debtors believe that this amount will
 17 materially reduce following the claims adjudication process.

1 **E.F. Means of Implementing the Plan**

2 **1. The Senior Debt 9019 Settlement**

3 The Plan is centered around the settlement of all rights and claims associated with the DIP
4 Claims, Senior Secured Bond Debt Claims, and Senior Secured Credit Agreement Claims (the
5 “Senior Debt 9019 Settlement”). The Senior Debt 9019 Settlement comprises (i) the classification
6 and treatment of the DIP Claims, Senior Secured Bond Debt Claims, and Senior Secured Credit
7 Agreement Claims and other Lapis Parties prepetition Claims as specified in the Plan, (ii) the
8 issuance (or reinstatement, as applicable) of the debt instruments (the “Exchange Debt”) described
9 in the schedule attached to the Plan as Exhibit A and more specifically in the Exchange Debt
10 Documents, and (iii) the release and exculpation terms for the Lapis Parties as specified in the Plan.

11 The treatment and distributions provided for in the Plan with respect to the DIP Claims,
12 Senior Secured Bond Debt Claims, Senior Secured Credit Agreement Claims and other Lapis
13 Parties prepetition Claims under the Senior Debt 9019 Settlement reflect a compromise and
14 settlement of numerous complex issues including the Debtors’ obligation to satisfy the DIP Claim
15 on the Effective Date, the scope, extent and value of the collateral associated with the Senior
16 Secured Bond Debt Claims and Senior Secured Credit Agreement Claims and related matters. The
17 settlement provides final resolution of all issues relating to the DIP Claims and the rights and
18 benefits of Lapis Parties, and the validity, enforceability and priority of the Senior Secured Bond
19 Debt Claims and Senior Secured Credit Agreement Claims. Pursuant to the Senior Debt 9019
20 Settlement, subject to the occurrence of the Effective Date, each prepetition Claim reflected in a
21 proof of claim filed by the Lapis Parties in the Chapter 11 Cases that is not a Senior Secured Bond
22 Debt Claim or Senior Secured Credit Agreement Claim shall be Allowed as a General Unsecured
23 Claim in the liquidated amount specified therein.

24 The Plan shall constitute a motion to approve the Senior Debt 9019 Settlement. Subject to
25 the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of
26 the Senior Debt 9019 Settlement pursuant to Bankruptcy Rule 9019 (which is inclusive of the
27 releases by the Debtors and their Estates against the Lapis Parties) and a finding by the Bankruptcy
28 Court that the Senior Debt 9019 Settlement is in the best interest of the Debtors and their Estates.
If the Effective Date does not occur the Senior Debt 9019 Settlement shall be deemed to have been
withdrawn without prejudice to the respective positions of the parties.

18 **2. The Committee Plan Settlement**

19 The Plan also embodies the settlement of the Committee’s objections to the prior version of the
20 Debtors’ plan of reorganization (as defined in the Plan, the “Committee Plan Settlement”) as set
21 forth in the Term Sheet (as defined in the Plan, the “Term Sheet”). The treatment of General
22 Unsecured Claims provided for in the Plan consistent with the Term Sheet reflects a compromise
23 and settlement of numerous complex issues including, but not limited to, those set forth in the
24 Limited Objection of Official Committee of Unsecured Creditors to Motion for an Order
25 Approving: (i) Proposed Disclosure Statement; (ii) Solicitation and Voting Procedures; (iii) Notice
26 and Objection Procedure for Confirmation of Joint Plan of Reorganization; and (iv) Granting
27 Related Relief filed at docket number 1624. The Committee Plan Settlement provides final
28 resolution of all issues relating to the treatment of General Unsecured Claims under the Plan. The
Plan shall constitute a motion to approve the Committee Plan Settlement pursuant to Bankruptcy
Rule 9019 and a finding by the Bankruptcy Court that the Committee Plan Settlement is in the best
interest of the Debtors and their Estates. If the Effective Date does not occur, the Committee Plan
Settlement shall be deemed to have been withdrawn without prejudice to the respective positions
of the parties.

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1 **3. Vendor Claims**

2 The Debtors (or the Reorganized Debtors, if after the Effective Date) and the Lapis Parties,
3 in consultation with the Committee (or the GUC Distribution Trustee, if after the Effective Date),
4 will jointly use their best efforts to settle or otherwise resolve each of the Debtors' Vendor Claims
5 (as defined in the Plan, the "Vendor Claims") subject to the following principles:

6 Prior to the Effective Date, the Debtors (with the prior consent of the Lapis Parties) shall
7 have the right to settle any and all Vendor Claims in their sole and absolute discretion after
8 consultation with the Committee, and the Committee shall not have the right to object to any such
9 settlement.

10 After the Effective Date, the Liquidation Trustee shall have the right of the Liquidation
11 Trust (including any consent terms by the primary beneficiaries) to settle any and all Vendor Claims
12 after consultation with the Debtors and the Committee, and the Debtors, Committee, and GUC
13 Distribution Trustee shall not have the right to object to such settlement.

14 Prior to or after the Effective Date, the Debtors (with the prior consent of the Lapis Parties) or the
15 Liquidation Trustee (subject to the terms of the Liquidation Trust, including any consent terms by
16 the primary beneficiaries) may commence and prosecute litigation to resolve the Vendor Claims.
17 Consent shall be conditioned on, inter alia, the retention of counsel and retention terms acceptable
18 to the Lapis Parties.

19 **2.4. Corporate Actions**

20 AH NP 2 is currently a wholly owned non-debtor subsidiary of Astria Health. AH NP2 is
21 a 501(c)(3) Washington non-profit corporation. On the Effective Date of the Plan, AH NP2 will
22 amend its articles and bylaws to become the sole member of Astria Health on terms acceptable to
23 the Lapis Parties. Astria Health will also amend its articles and bylaws to change Astria Health
24 from a no-member non-profit corporation to a single member non-profit corporation on terms
25 acceptable to the Lapis Parties.

26 On the Effective Date, simultaneously with the matters reflected in Section III.A of the Plan,
27 AH System, a newly created non-debtor entity, will assume the non-discharged debt of the Debtors
28 in exchange for AH NP2's transfer of its sole membership interest in Astria Health to AH System.
AH System is a freestanding Washington non-profit corporation. There is no overlap of Board of
~~Directors~~ Trustees between AH System and Astria Health or any of the Astria Health subsidiaries
(including AH NP2). The AH System bylaws shall be on terms acceptable to the Lapis Parties.
AH System bylaws and amended Astria Health bylaws will be included in the Plan Supplement.

The Lapis Parties have agreed to reinstatement of the Senior Secured Bond Debt Claims
which will be paid by the Reorganized Debtors over time.

Also on the Effective Date, AH System will issue (or reinstate, as applicable) the Exchange
Debt and otherwise execute and deliver the Exchange Debt Documents.

From the filing of this Amended Plan in the Chapter 11 Cases through the Effective
Date (the "Performance Period"), each board trustee of the Debtors shall direct the Debtors' officers
and others to (a) afford to AH System, the Lapis Parties reasonably full and complete access during
normal business hours to and the right to inspect the plants, properties, books, accounts, records
and all other relevant documents and information with respect to the assets, liabilities and business
of the Debtors, (b) furnish AH System and the Lapis Parties with such additional financial and
operating data and other information as to businesses and properties of the Debtors as AH System
or the Lapis Parties may from time to time reasonably request, and (c) cause the Debtors to (i) use
commercially reasonable efforts to maintain and preserve each Debtor's respective business

1 organizations and its respective relationships with physicians, suppliers, customers and others
2 having business relationships with the Debtors, provided that this provision does not prevent the
3 Debtors from assuming or rejecting executory contracts or unexpired leases or otherwise
4 terminating such relationships in the ordinary course of business; and (ii) satisfy the conditions
5 precedent to the occurrence of the Effective Date. Each board trustee shall otherwise, shall direct
6 the Debtors' officers and employees to reasonably and promptly cooperate with AH System and its
7 authorized representatives and attorneys in AH System's efforts to satisfy the conditions precedent
8 to the occurrence of the Effective Date.

5. The GUC Distribution Trust

a. Establishment of Litigation Trust; Appointment of Litigation Trustee; ~~Transferring Causes of Action and Claims to the Litigation~~the GUC Distribution Trust

9 ~~On the Effective Date, the following Assets (the "Litigation Trust Assets") shall be contributed to~~
10 ~~the Litigation Trust for the benefit of the Holders of General Unsecured Claims in Class 4 (the~~
11 ~~"Litigation Trust Beneficiaries") subject to a Litigation Trust Agreement acceptable to the~~
12 ~~Committee, the Lapis Parties, and the Debtors and the appointment of a Litigation Trustee~~
13 ~~acceptable to the Lapis Parties in their sole discretion; all GUC Distribution Trust Assets, defined~~
14 ~~in Section 1.86 of the Plan as follows, shall be contributed and transferred to the GUC Distribution~~
15 ~~Trust for the benefit of the GUC Distribution Trust Beneficiaries: "(i) the Initial GUC Distribution~~
16 ~~Amount²⁴, (ii) the Second GUC Distribution Amount²⁵, (iii) GUC Avoidance Actions²⁶, and~~
17 ~~(iv) the GUC Vendor Recovery²⁷."~~

15 ²⁴ As defined in Section 1.96 of the Plan, "Initial GUC Distribution Amount" means "Cash in the
16 amount of five million dollars (\$5,000,000), which will be funded by the Debtors to the GUC
17 Distribution Trust on or before the Effective Date."

17 ²⁵ As defined in Section 1.137 of the Plan, "Second GUC Distribution Amount" means "Cash in
18 the amount of two million three hundred thousand dollars (\$2,300,000) minus the amount of any
19 GUC Vendor Recovery, which shall be paid by the Debtors (or Reorganized Debtors, as
20 applicable) to the GUC Distribution Trust within thirty (30) days after the determination of the
21 total value of the GUC Vendor Recovery. For the avoidance of doubt, the Second GUC
22 Distribution Amount will be an unconditional obligation of the Debtors (or Reorganized Debtors,
23 as applicable) to the GUC Distribution Trust."

22 ²⁶ As defined in Section 1.81 of the Plan, "GUC Avoidance Actions" means "all Avoidance Actions
23 other than the Vendor Avoidance Actions."

23 ²⁷ As defined in Section 1.92 of the Plan, "GUC Vendor Recovery" means "the GUC Vendor Cash
24 Recovery plus the GUC Vendor Credit Recovery. The aggregate total sum of the GUC Vendor
25 Recovery, the Initial GUC Distribution Amount, and Second GUC Distribution Amount, shall not
26 exceed the GUC Cap." As defined in Section 1.90 of the Plan, "GUC Vendor Cash Recovery"
27 means "fifty percent (50%) of any and all net Cash proceeds of the Vendor Claims, which shall be
28 transferred by the Debtors to the GUC Distribution Trust within thirty (30) days after the Debtors'
receipt of such net Cash proceeds." As defined in Section 1.91 of the Plan, "GUC Vendor Credit
Recovery" means "the Cash equivalent of fifty percent (50%) of any and all non-Cash value
realized by the Debtors as a result of the Vendor Claims, which will be paid by the Debtors (or
Reorganized Debtors, as applicable) to the GUC Distribution Trust quarterly as that value (in the

~~all Avoidance Actions²⁸ other than any Avoidance Action against the vendor which provided revenue cycle, billing, and collection services prepetition.~~

~~The GUC Distribution Trust Assets shall pass to the GUC Distribution Trust free and clear of all Claims and interests in accordance with § 1141. The Confirmation Order shall constitute a determination that the transfer of the GUC Distribution Trust Assets to the GUC Distribution Trust is legal, valid, and consistent with the laws of the State of Washington. The transfer of the GUC Distribution Trust Assets to the GUC Distribution Trust on the Effective Date shall include the transfer and assignment of any and all GUC Distribution Trust Avoidance Actions. The GUC Distribution Trustee shall have exclusive standing to waive, commence, prosecute, or settle any GUC Distribution Trust Avoidance Actions in the GUC Distribution Trustee's discretion.~~

~~For federal and applicable state income tax purposes, all parties (including, without limitation, the Debtors, the GUC Distribution Trustee, and the beneficiaries of the GUC Distribution Trust) shall treat the transfer of the GUC Distribution Trust Assets to the GUC Distribution Trust in accordance with the terms of the Plan as a sale by the Debtors of such Assets to the GUC Distribution Trust at a selling price equal to the fair market value of such Assets on the Effective Date. The GUC Distribution Trust shall be treated as the owner of all the Assets it holds.~~

~~The GUC Distribution Trust will be governed in accordance with the terms of a GUC Distribution Trust Agreement prepared by the Committee in consultation with the Debtors and the Lapis Parties, which shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the treatment of the GUC Distribution Trust as a grantor trust. The GUC Distribution Trustee will be selected by the Committee after consultation with the Debtors and the Lapis Parties and will have the rights, powers, privileges, immunities, and obligations set forth in the GUC Distribution Trust Agreement.~~

~~All parties shall execute any documents or other instruments as necessary to cause title to the applicable GUC Distribution Trust Assets to be transferred to the GUC Distribution Trust. The GUC Distribution Trust Assets will be held in trust for the benefit of Holders of Allowed General Unsecured Claims pursuant to the terms of the Plan and the GUC Distribution Trust Agreement.~~

b. Powers and Authority of the GUC Distribution Trustee

~~The powers of the GUC Distribution Trustee shall be set forth in full in the GUC Distribution Trust Agreement and shall include, among other things, subject to the limitations set forth in the Plan and the requirements set forth in a Plan Supplement: (a) the power to use, distribute, abandon, or otherwise dispose of all GUC Distribution Trust; (b) the power to effect distributions under the Plan to the Holders of Allowed General Unsecured Claims; (c) the authority to pay all costs and~~

~~form of cost savings or otherwise) is realized by the Debtors (or Reorganized Debtors, as applicable). For the purpose of calculating the Cash equivalent of any non-Cash value realized by the Debtors (or Reorganized Debtors, as applicable) as a result of any Vendor Claims, the amount shall be calculated as set forth in the Term Sheet." As defined in Section 1.82 of the Plan, "GUC Cap" means "twenty five million dollars (\$25,000,000)."~~

~~²⁸ The Plan defines Avoidance Actions as any and all actual or potential claims and causes of action to avoid a transfer of property or an obligation incurred by a Debtor pursuant to any applicable section of the Bankruptcy Code, including §§ 502, 540, 542, 544, 547, 548, 549, 550, 551, 553 and 724(a) or under similar or related state or federal statutes and common law, including fraudulent transfer laws.~~

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1 expenses of administering the GUC Distribution Trust after the Effective Date (including the GUC
2 Post-Effective Date Expenses), including the power to employ and compensate professionals and
3 other Entities to assist the GUC Distribution Trustee in carrying out the duties hereunder (subject
4 to the Reorganized Debtors' approval of professional fees as described in Section III.E.6. of the
5 Plan), and to obtain and pay premiums for insurance and any other powers necessary or incidental
6 thereto; (d) the power to implement all aspects of the Plan relating to the GUC Distribution Trust,
7 including any other powers necessary or incidental thereto; (e) the authority to settle Claims,
8 applicable Causes of Action, including GUC Avoidance Actions, or disputes as to amounts owing
9 to or from the by Holders of General Unsecured Claims consistent with the terms of the Plan; (f)
10 the authority to participate in any post-Effective Date motions to amend or modify the Plan or the
11 GUC Distribution Trust Agreement, or appeals from the Confirmation Order; (g) the authority to
12 participate in actions to enforce or interpret the Plan; (h) the power to bind the GUC Distribution
13 Trust; and (i) the power to establish accounts in the name of the GUC Distribution Trust for the
14 purpose of effectuating the Plan and administering the GUC Distribution Trust. Each of the
15 foregoing powers may be exercised by the GUC Distribution Trustee without further order of the
16 Court.

17 The GUC Distribution Trustee, in his or her sole discretion, shall have the
18 authority to allocate and reallocate GUC Distribution Trust Assets
19 (including Cash, and including any reserves necessary to effectuate the
20 terms of the Plan) as necessary to effectuate the Plan without further
21 application to, or approval of, the Court, to the extent such allocation or
22 reallocation would not be inconsistent with the terms of the Plan. In the
23 event that the GUC Distribution Trustee determines that the effectuation of
24 the Plan or an equitable distribution to Holders of Allowed General
25 Unsecured Claims requires allocation or reallocation of GUC Distribution
26 Trust Assets in a manner that would otherwise be inconsistent with any term
27 of the Plan (including for the purposes of distribution under the Plan), the
28 GUC Distribution Trustee shall have the authority to make such allocation
or reallocation with approval of the Court upon application to the Court.

29 **c. Employment and Compensation of the GUC Distribution Trustee**

30 The GUC Distribution Trustee shall serve without bond and shall receive
31 compensation for serving as GUC Distribution Trustee as set forth in the
32 GUC Distribution Trust Agreement. At any time after the Effective Date
33 and without further application to or Order of the Court, the GUC
34 Distribution Trustee may employ and compensate Persons or Entities,
35 including professionals (which may, but need not, include Professionals
36 previously or currently employed in the Chapter 11 Cases) reasonably
37 necessary to assist the GUC Distribution Trustee in the performance of his
38 or her duties under the GUC Distribution Trust Agreement and the Plan.
39 Such Persons or Entities shall be compensated and reimbursed by the GUC
40 Distribution Trustee for their reasonable and necessary fees and out of
41 pocket expenses on a monthly basis in arrears, subject to the Reorganized
42 Debtors' approval of professional fees as described in Section III.E.6. of the
43 Plan.

44 **d. GUC Distribution Trustee as Successor in Interest to the Committee**

45 The GUC Distribution Trustee is the successor in interest to the Committee, and thus, after the
46 Effective Date, to the extent the Plan requires or authorizes an action by the Committee, the action
47 shall be taken by the GUC Distribution Trustee on behalf of the Committee.

48 For the avoidance of doubt, any obligation of the Debtors under the Plan

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1 with respect to the Committee or the GUC Distribution Trust that remains
2 unperformed as of the Effective Date, or that is required to be performed on
3 or after the Effective Date, shall become an obligation of the Reorganized
4 Debtors as of the Effective Date, and shall be satisfied in full and performed
5 by the Reorganized Debtors consistent with the provisions of the Plan.

6 **e. GUC Distribution Trust's Post-Effective Date Expenses**

7 Subject to Section III.E.6 of the Plan, all expenses related to the GUC
8 Distribution Trustee's implementation of the Plan and administration of the
9 GUC Distribution Trust incurred from and after the Effective Date through
10 the date on which the GUC Distribution Trust is dissolved will be expenses
11 of the GUC Distribution Trust, and the GUC Distribution Trustee will
12 disburse funds from the GUC Distribution Trust Assets as appropriate for
13 purposes of paying the GUC Post-Effective Date Expenses of the GUC
14 Distribution Trust without the need for any further application to or Order
15 of the Court. The GUC Post-Effective Date Expenses shall include, but are
16 not limited to, the fees and expenses of the GUC Distribution Trustee; the
17 fees and expenses of the professionals employed by the GUC Distribution
18 Trustee (subject to the Reorganized Debtors' approval of professional fees
19 as described in Section III.E.6. of the Plan); and other costs, expenses, and
20 obligations of the GUC Distribution Trust until the date the GUC
21 Distribution Trust is terminated in accordance with Section III.F of the Plan
22 and the GUC Distribution Trust Agreement. The GUC Distribution
23 Trustee, in his or her sole discretion, on and after the Effective Date, shall
24 have authority to establish, increase, and/or decrease any reserves as
25 reasonably necessary and appropriate to account for and pay the GUC Post-
26 Effective Date Expenses.

27 **f. Post-Effective Date Expenses Relating to Claims Reconciliation and**
28 **Vendor Claims**

1 Consistent with Section V.A of the Plan, reasonable attorneys' fees and expenses and other
2 professional fees and expenses incurred by the GUC Distribution Trust (including the GUC
3 Distribution Trustee's fees and expenses) attributable to services rendered in connection with the
4 General Unsecured Claim reconciliation process will be paid by the Reorganized Debtors. Further,
5 reasonable attorneys' fees and expenses incurred by the GUC Distribution Trust (including the
6 GUC Distribution Trustee's fees and expenses), not to exceed one hundred thousand dollars
7 (subject to increase by agreement of the GUC Distribution Trustee, the Reorganized Debtors, and
8 the Lapis Parties), attributable to services rendered in connection with the Vendor Claims
9 (including consultation with the Debtors, Reorganized Debtors, Liquidation Trustee, and/or Lapis
10 Parties regarding the Vendor Claims) will be paid by the Reorganized Debtors.

11 All fees and expenses payable by the Reorganized Debtors pursuant to Section III.E.6 of the Plan
12 shall be subject to the following payment provisions:

13 The applicable professionals (including the GUC Distribution Trustee) will
14 submit invoices, redacted as necessary to preserve any applicable privileges
15 or protections, for the services described in Section III.E.6 of the Plan on a
16 monthly basis to the Reorganized Debtors for review and approval. Upon
17 receipt of an invoice, the Reorganized Debtors shall have ten (10) Business
18 Days to communicate any dispute or objection to the requested fees and
19 expenses to the applicable professional. In the event that no dispute or
20 objection is communicated to the applicable professional within the ten (10)
21 Business Day objection period, the Reorganized Debtors shall pay the

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1 requested fees and expense within twenty (20) days after the expiration of
2 the objection period. To the extent that the Reorganized Debtors
3 communicate any dispute or objection to the applicable professional within
4 the ten (10) Business Day objection period, (i) the Reorganized Debtors
5 shall pay any undisputed portion of the requested fees and expenses within
6 twenty (20) days after the expiration of the objection period and (iii) the
7 Reorganized Debtors and the applicable professional shall use reasonable
8 efforts to resolve the dispute or objection during the twenty (20) days
9 following the expiration of the objection period. If the Reorganized Debtors
10 and the applicable professional are not able to resolve the dispute or
11 objection during the twenty (20) days following the expiration of the
12 objection period, the Reorganized Debtors and the applicable professional
13 may seek resolution of the dispute or objection by the Court through the
14 filing of a formal objection or motion to compel payment consistent with
15 the terms of the Plan, as applicable.

9 **g. GUC Distribution Reserve**

10 Prior to making a distribution to any Holders of Allowed General Unsecured
11 Claims under the Plan, the GUC Distribution Trustee may place in reserve
12 and/or in a separate account any funds that may be needed to pay General
13 Unsecured Claims that are Disputed and General Unsecured Claims that
14 have otherwise not been Allowed in the event that all or a portion of such
15 Claims become Allowed. When a General Unsecured Claim is Allowed or
16 Disallowed (and thus becomes an Allowed Claim or a Disallowed Claim,
17 in whole or in part), the funds set aside on account of such Claim may be
18 released from the reserve and shall be available for distribution in
19 accordance with the terms of the Plan to either (i) the Holder of the General
20 Unsecured Claim that has become an Allowed Claim, or (ii) if Disallowed,
21 the Holders of Allowed General Unsecured Claims. The GUC Distribution
22 Trustee, in his or her sole discretion, on and after the Effective Date, shall
23 have authority to increase or decrease such as reasonably necessary and
24 appropriate, and upon satisfaction of all Allowed General Unsecured
25 Claims required to be paid from the reserve, to transfer amounts held therein
26 for distribution pursuant to the Plan.

19 **h. GUC Income Tax Status**

20 For federal income tax purposes, all parties (including, without limitation,
21 the Debtors, the GUC Distribution Trustee, and the beneficiaries of the
22 GUC Distribution Trust) shall treat the GUC Distribution Trust as a
23 liquidating trust within the meaning of Treasury Income Tax Regulation
24 section 301.7701-4(d) and IRS Revenue Procedure 94-45, 1994-2 C.B. 124.
25 For federal income tax purposes, the transfer of Assets to the GUC
26 Distribution Trust under the Plan shall be treated as a deemed transfer to the
27 beneficiaries of the GUC Distribution Trust in satisfaction of their Claims
28 followed by a deemed transfer of the Assets by the beneficiaries to the GUC
Distribution Trust. For federal income tax purposes, the beneficiaries will
be deemed to be the grantors and owners of the GUC Distribution Trust and
its assets. For federal income tax purposes, the GUC Distribution Trust will
be taxed as a grantor trust within the meaning of IRC sections 671-677 (a
non-taxable pass-through tax entity) owned by the beneficiaries. The GUC
Distribution Trust will file federal income tax returns as a grantor trust
under IRC section 671 and Treasury Income Tax Regulation section 1.671-
4 and report, but not pay tax on, the GUC Distribution Trust's tax items of

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1 income, gain, loss deductions, and credits (“Tax Items”). The beneficiaries
2 will report such Tax Items on their federal income tax returns and pay any
3 resulting federal income tax liability. All parties will use consistent
4 valuations of the assets transferred to the GUC Distribution Trust for all
5 federal income tax purposes. The assets shall be valued based on the GUC
6 Distribution Trustee’s good faith determination of their fair market value.

7 **i. Termination of the GUC Distribution Trust**

8 The existence of the GUC Distribution Trust and the authority of the GUC Distribution Trustee
9 will commence as of the Effective Date and will remain and continue in full force and effect until
10 the earlier of (a) the date on which all of the GUC Distribution Trust Assets are liquidated in
11 accordance with the Plan, the funds in the GUC Distribution Trust have been completely distributed
12 in accordance with the Plan, all tax returns and any other filings or reports have been filed with the
13 appropriate state or federal regulatory authorities, and the Order closing the Chapter 11 Cases is a
14 Final Order or (b) five (5) years after the date of creation of the GUC Distribution Trust, unless
15 extended by the Court as provided in the GUC Distribution Trust Agreement.

16 At such time as the GUC Distribution Trust has been fully administered
17 (i.e., when all things requiring action by the GUC Distribution Trustee have
18 been done and the Plan has been substantially consummated) and in all
19 events within sixty (60) days after the Final GUC Distribution Date, the
20 GUC Distribution Trustee will file a notice of the final distribution from the
21 GUC Distribution Trust with the Court.

22 **3.6. Establishment of Liquidation Trust; Appointment of Liquidation Trustee;**
23 **Transferring Assets and Claims to the Liquidation Trust**

24 On the Effective Date, except as otherwise provided in the D&O Cause of Action
25 Agreement consistent with the D&O Cause of Action Agreement (discussed below), the following
26 Assets (the “**Liquidation Trust Assets**” and, together with the ~~Litigation~~GUC Distribution Trust
27 Assets, “**Plan Trust Assets**”) shall be contributed to the Liquidation Trust subject to a Liquidation
28 Trust Agreement (together with the ~~Litigation~~GUC Distribution Trust Agreement, the “**Plan Trust**
29 Agreements,” and each individually a “**Plan Trust Agreement**”) acceptable to the Debtors and
30 the Lapis Parties and the appointment of a Liquidation Trustee acceptable to the Lapis Parties in
31 their sole discretion:

32 ~~All~~All assets of the Debtors not necessary for the operation of the core
33 health care businesses of the Debtors or constituting GUC Distribution
34 Trust Assets under this Plan, including, but not be limited to the (i) if unsold
35 as of the Effective Date, Yakima Medical Office Building (excluding the
36 operations within); (ii) SHC-if unsold as of the Effective Date, SHC
37 Medical Center-Yakima; (iii) any other unused buildings or real property
38 currently owned by the Debtors other than Sunnyside Community Hospital
39 Association; (iv) A/R Collections of SHC-Medical Center-Yakima; (v) all
40 180 day and older days aged accounts receivable of Sunnyside Community
41 Hospital Association and SHC-- Medical Center Toppenish; ~~and~~(vi) any
42 Causes of Action²⁹ held by the Debtors, including the Vendor

43 ²⁹ The Plan defines Causes of Action as any action, claim, cause of action, controversy, demand, right, action, Lien,
44 indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license,
45 and franchise of any kind or character whatsoever, whether known, unknown, contingent or non-contingent, matured
46 or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured,
47 assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law,
48 or in equity or pursuant to any other theory of law. For the avoidance of doubt, “Cause of Action” includes (i) any right
49 of setoff, counterclaim, or recoupment and any claim for breach of contract or for breach of duties imposed by law or

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1 ~~Litigation Claims~~, not expressly assigned to the ~~Litigation Trust~~ GUC
2 ~~Distribution Trust~~; and (vii) the Liquidation Trust Vendor Recovery.

3 In the event any Liquidation Trust Assets are liquidated, the proceeds of such liquidation
4 shall be used to fund AH System's operating cash account up to an amount equal to the lesser of
5 \$10 million or 30 days cash on hand and then to pay the Exchange Debt in accordance with the
6 Exchange Debt Documents.

7 7. Prosecution of D&O Causes of Action

8 ~~The D&O Causes of Action~~ shall be preserved for the benefit of the Debtors' Estates and
9 their creditors. The mechanism for (i) the vesting, revesting, and/or transfer of the D&O
10 Causes of Action and any related insurance policies (including the D&O Insurance Policies
11 (as defined in the Plan)), (ii) the prosecution and/or settlement or other resolution of the D&O
12 Causes of Action (including the funding of the fees and costs attendant to such prosecution
13 and/or settlement or other resolution), and (iii) the sharing of any proceeds of the D&O
14 Causes of Action shall be subject to further agreement between the Lapis Parties and the
15 Committee (the "D&O Cause of Action Agreement"), which shall be filed as part of the Plan
16 Supplement.

17 4.8. Post-Confirmation Management

18 Reorganized Debtors, controlled by AH System as the sole member, will provide the
19 management for the Hospitals after the Effective Date. ~~It is anticipated that Mr. Gallagher will~~
20 ~~continue to serve in his capacity as CEO with the Debtors through Confirmation and with the~~
21 ~~Reorganized Debtors as of the Effective Date. See Section 5. Cary Rowan currently serves as CFO~~
22 ~~of the Debtors but is anticipated to retire as CFO before the Effective Date. Mr. Rowan's successor~~
23 ~~has been identified but has not yet started in the position. Maxwell Owens is currently a Senior~~
24 ~~Vice President of Finance, and then will be promoted to the role of CFO upon Mr. Rowan's~~
25 ~~departure. If required by the Court, Mr. Gallagher's compensation and Mr. Owen's future~~
26 ~~compensation will be disclosed under seal. The Debtors' Executive Services Agreement with AHM,~~
27 ~~Inc. ("AHM") will be rejected as of the earlier of the date ordered by the Court on a motion to~~
28 ~~reject the agreement, the Effective Date, or such other date as may be specified in the Confirmation~~
29 ~~Order. It is currently expected that all AHM employees currently serving as officers or employees~~
30 ~~of the Debtors will be offered employment by AH System, effective on the effective date.~~

31 To the extent necessary to implement the Plan, AH System, will govern pursuant to
32 amended and restated bylaws and other corporate documents. The new Board ~~of Directors~~ Trustees
33 for the Reorganized Debtors will be set forth in the Plan Supplement and whose composition is
34 subject to (a) applicable law and (b) the consent of the Lapis Parties. The new Board ~~of Directors~~
35 ~~will also, in the alternative, enter into a new management agreement with AHM Management or~~
36 ~~otherwise obtain~~ Trustees will also establish and maintain management on terms acceptable to AH
37 System.

38 9. Termination of the Committee and Appointment of POC

39 ~~On the Effective Date, the Committee shall be deemed dissolved, the retention and~~
40 ~~employment of the Committee's Professionals shall be deemed terminated, and the members of the~~

41 ~~in equity; (ii) the right to object to Claims; (iii) any Claim pursuant to § 362; (iv) any claim or defense including fraud,~~
42 ~~mistake, duress, and usury; and any other defenses set forth in § 558; and (v) any Avoidance Actions.~~

43 ³⁰ ~~As defined in Section 1.45 of the Plan, "D&O Causes of Action" means "all Causes of Action~~
44 ~~against the current and former members, managers, and/or officers of the Debtors that are~~
45 ~~Preserved Claims, as the term may be modified or enhanced under the terms of the Plan~~
46 ~~Supplement."~~

1 Committee shall be deemed released and discharged of and from all further authority, duties,
2 responsibilities, and obligations related to and arising from and in connection with the Chapter 11
3 Cases, other than for purposes of filing and/or objecting to final fee applications filed in the Chapter
4 11 Cases. The Professionals retained by the Committee shall not be entitled to compensation or
5 reimbursement of expenses for any services rendered or expenses incurred after the Effective Date
6 in their capacities as Professionals of the Committee, except for services rendered and expenses
7 incurred in connection with (i) any applications by such Professionals for allowance of
8 compensation and reimbursement of expenses pending on the Effective Date or timely Filed after
9 the Effective Date as provided in the Plan, as approved by the Court, and (ii) any services necessary
10 to effectuate the provisions of the Plan.

11 On the Effective Date, a POC consisting of not less than three (3) Persons or Entities that
12 are beneficiaries of the GUC Distribution Trust. The identities of the Persons and/or Entities that
13 will serve on the POC as of the Effective Date will be filed as part of the Plan Supplement. The
14 POC's sole function and responsibility shall be to advise the GUC Distribution Trustee in the
15 performance of the GUC Distribution Trustee's duties and obligations under the Plan with respect
16 to the administration of the GUC Distribution Trust for the benefit of Holders of Allowed General
17 Unsecured Claims. The members of the POC shall serve without compensation but may be
18 reimbursed for reasonable expenses incurred in the performance of their duties as members of the
19 POC.

20 **5.10. Creation of Administrative and Priority Claims Reserve**

21 On the Effective Date or as soon as practicable thereafter, the Debtors shall fund, and the
22 Reorganized Debtors shall establish and thereafter maintain, the Administrative and Priority Claims
23 Reserve with the Administrative and Priority Claims Reserve Amount, subject to the
24 Administrative, Professional, and Priority Claims Cap, in an authorized depository in the state of
25 Washington, which funds shall vest in the Reorganized Debtors free and clear of all Liens, Claims,
26 encumbrances, charges, and other interests, except as otherwise specifically provided in the Plan
27 or in the Confirmation Order. Funds in the Administrative and Priority Claims Reserve shall be
28 used by the Reorganized Debtors only for the payment of U.S. Trustee Fees and Administrative
Claims, Priority Claims, and Professional Fee Claims Allowed after the Effective Date to the extent
that such Allowed Claims have not been paid in full on or prior to the Effective Date. To the extent
not otherwise provided herein in the Plan or ordered by the Court, the Reorganized Debtors shall
estimate appropriate reserves of Cash to be set aside in order to pay or reserve for Disputed
Administrative Claims, Priority Claims, and Professional Fee Claims. Any amounts set aside to
pay or reserve for Disputed Administrative Claims, Priority Claims, and Professional Fee Claims
shall include the amounts needed to fund the ongoing costs and expenses of such reserve, including,
without limitation, taxes in respect of Disputed Administrative Claims, Priority Claims, and
Professional Fee Claims, if any. Any amounts remaining in the Administrative and Priority Claims
Reserve after payment of all Allowed Administrative Claims, Priority Claims, and Professional Fee
Claims and the U.S. Trustee Fees shall be transferred to the Reorganized Debtors and thereafter be
subject to the terms of the Exchange Debt Documents.

29 **F-G. Objections to Claims**

30 ~~Prior to the Effective Date, Debtors will seek to resolve as many disputes or objections to~~
31 ~~Claims as possible. After the Effective Date, the Reorganized Debtors (and with respect to General~~
32 ~~Unsecured Claim, the GUC Distribution Trustee) will have the authority and obligation to review,~~
33 ~~compromise, and object to any Claims other than Allowed Claims, consistent with Section V of the~~
34 ~~Plan. The Reorganized Debtors (and with respect to General Unsecured Claims, the GUC~~
35 ~~Distribution Trustee) will: (i) have the authority, without Court approval or approval by the GUC~~
36 ~~Distribution Trustee or any other person or entity, to compromise, release or settle any Claim where~~
37 ~~the Claim has an asserted face value of \$25,000 or less and (ii) be required to seek an order of the~~
38 ~~Court approving the compromise, release or settlement of any Claim that has an asserted value of~~

1 greater than \$500,000, with notice and opportunity for hearing required with respect to such
2 compromise, release or settlement. If the ~~Debtors~~Reorganized Debtors (and with respect to General
3 Unsecured Claims, the GUC Distribution Trustee) seek to compromise, release or settle any Claim
4 where the Claim has an asserted face value of between \$25,000 and \$500,000, the Reorganized
5 Debtors (and with respect to General Unsecured Claims, the G will provide at least five (5)
6 days Business Days advance notice of the same to the Lapis Parties, and the Committee Debtors, as
7 applicable, and the opportunity to object within such notice period. If the Lapis Parties ~~or the~~
8 Committee objects, the GUC Distribution Trustee, or the Reorganized Debtors, as applicable,
9 object and the objection is not resolved consensually, the ~~Debtors~~Reorganized Debtors (and with
10 respect to General Unsecured Claims, the GUC Distribution Trustee) may seek approval of the
11 compromise, release or settlement by the Court on an expedited basis.

7 **H. Claims Paid or Payable by Third Parties**

8 Subject to the terms of Section III.N of the Plan regarding Class 4A Insured Claims, Claims paid
9 and/or payable by third parties, irrespective of classification, shall be treated as follows:

10 **1. Claims Paid by Third Parties**

11 A Claim shall be reduced in full, and such Claim shall be Disallowed without a Claim objection
12 having to be filed and without any further notice to or action, order, or approval of the Court, to the
13 extent that the Holder of such Claim receives payment in full on account of such Claim from a
14 party that is not a Debtor or a Distributing Party. To the extent a Holder of a Claim receives a
15 distribution under the Plan on account of such Claim and receives payment from a party that is not
16 a Debtor or a Distributing Party on account of such Claim, such Holder shall, within two weeks of
17 receipt thereof, repay or return the distribution to the applicable Debtor or Distributing Party to the
18 extent the holder's total recovery on account of such Claim from the third party and under the Plan
19 exceeds the Allowed amount of such Claim.

16 **2. Claims Payable by Third Parties**

17 No distribution under the Plan shall be made on account of an Allowed Claim that is payable
18 by a party that is not a Debtor or a Distributing Party, including pursuant to any insurance
19 policy under which any Debtor is a covered party or beneficiary (including the Insurance
20 Policies), until the Holder of such Allowed Claim has exhausted all remedies with respect to
21 such third party or insurance policy. To the extent that one or more of the Debtors' insurers
22 or another third party agrees to satisfy in full or in part an Allowed Claim, then immediately
23 upon such agreement, the applicable portion of such Claim may be Disallowed and expunged
24 without a Claim objection having to be filed and without any further notice to or action,
25 order, or approval of the Court.

21 **G.I. Special Issues Regarding Insured Claims**

22 Under the terms of Debtors' various insurance policies, Debtors may owe deductible
23 amounts on account of Insured Claims for personal injury and medical malpractice. After the
24 Effective Date of the Plan (unless an order modifying the automatic stay has been entered at an
25 earlier date), Holders of Insured Claims ~~may proceed with litigation in appropriate nonbankruptcy~~
26 ~~forums to liquidate the Insured Claims, but they~~ shall be enjoined by the injunction established by
27 the Confirmation Order from commencing or continuing any enforcement action to collect such
28 Claim against the Estate ~~except in conformity with the Bankruptcy Code's claim adjudication~~
~~procedures.~~

27 Subject to Consistent with the foregoing, distributions under the Plan to each Holder of an
28 Allowed Insured Claim shall be recoverable only from the available insurance and Debtors shall be
discharged to the extent of any such excess. Further, the Plan shall not expand the scope of, or alter

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1 in any other way, the rights and obligations of Debtors' insurers under their policies, and Debtors'
2 insurers shall retain any and all defenses to coverage that such insurers may have, including the
3 right to contest and/or litigate with any party, including Debtors, the existence, primacy and/or
4 scope of available coverage under any alleged applicable policy. The Plan shall not operate as a
5 waiver of any other Claims that Debtors' insurers have asserted or may assert in any proof of Claim
6 or Debtors' rights and defenses to such proofs of Claim.

7 **H.J. Distributions of Property Under the Plan**

8 The following procedures set forth in the Plan apply to distributions made pursuant to the
9 Plan whether by (i) Debtors as to the Effective Date Distributions, or (ii) the Reorganized Debtors
10 or GUC Distribution Trustee as to all post-Effective Date Distributions (each of Reorganized
11 ~~Debtor~~Debtors, the GUC Distribution Trustee, or the Debtors, a "**Distributing Party**"). In
12 connection with the Plan, to the extent applicable, the applicable Distributing Party shall comply
13 with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and
14 all distributions pursuant to the Plan shall be subject to such withholding and reporting
15 requirements.

16 Notwithstanding any other provision of the Plan (i) each Holder of an Allowed Unsecured
17 Claim that is to receive a distribution pursuant to the Plan shall have sole and exclusive
18 responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental
19 Unit, including income, withholding, and other tax obligations, on account of such distribution, and
20 (ii) no distribution shall be made to or on behalf of such Holder pursuant to the Plan unless and
21 until such Holder has made arrangements satisfactory to the Distributing Party for the payment and
22 satisfaction of such income, withholding, and other tax obligations or such tax obligation that would
23 be imposed upon any disbursing agent in connection with such distribution. Any property
24 distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated
25 as an undeliverable distribution under the Plan.

26 **1. Manner of Cash Payments Under the Plan**

27 Cash payments to domestic Entities holding Allowed Claims will be tendered in U.S.
28 Dollars and will be made by checks drawn on a domestic bank or by wire transfer from a domestic
bank. Payments made to any foreign creditors holding Allowed Claims may be paid, at the option
of the Distributing Party in such funds and by such means as are necessary or customary in a
particular foreign jurisdiction.

29 **2. No Distributions with Respect to Disputed Claims**

30 No payments of Cash or distributions of other property or other consideration of any kind
31 shall be made on account of any Disputed Claim unless and until such Claim becomes an Allowed
32 Claim or is deemed to be such for purposes of distribution, and then only to the extent that the
33 Claim becomes, or is deemed to be for distribution purposes, an Allowed Claim. Unless otherwise
34 provided herein in the Plan, any Holder of a Claim that becomes an Allowed Claim after the
35 Effective Date will receive any unpaid distribution that otherwise would have been payable under
36 the Plan on the Next Payment Date after the date that such Claim becomes an Allowed Claim or as
37 soon thereafter as practicable.

38 **3. Record Date for Distribution**

On the Distribution Record Date, ~~the Claims Register shall be closed and~~ the Distributing
Party shall be authorized and entitled to recognize only those record Holders listed on the Claims
Register as of the close of business on the Distribution Record Date. The foregoing terms shall not
apply to distributions to the Lapis Parties, their successors and assigns with respect to DIP Claims
as well as under Class 2A, and Class 2B ~~or Class 4~~ of the Plan.

1 **4. Delivery of Distributions**

2 The Distributing Party shall make distributions to each Holder of an Allowed Claim by mail
3 as applicable as follows: (a) at the address set forth on the proof of Claim filed by such Holder of
4 an Allowed Claim; (b) at the address set forth in any written notice of address change Filed with
5 the Court, delivered to the Distributing Party, and reflected on the Claims Register after the date of
6 any related proof of Claim; (c) at the address reflected in the Schedules if no proof of Claim is filed
7 and ~~the Distributing Party has not received an~~ written notice ~~of a change~~ of address change has
8 been Filed with the Court, delivered to the Distributing Party, and reflected on the Claims Register;
9 and (d) with respect to the Lapis Parties, as directed by the Lapis Parties.

10 **5. Undeliverable and Unclaimed Distributions**

11 ~~If Subject to the terms of any settlement agreement, if~~ the distribution to the Holder of any
12 Allowed Claim is returned as undeliverable, no further distribution shall be made to such Holder
13 unless and until the Distributing Party is notified in writing of such Holder's then current address.
14 Subject to the other provisions of the Plan, undeliverable distributions shall remain in the
15 possession of the Distributing Party pursuant to ~~Section III.M of the Plan~~ this section until such time
16 as a distribution becomes deliverable. ~~All undeliverable~~ Undeliverable Cash distributions ~~will be~~
17 ~~held in unsegregated, interest-bearing bank accounts for the benefit of the Entities entitled to the~~
18 ~~distributions. These Entities will be entitled to any interest actually earned on account of the~~
19 ~~undeliverable distributions. The bank account will be maintained in the name of the Distributing~~
20 ~~Party, but it will be accounted for separately shall not be entitled to any interest, dividends, or other~~
21 ~~accruals of any kind. Any check that is not cashed or otherwise deposited within three months after~~
22 ~~the check's date shall be deemed an undeliverable distribution under the Plan.~~

23 Any Holder of an Allowed Claim who does not assert a Claim in writing for an
24 undeliverable distribution within one year after the date such distribution was due shall no longer
25 have any Claim to or interest in such undeliverable distribution, and shall be forever barred from
26 receiving any distributions under the Plan, or from asserting a Claim against the Debtors or their
27 property, or the GUC Distribution Trust and its assets, and the Claim giving rise to the undeliverable
28 distribution will be discharged.

 Nothing contained in the Plan shall require the Distributing Party to attempt to locate any
Holder of an Allowed Claim.

6. Estimation of Disputed Claims for Distribution Purposes

~~Debtors (on or before~~ On and after the Effective Date) ~~or,~~ the Reorganized Debtors (and
with respect to General Unsecured Claims, the GUC Distribution Trustee), may move for a Court
order estimating any Disputed Claim. The estimated amount of any Disputed Claim so determined
by the Court shall constitute the maximum recovery that the Holder thereof may recover after the
ultimate liquidation of its Disputed Claim, irrespective of the actual amount ultimately Allowed.

7. Minimum Distributions

If the amount of Cash to be distributed to the Holder of an Allowed Claim is less than fifty dollars
(\$50) on a particular distribution date, the Distributing Party may hold the Cash distributions to be
made to such Holders until the aggregate amount of Cash to be distributed to each applicable Holder
is in an amount equal to or greater than fifty dollars (\$50). Notwithstanding the preceding sentence,
if the aggregate amount of Cash distributions owed to any Holder of an Allowed Claim under the
Plan never equals or exceeds fifty dollars (\$50), then the Distributing Party shall not be required to
distribute Cash to any such Holder.

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1 **8. Rounding**

2 **Whenever any payment of a fraction of a cent would otherwise be called for under the Plan, the actual payment shall reflect a rounding of such fraction to the nearest whole cent, with**
3 **one-half cent being rounded up to the nearest whole cent.**

4 **9. Full Satisfaction**

5 The Distributing Party shall make, and each Holder of a Claim shall receive, the
6 distributions provided for in the Plan for full satisfaction and discharge of such Claim.

7 **10. Distribution Free and Clear**

8 **Except as otherwise provided in the Plan, any distributions under the Plan shall be free and**
9 **clear of any Liens, Claims, and encumbrances, and no Entity other than the Entity receiving**
10 **the distribution, including any Debtor, shall have any interest (legal, beneficial, or otherwise)**
11 **in any property distributed.**

12 **J.K. Conditions Precedent to Plan Confirmation**

13 The conditions precedent to confirmation of the Plan shall include: (a) a final order, finding
14 that ~~this~~the Disclosure Statement contains adequate information pursuant to § 1125, shall have been
15 entered by the Court; (b) the proposed Confirmation Order will be in form and substance
16 satisfactory to the Lapis Parties ~~in their sole discretion~~and the Committee; (c) the Plan, including
17 any amendments, modifications or supplements thereto, and all documentation contemplated by
18 the Plan and the terms set forth in any Plan Supplement and the Definitive Documentation, shall be
19 in form and substance satisfactory to the Lapis Parties ~~in their sole discretion~~(and, with respect to
20 any portion of the Plan Supplement relating to the Committee Plan Settlement, including, *inter alia*,
21 the GUC Distribution Trust, the Committee; (e) and any order authorizing the DIP Agreement shall
22 be in full force and effect, shall not have been terminated and there shall be no ongoing event of
23 default; and (f) the Exchange Debt Documents shall be in a form acceptable to the Plan Proponents.

24 **K.L. Conditions to Effectiveness**

25 The Plan shall not become binding unless and until the Effective Date occurs. The Effective
26 Date is the first Business Day (a) that is at least fourteen days after the Confirmation Date; (b) on
27 which no stay of the Confirmation Order is in effect; and (c) on which all of the following
28 conditions have been satisfied as set forth below or waived:

1 **1. Conditions**

- 2 a) The Confirmation Order shall have become a Final Order;
- 3 b) Execution of the Definitive Documents, including the Exchange Debt Documents;
- 4 c) The actual and anticipated Allowed Administrative, Professional and Priority Claims ~~does~~do not exceed the Allowed Administrative, Professional and Priority Claims Cap;
- 5 d) There has been compliance with the terms specified in Section III.D of the Plan;

6 **a. e)** The bylaws of AH System, AH NP2, the Debtors and their affiliates
7 shall be acceptable to the Lapis Parties; and

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1 e) All such other actions, documents, and agreements the Debtors ~~and~~, the
2 Lapis Parties, and the Committee determine are necessary to implement the Plan shall have
been effected or executed.

3 Debtors shall ~~mail~~ file and serve a “Notice of Occurrence of Effective Date” to all creditors
4 and interest Holders of record as of the date of entry of the Confirmation Order.

5 2. Waiver of Conditions

6 Except as otherwise specified in the Plan or herein, the requirement that the conditions to
7 the occurrence of the Effective Date be satisfied may be waived in whole or in part, and the time
8 within which any such conditions must be satisfied may be extended, by the Debtors with the prior
9 written consent of the Lapis Parties and the Committee. The failure to timely satisfy or waive any
of such conditions may be asserted ~~by Debtors~~ regardless of the circumstances giving rise to the
failure of such condition to be satisfied, including any action or inaction by the Debtors. The failure
of the Debtors to exercise any of the foregoing rights shall not be deemed a waiver of any other
rights and each such right shall be deemed ongoing and subject to assertion at any time.

10 L.M. Authorization of Entity Action

11 Each of the matters provided for under the Plan involving the Entity structure of Debtors or
12 Entity action to be taken by or required of Debtors shall, as of the Effective Date, be deemed to
have occurred and be effective as provided in the Plan and herein, and shall be authorized, approved
and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement
13 of further action by creditors or ~~directors~~ Board Trustees of Debtors.

14 M.N. Limited Consolidation

15 The Plan provides for the limited—or “deemed” substantive—consolidation of the Debtors.
16 This Disclosure Statement sets forth (i) the legal requirements to establish deemed substantive
consolidation, and (ii) the factual bases supporting the Debtors’ request for deemed substantive
17 consolidation. As set forth in the Plan, this Disclosure Statement and the Plan shall be deemed a
motion requesting that the Bankruptcy Court approve the deemed substantive consolidation
contemplated by the Plan at the Confirmation Hearing, unless otherwise separately scheduled.
18 **Objections to the proposed deemed substantive consolidation must be made in writing on or
before the deadline to object to confirmation of the Plan, or such other date as may be fixed
19 by the Bankruptcy Court. The Bankruptcy Court will schedule a hearing with respect to
timely filed objections, which the Bankruptcy Court may schedule contemporaneously with
20 the Confirmation Hearing.** The Plan Proponents reserve all rights with respect to such objections,
including, but not limited to, the right to further supplement the facts and legal analysis in support
21 of deemed substantive consolidation as set forth in this Disclosure Statement or the Plan.

22 If the Bankruptcy Court determines that deemed substantive consolidation of any given
23 Debtor is not appropriate, then the Plan Proponents may request that the Bankruptcy Court
otherwise confirm the Plan and approve the treatment of, and distributions to, the different Classes
under the Plan on an adjusted, Debtor-by-Debtor basis. Furthermore, the Plan Proponents reserve
24 their rights (i) to seek confirmation of the Plan without implementing deemed substantive
consolidation of any given Debtor, and, in the Plan Proponents’ reasonable discretion, to request
25 that the Bankruptcy Court approve the treatment of, and distributions to, any given Class under the
Plan on an adjusted, Debtor-by-Debtor basis; and (ii) to seek to substantively consolidate all
26 Debtors into Astria if all Impaired Classes entitled to vote on the Plan vote to accept the Plan.

27 As will be set forth in more detail in the Debtors’ brief in support of confirmation of the
28 Plan, the Debtors believe deemed substantive consolidation is appropriate here.

1 **1. The Effect of Deemed Substantive Consolidation**

2 “Deemed consolidation” merely treats the assets and liabilities as if they were pooled
3 without actually merging the debtor entities. *In re Owens Corning*, 419 F.3d 195, 202 (3d Cir.
4 2005) (deemed consolidation will “not result in the merger of or the transfer or commingling of any
5 assets of the Debtors . . . [which] will continue to be owned by the respective Debtors”).

6 Here, deemed consolidation for creditor distribution purposes is appropriate to avoid the
7 impact consolidation of the legal entities may have on matters such as licensing and other post-
8 confirmation issues relating to the Hospital assets.

9 **2. The Facts of the Chapter 11 Cases Satisfy Each Independent Basis for**
10 **Deemed Substantive Consolidation**

11 The facts of these Chapter 11 Cases demonstrate that the Debtors are entitled to the deemed
12 consolidation contemplated by the Plan.

13 **a. Creditors Dealt with the Debtors as a Single, Economic Unit**

14 **i. The Debtors Obtained Secured Financing as a Single Economic**
15 **Unit**

16 The Debtors’ secured lenders dealt with the Debtors as a single economic unit. Thus, this
17 factor is satisfied even if the Debtors never claimed to be a singular entity. *See, e.g., In re Abeinsa*
18 *Hldg., Inc.*, 562 B.R. 265, 280-81 (Bankr. D. Del. 2016) (finding creditor expectations were
19 satisfied by partial substantive consolidation where, among other things, “[t]he lenders under these
20 credit agreements received combined financial reports from the Debtors as to all obligors that were
21 parties to the applicable credit agreements, and calculated financial covenant compliance based on
22 the assets and liabilities of those entities”).

23 A substantial amount of the Debtors’ prepetition secured debt relates to loan and bond
24 obligations on which multiple debtors are obligated. For example, all of the Debtors are obligated
25 as co-borrowers or guarantors under the 2017 Bonds, the Lapis 2017 Loan and the Lapis 2019 Loan
26 (collectively, the “Lapis Prepetition Obligations”).

27 The Lapis Prepetition Obligations imposed joint and several liability on the Debtors, and
28 the terms of the Lapis Prepetition Obligations only addressed the rights and obligations of the
Debtors collectively, rather than on a Hospital-by-Hospital basis.

 The terms of the postpetition adequate protection offered to the Lapis Prepetition
Obligations are no different. The adequate protection approved by the Bankruptcy Court [*see*
Docket Nos. 293, 1201] clearly contemplates the continued joint and several nature of the relief as
follows:

- adequate protections liens are joint and several as to the Debtors; and
- adequate protection superpriority claims are joint and several as to the Debtors.

ii. The Debtors Negotiated Major Contracts and Agreements as a
Single Economic Unit

 After Astria’s acquisitions of SHC–Yakima and SHC–Toppenish, major contracts and
agreements were negotiated or entered-into on a system-wide basis, such that counterparties dealt
with the Astria Health System as a single economic unit. The Debtors received benefits by
negotiating collectively, such as better terms or pricing, which resulted from the greater economies

1 of scale of the Astria Health System. In light of these benefits, the Debtors standardized system-
2 level contracting that normalized pricing for contracts (including physician-related contracts)
across all Hospitals. The Debtors' critical system-wide contracts and negotiations include:

- 3 • health insurance and retirement benefits;
- 4 • group purchasing order contracts;
- 5 • IT systems contracts; and
- 6 • other contracts.

7 The Debtors also have centralized management in place which allows the Debtors to operate
8 as one integrated health system—the Astria Health System. ~~The Debtors contract with AHM which
provides information technology, management and other services system wide.~~

9 In light of these facts, separate-entity plans would likely be contrary to the expectations of
10 creditors that viewed their agreements with the Debtors as backed by the Astria Health System.

11 **b. The Debtors' Affairs Are So Entangled That Consolidation Will**
12 **Benefit All Creditors**

13 Although the Debtors maintained certain separate formalities for each entity—or, more
14 often, each entity group—as set forth in the Debtors' "first-day" motion to authorize continued use
of its cash management system [Docket No. 22] (the "Cash Management Motion"), a more
15 thorough analysis of the Debtors' finances and operations reveals significant interconnectivity,
which would prove costly and time-consuming to unwind at the expense of recoveries in these
Chapter 11 Cases. Accordingly, the interests of creditors are best served by deemed substantive
16 consolidation. *See In re Bonham*, 229 F.3d 750, 766 (9th Cir. 2000) (citing *Augie/Restivo Baking*
Co., Ltd., 860 F.2d 515, 519 (2nd Cir. 1988)).

17 Here, there are also significant facts related to entangled affairs among the Debtors that
18 weigh in favor of substantive consolidation. The Debtors engaged in the following complex,
prepetition intercompany transfers (not always booked as intercompany transfers), combined
19 accounting, valuation issues, and collective management that would prove difficult and costly to
creditors to unwind or reconcile:

- 20 • Prior to its closure, SHC–Yakima operated cash-flow negative, exhausting the proceeds
21 of the DIP Facility and then requiring transfers from the other Debtors.
- 22 • As noted in section IV.C.1 above, further described in the Cash Management Motion,
23 and reflected in the Debtors' monthly operating reports (see [sectionSection](#) V.B.6
above), the Debtors engaged in extensive intercompany transfers.
- 24 • Decisions to hire physicians and determine contract terms are made through a
25 consolidated health system process including legal and chief executive review.

26 Unwinding the transactions to prepare separate-Debtor plans would require time and
allocations and assumptions. By way of example, prepetition and postpetition allocations by the
27 Estates may be subject to challenge as follows:

- 28 • Professional fees must also be allocated among the Debtors if the Debtors cases are not
consolidated. This task would require, for each time entry, an analysis of which Debtor,

1 or Debtors, benefitted from the particular services. Although laborious, such an analysis
2 directly impacts creditors if the cases are not consolidated given that Professional
Claims receive priority treatment.

- 3 • The ~~recent~~ closure of SHC-Yakima severely limits any assumptions with respect to
4 future operations based on the Debtors' historic operations. The Debtors capital
5 structure also changed significantly during the Chapter 11 Cases—the Debtors incurred
6 liabilities in the form of postpetition financing in excess of \$36 million, which was used
in part to pay off the Outstanding Prepetition Banner Bank Obligations and Outstanding
Prepetition MidCap Obligations. The Debtors also continue to accrue unpaid interest
on postpetition financing incurred.

7 Moreover, different asset valuation or liability allocation assumptions will lead to different
8 results in both asset allocations among Debtors and balances available for distributions to creditors.
9 Given that the analysis necessarily requires substantial judgment, these assumptions would present
a basis for objection and conjecture from creditors attacking the Debtors' separate plans.
10 Preserving funds in the Estates and avoiding litigation costs maximizes value and weighs in favor
of substantive consolidation under the circumstances in these Chapter 11 Cases.

11 N.O. Reservation of Fair and Equitable (Cram Down) Power

12 The Debtors reserve the right to confirm the Plan as to any impaired Class that does not
13 accept the Plan by the requisite number of votes pursuant to the fair and equitable power of
§ 1129(b).

14 O.P. Treatment of Executory Contracts and Unexpired Leases

15 1. Assumption of Executory Contracts

16 a. Assumptions

17 On or before the Voting Deadline, ~~Debtors~~AH System will File the "Schedule of Assumed
18 Agreements" and serve it on the parties to agreements listed on the schedule. ~~Debtors reserve~~AH
19 System reserves the right to amend the Schedule of Assumed Agreements at any time prior to the
20 Voting Deadline to: (a) delete any Executory Contract from the Schedule of Assumed Agreements
and provide for its rejection under the Plan or (b) add any Executory Contract and provide for its
21 assumption under the Plan or otherwise, subject to the right of the counterparty to object to such
22 transfer within ten (10) Business Days after notice with a right to hearing thereon, and subject to
the requirement that Debtor must reserve amounts for Disputed Cure Payments in the full amounts
23 claimed by objecting contract counterparties. ~~The Debtors shall not include any agreement in the
Schedule of Assumed Agreements or otherwise seek to assume an agreement after the filing of the
Plan except an agreement as to which AH System has consented to the assumption thereof or as to
which the Debtors have given AH System not less than ten (10) Business Days' notice that it intends
to assume or list the agreement on the Schedule of Assumed Agreements and AH System has not
given the Debtors' written notice that it opposes the assumption thereof.~~

24 On the Effective Date, Debtors will assume all Executory Contracts set forth on the
25 Schedule of Assumed Agreements. The Confirmation Order will constitute a Court order
26 approving the assumption, as of the Effective Date, of the Executory Contracts not rejected under
the Plan, subject to the requirement that Debtors must reserve amounts for Disputed Cure Payments
in the full amounts claimed by objecting contract counterparties to contracts to be assumed.

27 b. Cure Payments

28 Any monetary amounts by which each Executory Contract to be assumed is in default shall

1 be satisfied, pursuant to § 365(b)(1), by payment from the Administrative and Priority Claims
2 Reserve, of the default amount (as set forth in the Debtors' books and records), a schedule of which
3 will be Filed and served by the Voting Deadline, in full in Cash on the later of the Effective Date
4 or when such Cure Claim is Allowed, or on such other terms as the parties to each such Executory
5 Contract may otherwise agree. In these Chapter 11 Cases, prior to Confirmation of the Plan, some
6 known Cure Payments will have already been paid or resolved by stipulation or agreement. In the
7 event of a dispute regarding (a) the amount of any Cure Payments, (b) the ability of Reorganized
8 Debtors to provide "adequate assurance of future performance" (within the meaning of § 365) under
9 the contract or lease to be assumed, or (c) any other matter pertaining to assumption, the cure
10 payments required by § 365(b)(1) shall be made following the entry of a Final Order resolving the
11 dispute and approving the assumption. Pending the Court's ruling on such motion, the Executory
12 Contract at issue shall be deemed assumed by Reorganized Debtors as of the Effective Date, unless
13 otherwise ordered by the Court on a motion to reject the agreement, and the Debtors will reserve
14 amounts for Disputed Cure Payments in the full amounts claimed by objecting contract
15 counterparties. In no event shall the GUC Distribution Trust be liable or otherwise responsible for
16 any Cure Payment.

17
18 **c. Objections to Assumption**

19 Any Entity who is a party to an Executory Contract that will be assumed under the Plan
20 must File with the Court and serve upon interested parties a written statement and supporting
21 declaration stating the basis for any objection to assumption by no later than seven (7) days after
22 the filing of the Schedule of Assumed Agreements ("**Assumption Objections**"). Any Entity that
23 fails to timely File and serve such a statement and declaration will be deemed to waive any and all
24 objections to the proposed assumption of its contract or lease. Debtors must file and serve its reply
25 with respect to any Assumption Objections by no later than five (5) days after the filing of an
26 Assumption Objection. A hearing on the Assumption Objections will take place at the
27 Confirmation Hearing, or as soon thereafter as the Court is available.

28 In the absence of a timely objection by an Entity who is a party to an Executory Contract,
the Confirmation Order shall constitute a conclusive determination as to the amount of any cure
and compensation due under the Executory Contract, and that Reorganized Debtors have
demonstrated adequate assurance of future performance with respect to such Executory Contract.

d. Resolution of Claims Relating to Assumed Agreements

In accordance with the procedures set forth in Plan Section IV relating to the Cure Payments
and objections to assumption, payment of the Cure Payments with respect to Executory Contracts
that will be assumed under the Plan shall be deemed to satisfy, in full, any prepetition or postpetition
arrearage or other Claim asserted in a Filed proof of Claim or listed in the Schedules, irrespective
of whether the Cure Payment is less than the amount set forth in such proof of Claim or the
Schedules. Upon the tendering of the Cure Payment, such Claim shall be Disallowed, without
further order of the Court or action by any party.

2. Rejection of Executory Contracts

a. Rejected Agreements

Immediately prior to the Effective Date, all Executory Contracts of the Debtors will be
deemed rejected in accordance with the provisions and requirements of §§ 365 and 1123 except
those Executory Contracts that (i) have been assumed by order of the Bankruptcy Court, (ii) are
subject to a motion to assume pending on the Effective Date, or (iii) have been identified on a list
of assumed contracts to be filed with the Bankruptcy Court prior to the Voting Deadline, which
shall be a date prior to the Effective Date of the Plan. The Confirmation Order will constitute a
Court order approving such rejections of Executory Contracts as of the Effective Date pursuant to

1 §§ 365 and 1123.

2 **b. Bar Date for Rejection Damages**

3 Any Claim for damages arising from the rejection under the Plan of an Executory Contract
4 must be Filed and served upon counsel to the Debtors within 30 days after the entry of an order
(including the Confirmation Order) approving such rejection. Any such Claims that are not timely
5 Filed and served will be forever barred and unenforceable against the Debtors, the Estates, the
Reorganized Debtors, the GUC Distribution Trust, and their respective property, and Entities
6 holding these Claims will be barred from receiving any distribution under the Plan on account of
such untimely claims.

7 **3. Postpetition Contracts and Leases**

8 Except as set forth in the Schedule of Rejected Agreements or as otherwise expressly
9 provided in the Plan or the Confirmation Order, all contracts, leases, and other agreements that
Debtors entered into after Petition Date will be assumed by Reorganized Debtors.

10 **4. Indemnification Obligations**

11 Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the
Effective Date to indemnify, defend, reimburse, or limit the liability of ~~the current and former~~
12 ~~officers~~, employees, attorneys, other professionals and agents of the Debtors, and such current and
former ~~officers~~, employees, attorneys, other professionals and agents of the Debtors, and such
13 current respective Affiliates, respectively, against any Claims or Causes of Action under the
Indemnification Provisions or applicable law, shall survive Confirmation, shall be assumed by the
14 Debtors and assigned to the Reorganized Debtors and will remain in effect after the Effective Date
if such indemnification, defense, reimbursement, or limitation is owed in connection with an event
15 occurring before the Effective Date; provided, however, that, notwithstanding anything herein
the Plan to the contrary, the obligation of the Reorganized Debtors to fund such Indemnification
16 Provisions shall be limited to the extent of coverage available under any Reorganized Debtor
Insurance Policies.

17 **5. Lapis Parties Fees and Expenses**

18 As an integral component of the Senior Debt 9019 Settlement, to the extent not previously
19 paid prior to the Effective Date or in connection with the Plan, the fees and expenses of each of the
Lapis Parties shall be deemed Allowed Administrative Expenses and shall be paid in Cash on the
20 Effective Date.

21 **Q. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims**

22 **1. Joint Pursuit of Reconciliation, Objections to, and/or Settlement of Asserted**
23 **General Unsecured Claims**

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24 The GUC Distribution Trustee and the Debtors will jointly pursue the reconciliation, objections to,
and/or settlement of asserted General Unsecured Claims consistent with the terms of Section V of
the Plan. To the extent a dispute arises between the GUC Distribution Trustee and the Debtors as
to the proposed treatment of an asserted General Unsecured Claim, either party shall have standing
and the right to submit the matter to the Court for a determination, subject to the other party's right
to oppose the requested relief.

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27 Reasonable attorneys' fees and expenses and other professional fees and expenses (including the
GUC Distribution Trustee's fees and expenses) incurred by the GUC Distribution Trust attributable
to services rendered in connection with the General Unsecured Claim reconciliation process will

1 be paid by the Reorganized Debtors.

2 The Debtors and Reorganized Debtors, as applicable, will cooperate with and provide
3 reasonable assistance the GUC Distribution Trustee, as applicable, including reasonable access to
4 information and personnel, in connection with the General Unsecured Claim reconciliation
5 process.

6 **6.2. Resolution of Disputed Claims**

7 **a. Allowance of Claims**

8 ~~Prior to the Effective Date, the Debtors, and on~~On and after the Effective Date, the
9 Reorganized Debtors ~~(and with respect to General Unsecured Claims, the GUC Distribution~~
10 ~~Trustee), shall have and shall retain any and all rights and defenses that the Debtors had with respect~~
11 ~~to any Claim or Interest, except with respect to any Claim or Interest deemed Allowed as of the~~
12 ~~Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11~~
13 ~~Cases prior to the Effective Date (including the Confirmation Order), no Claim or Interest shall~~
14 ~~become an Allowed Claim or Interest unless and until such Claim or Interest is deemed Allowed~~
15 ~~under the Plan or the Bankruptcy Code or the Court has entered a Final Order, including the~~
16 ~~Confirmation Order, in the Chapter 11 Cases allowing such Claim.~~

17 ~~WithAs set forth in Section 1.9 of the Plan, "Allowed" means, "with respect to (I) a Claim,~~
18 ~~to the extent that: (a) any Claim, a proof of Claim or for which was timely Filed by the applicable~~
19 ~~Claims Bar Date, Supplemental Bar Date or Administrative Claims Bar Date (or a Claim for which~~
20 ~~a Proof of Claim is not required to be Filed under the Plan, the Bankruptcy Code, or a Final Order~~
21 ~~of the Court); (b) any Claim that is listed in the Schedules as not contingent, not unliquidated, and~~
22 ~~not disputed, and for which no Proof of Claim has been timely Filed; or (c) any Claim allowed~~
23 ~~pursuant to the Plan or Final Order of the Court; provided, that with respect to any Claim described~~
24 ~~in clause (a) above, such Claim shall be considered Allowed only if and to the extent that no~~
25 ~~objection to the allowance of such Claim has been interposed within the applicable period of time~~
26 ~~fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or Court, or if such an objection is~~
27 ~~so interposed and the Claim shall have been Allowed by a Final Order; provided, further, that the~~
28 ~~Debtors or the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC~~
~~Distribution Trustee), as applicable, may, subject to Section V.A [of the Plan], affirmatively~~
~~determine to allow any Claim described in clause (a) notwithstanding the fact that the period within~~
~~which an objection may be interposed has not yet expired; or (e) a Claim that is not~~
~~Disputed provided, further, that any Claims allowed solely for the purpose of voting to accept or~~
~~reject the Plan pursuant to an Order of the Court shall not be considered an Allowed Claim under~~
~~this Plan; provided, further, that any Claim disallowed or expunged under the Plan, by Final Order~~
~~of the Court, or otherwise shall not be an Allowed Claim; provided, further, that with respect to any~~
~~Claim Allowed only in part, references to Allowed Claims in this Plan include, and are limited to,~~
~~only the portion of the Claim that is Allowed; and (II) an Interest, to the extent Allowed under this~~
~~Plan. Unless otherwise specified in the Plan, an Allowed Claim does not include interest on the~~
~~Claim accruing after Petition Date. Moreover, all or any portion of a Claim that is satisfied or~~
~~released during the Chapter 11 Cases is not an Allowed Claim."~~

29 **b. Prosecution of Objections to Claims**

30 ~~Prior to the Effective Date, the Debtors, and on~~On or after the Effective Date, the
31 Reorganized Debtors ~~and Litigation (and with respect to General Unsecured Claims, the GUC~~
32 ~~Distribution Trustee), shall have the authority to File objections to Claims, and the exclusive~~
33 ~~authority, subject to Section V.A of the Plan, to settle, compromise, withdraw, or litigate to~~
34 ~~judgment objections on behalf of the Debtors' Estates to any and all Claims, except with respect to~~
35 ~~any Claim or Interest deemed Allowed as of the Effective Date. From and after the Effective Date,~~
36 ~~the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC Distribution~~

1 Trustee) shall have the sole authority, subject to Section V.A of the Plan, to administer and adjust
2 the Claims Register with respect to Claims to reflect any such settlements or compromises and no
3 further notice to or action, order, or approval of the Court with respect to such settlements or
4 compromises shall be required.

5 **c. Claims Estimation**

6 On and after the Effective Date, the Reorganized Debtors (and with respect to General
7 Unsecured Claims, the GUC Distribution Trustee) may, at any time, request that the Court estimate
8 (a) any Disputed Claim pursuant to applicable law and (b) any contingent or unliquidated Claim
9 pursuant to applicable law, in each case regardless of whether the Debtors ~~or~~, the Reorganized
10 Debtors, or any other party have previously objected to such Claim or whether the Court has ruled
11 against the objecting party on any such objection, and the Court shall retain jurisdiction under 28
12 U.S.C. §§ 157 and 1334 to the maximum extent permitted by law as determined by the Court to
13 estimate any such Disputed Claim, contingent Claim, or unliquidated Claim, including during the
14 litigation concerning any objection to any Claim or during the pendency of any appeal relating to
15 any such objection.

16 Notwithstanding any provision otherwise in the Plan to the contrary, a Claim that has been
17 expunged from the Claims Register but that is subject to appeal or has not been the subject of a
18 Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Court.
19 In the event that the Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim,
20 that estimated amount shall constitute either the Allowed amount of such Claim or a maximum
21 limitation on such Claim for all purposes under the Plan, including for purposes of distributions,
22 and the Reorganized Debtors (or the GUC Distribution Trustee, as applicable) may elect to pursue
23 additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes
24 a maximum limitation on such Claim, the Reorganized Debtors (or the GUC Distribution Trustee,
25 as applicable) may elect to pursue any supplemental proceedings to object to any ultimate
26 distribution on account of such Claim. Notwithstanding § 502(j), in no event shall any Holder of a
27 Claim that has been estimated pursuant to § 502(c) or otherwise be entitled to seek reconsideration
28 of such estimation unless such Holder has Filed a motion requesting the right to seek such
reconsideration on or before 21 days after the date on which such Claim is estimated. All of the
aforementioned Claims and objection, estimation, and resolution procedures are cumulative and
not exclusive of one another. Claims may be estimated and subsequently compromised, settled,
withdrawn, or resolved by any mechanism approved by the Court.

d. Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims
Register by the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
Distribution Trustee) or the Claims and Noticing Agent at the Reorganized Debtors' (and with
respect to General Unsecured Claims, the GUC Distribution Trustee's) direction), and any Claim
that has been amended may be adjusted thereon by the Reorganized Debtors (and with respect to
General Unsecured Claims, by the GUC Distribution Trustee) without a Claims objection having
to be Filed and without any further notice to or action, order, or approval of the Court.

e. Deadline to File Objections to Claims

Any objections to Claims shall be Filed no later than the Claims Objection Bar Date.

7.3. Disallowance of Claims

Any Claim, or any portion thereof, is Disallowed and shall be expunged without further
action by the Debtors and without further notice to any party or action, approval, or Order of the
Court, to the extent that it (i) has been disallowed by Final Order or settlement; (ii) is scheduled

1 ~~in the amount of~~ zero dollars (\$0) or as contingent, disputed, or unliquidated on the Schedules
2 and as to which a Claims Bar Date, Supplemental Bar Date or Administrative Claims Bar Date has
3 been established but no Proof of Claim has been timely Filed or deemed timely Filed with the Court
4 pursuant to either the Bankruptcy Code or any Final Order of the Court, including the Claims Bar
5 Date Order, Supplemental Bar Date Order or Administrative Claims Bar Date Order or otherwise
6 deemed timely Filed under applicable law; or (iii) is not scheduled on the Schedules and as to which
7 a Claims Bar Date, Supplemental Bar Date or Administrative Claims Bar Date has been established
8 but no Proof of Claim has been timely Filed or deemed timely Filed with the Court pursuant to
9 either the Bankruptcy Code or any Final Order of the Court, including the Claims Bar Date Order,
10 Claims Bar Date Order, Supplemental Bar Date Order or Administrative Claims Bar Date Order or
11 otherwise deemed timely Filed under applicable law.

12 To the maximum extent provided by § 502(d), except as otherwise provided in the Plan, all
13 Claims of any Entity from which property is recoverable by the ~~Litigation~~GUC Distribution Trustee
14 under §§ 542, 543, 550, or 553 or that the ~~Litigation~~GUC Distribution Trustee alleges is a transferee
15 of a transfer that is avoidable under §§ 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) shall be
16 Disallowed if (a) the Entity, on the one hand, and the ~~Litigation~~GUC Distribution Trustee, on the
17 other hand, agree or it has been determined by Final Order that such Entity or transferee is liable to
18 turnover any property or monies under any of the aforementioned sections of the Bankruptcy Code,
19 and (b) such Entity or transferee has failed to turnover such property by the date set forth in such
20 agreement or Final Order.

21 4. Disallowance of Untimely Claims

22 Except as expressly provided in the Plan or otherwise agreed by the Reorganized Debtors
23 (and with respect to General Unsecured Claims, the GUC Distribution Trustee) on and after the
24 Petition Date, any and all Holders of proofs of Claim filed after the applicable bar date (including
25 the Administrative Claims Bar Date, the Claims Bar Date, the Governmental Bar Date, the
26 Supplemental Bar Date) shall not be treated as creditors or claimants for purposes of voting or
27 distribution under the Plan unless, on or before the Voting Deadline or the Confirmation Date, as
28 applicable, such untimely proofs of Claim are deemed timely filed by a Final Order of the Court.

Claims for which proofs of Claim or requests for Allowance were required to be filed by a
bar date occurring before the Effective date, and with respect to which no proof of Claim or request
for Allowance was filed before the applicable bar date, shall be forever Disallowed, barred, and
discharged in their entirety as of the Effective Date, and shall not be enforceable against the
Debtors, their Estates, the Reorganized Debtors, or the GUC Distribution Trust, unless such proofs
of Claim or requests for Allowance are deemed timely filed by a Final Order of the Court before
the Effective Date.

Claims for which proofs of Claim or requests for Allowance are required to be filed after the
Effective Date pursuant to the Plan, and with respect to which no proof of Claim or request for
Allowance is filed by the applicable deadline, shall be forever Disallowed, barred, and discharged
in their entirety as of the applicable deadline, and shall not be enforceable against the Debtors, their
Estates, the Reorganized Debtors, or the GUC Distribution Trust.

29 8.5. Amendments to Claims

30 After the Confirmation Date, a Claim may not be filed or amended without the authorization
31 of the Court and any such new or amended Claim Filed shall be deemed Disallowed and expunged
32 without any further notice to or action, order, or approval of the Court; provided, that such Holder
33 may amend the Claim Filed solely to decrease, but not to increase, the amount, number, or priority
34 of such Claim, unless otherwise provided by the Court.

1 **9.6. No Interest**

2 Unless otherwise specifically provided for in the Plan, by applicable law (including, without
3 limitation, § 506(b)), or agreed to by, as applicable, the ~~Debtors or Debtor, the Committee, the~~
4 Reorganized Debtors, ~~or the GUC Distribution Trustee~~ interest shall not accrue or be paid on any
5 Claim, and no Holder of any Claim shall be entitled to interest accruing on and after the Petition
Date on account of any Claim. Without limiting the foregoing, interest shall not accrue or be paid
on any Claim after the Effective Date to the extent the final distribution paid on account of such
Claim occurs after the Effective Date.

6 **P.R. Jurisdiction**

7 **1. Retention of Jurisdiction**

8 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
9 Date, on and after the Effective Date, the Court shall retain jurisdiction over the Chapter 11 Cases
and all matters arising out of, or related to, the Chapter 11 Cases and the Plan, including jurisdiction
to:

- 10 a) Allow, Disallow, determine, liquidate, classify, estimate, or establish the priority,
11 Secured or unsecured status, or amount of any Claim, including the resolution of
12 any request for payment of any Administrative Claim and the resolution of any and
13 all objections to the Secured or unsecured status, priority, amount, or Allowance of
14 Claims; provided that, for the avoidance of doubt, the Court's retention of
jurisdiction with respect to such matters shall not preclude the Debtors or the
Reorganized Debtors, as applicable, from seeking relief from any other court,
tribunal, or other legal forum of competent jurisdiction with respect to such matters;
- 15 b) decide and resolve all matters related to the granting and denying, in whole or in
16 part, any applications for allowance of compensation or reimbursement of expenses
to professionals authorized pursuant to the Bankruptcy Code or the Plan;
- 17 c) resolve any matters related to (i) the assumption or assumption and assignment of
18 any Executory Contract to which a Debtor is a party or with respect to which a
Debtor may be liable in any manner and to hear, determine, and, if necessary,
19 liquidate, any Claims arising therefrom, including Claims related to the rejection of
an Executory Contract, cure costs pursuant to § 365, or any other matter related to
20 such Executory Contract; and (ii) any dispute regarding whether a contract or lease
is or was executory or unexpired;
- 21 d) adjudicate, ~~decide, or resolve any~~ controversies, if any, with respect to distributions
22 to Holders of Allowed Claims;
- 23 e) adjudicate, decide, or resolve any motions, adversary proceedings, contested, or
24 litigated matters, and any other matters, and grant or deny any applications involving
a Debtor that may be pending on the Effective Date;
- 25 f) adjudicate, decide, or resolve any and all matters related to Causes of Action;
- 26 g) adjudicate, decide, or resolve any and all matters related to § 1141;
- 27 h) enter and implement such orders as may be necessary or appropriate to execute,
28 implement, or consummate the provisions of the Plan and all contracts, instruments,
releases, indentures, and other agreements or documents created in connection with
the Plan or the Disclosure Statement;

- 1 i) enforce any order for the sale of property pursuant to §§ 363, 1123, or 1146(a);
- 2 j) resolve any cases, controversies, suits, disputes, or Causes of Action that may arise
- 3 in connection with the Consummation, interpretation, or enforcement of the Plan or
- 4 any Entity's obligations incurred in connection with the Plan;
- 5 k) issue injunctions, enter and implement other orders, or take such other actions as
- 6 may be necessary or appropriate to restrain interference by any Entity with
- 7 Consummation or enforcement of the Plan;
- 8 l) resolve any cases, controversies, suits, disputes, or Causes of Action with respect to
- 9 the settlements, compromises, discharges, releases, injunctions, exculpations, and
- 10 other provisions contained in Section VII of the Plan and enter such orders as may
- 11 be necessary or appropriate to implement such releases, injunctions, and other
- 12 provisions;
- 13 m) enter and implement such orders as are necessary or appropriate if the Confirmation
- 14 Order is for any reason modified, stayed, reversed, revoked, or vacated;
- 15 n) determine any other matters that may arise in connection with or relate to the Plan,
- 16 the Disclosure Statement, the Confirmation Order, or the Plan Supplement,
- 17 including any matter arising in connection with or otherwise relating to the GUC
- 18 Distribution Trust;
- 19 o) adjudicate any and all disputes arising from or relating to distributions under the
- 20 Plan or any transactions contemplated therein;
- 21 p) adjudicate, decide, or resolve any motions, adversary proceedings, contested or
- 22 litigated matters, and any other matters, and grant or deny any applications involving
- 23 a Debtor that may be pending on the Effective date, including the WSNA Adversary
- 24 Proceeding, SBA Adversary Proceeding, and YHMA Adversary Proceeding;
- 25 q) consider any modifications of the Plan, to cure any defect or omission, or to
- 26 reconcile any inconsistency in any Court order, including the Confirmation Order;
- 27 r) determine requests for the payment of Claims entitled to priority pursuant to § 507;
- 28 s) hear and determine matters concerning state, local, and federal taxes in accordance
- with §§ 346, 505, and 1146 (including the expedited determination of taxes under §
- 505(b));
- t) hear and determine matters concerning exemptions from state and federal
- registration requirements in accordance with § 1145;
- u) hear and determine all disputes involving the existence, nature, or scope of the
- release provisions set forth in the Plan, including any dispute relating to any liability
- arising out of the termination of employment or the termination of any employee or
- retiree benefit program, regardless of whether such termination occurred prior to or
- after the Effective Date;
- v) enforce all orders previously entered by the Court;
- w) hear any other matter not inconsistent with the Bankruptcy Code;
- x) enter an order concluding or closing the Chapter 11 Cases; and

1 y) enforce the compromise, settlement, injunction, release, and exculpation provisions
2 set forth in Section VII of the Plan.

3 **2. Consent to Jurisdiction**

4 All creditors who have filed claims in the Chapter 11 Cases shall be deemed to have
5 consented to the jurisdiction of the Bankruptcy Court for purposes of the Causes of Action.

6 **Q.S. Effect of Confirmation of Plan**

7 **1. Discharge**

8 The Plan is a reorganization plan. The rights afforded in the Plan and the treatment of all
9 Claims shall be in exchange for and in complete satisfaction, discharge, and release of all Claims
10 of any nature whatsoever arising prior to the Effective Date, including any interest accrued on such
11 Claims from and after the Petition Date (except as otherwise ordered by the Court), against the
12 Debtors, the Estates and their property.

13 Except as otherwise provided in the Plan or the Confirmation Order or in any Executory
14 Contract assumed by Debtors during the Chapter 11 Cases (including, without limitation, the
15 Debtors' indemnification obligations thereunder), the Plan and Confirmation Order shall: (a) on the
16 Effective Date, discharge and release the Debtors, the Estate, the Reorganized Debtors, and their
17 property to the fullest extent permitted by §§ 524 and 1141 from all Claims, including all debts,
18 obligations, demands, liabilities, and Claims that arose before the Effective Date, and all debts of
19 the kind specified in §§ 502(g), 502(h), or 502(i), regardless of whether or not (i) a proof of Claim
20 based on such debt is Filed or deemed Filed, (ii) a Claim based on such debt is allowed pursuant to
21 § 502, or (iii) the Holder of a Claim based on such debt has or has not accepted the Plan; (b) void
22 any judgment underlying a Claim discharged hereunder; and (c) preclude all Entities from asserting
23 against the Debtors, the Estate, the Reorganized Debtors, or their respective property any Claims
24 based upon any act or omission, transaction, or other activity of any kind or nature that occurred
25 prior to the Effective Date. To the extent any Claim is paid other than under the Plan, Debtors will
26 be deemed discharged and released with respect to such Claim and such Claim and shall not receive
27 a distribution under the Plan.

28 Except as otherwise provided in the Plan or the Confirmation Order, or as provided in
contracts assumed during the Case and Debtor's indemnification obligations thereunder, on and
after the Effective Date, all Entities who have held, currently hold, or may hold a debt or Claim
against the Debtors, the Estate, the Reorganized Debtors, or their respective property that is based
upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to
the Effective Date, that otherwise arose or accrued prior to the Effective Date, or that is otherwise
discharged pursuant to the Plan, shall be permanently enjoined from taking any of the following
actions on account of any such discharged debt, Claim, (the "**Permanent Injunction**"): (a)
commencing or continuing in any manner any action or other proceeding against the Debtors, the
Estate, the Reorganized Debtors, or their respective property that is inconsistent with the Plan or
the Confirmation Order; (b) enforcing, attaching, collecting, or recovering in any manner any
judgment, award, decree, or order against the Debtors, the Estate, the Reorganized Debtors, or their
respective property other than as specifically permitted under the Plan, as approved by the
Confirmation Order; (c) creating, perfecting, or enforcing any lien or encumbrance against the
Debtors, the Estate, the Reorganized Debtors, or their respective property; and (d) commencing or
continuing any action, in any manner, in any place that does not comply with or is inconsistent with
the provisions of the Plan, the Confirmation Order, or the discharge provisions of § 1141. Any
Entity injured by any willful violation of such Permanent Injunction shall recover actual damages,
including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive
damages, from the willful violator.

1 **2. Compromise and Settlement of Claims and Controversies**

2 Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other
3 benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan or
4 in any contract, instrument, or other agreement or document created pursuant to the Plan, the
5 distributions, rights, and treatment that are provided in the Plan shall be in complete settlement,
6 compromise, and release, effective as of the Effective Date, of Claims, and Causes of Action of any
7 nature whatsoever, including any interest accrued on Claims from and after the Petition Date,
8 including, but not limited to, all known or unknown liabilities of, Liens on, obligations of, rights
9 against the Debtor or any of its assets or properties, regardless of whether any property shall have
10 been distributed or retained pursuant to the Plan on account of such Claims, including demands,
11 liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such
12 Claims relate to services performed by employees of the Debtor before the Effective Date and that
13 arise from a termination of employment, any contingent or non-contingent liability on account of
14 representations or warranties issued on or before the Effective Date, and all debts of the kind
15 specified in § 502(g), (h), or (i), in each case whether or not: (a) a Proof of Claim based upon such
16 debt, right, or interest is Filed or deemed Filed pursuant to § 501; (b) a Claim based upon such debt,
17 right, or interest is Allowed pursuant to § 502; or (c) the Holder of such a Claim has accepted the
18 Plan. Any default by the Debtor or its Affiliates with respect to any Claim that existed immediately
19 before or on account of the filing of the Chapter 11 Case shall be deemed cured on the Effective
20 Date. The Confirmation Order shall be a judicial determination of the settlement, compromise, and
21 release of all Claims, subject to the Effective Date occurring.

22 **3. Release of Liens**

23 Except as otherwise provided in the Plan or in any contract, instrument, release, or other
24 agreement or document created pursuant to the Plan, on the Effective Date and concurrently with
25 the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim,
26 satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all
27 mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the
28 Estate shall be fully released, settled, and compromised and all rights, titles, and interests of any
29 Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any
30 property of the Estate shall revert or otherwise transfer to the Reorganized Debtors or the
31 Liquidation Trust, as applicable, and their successors and assigns. For the avoidance of doubt, this
32 section (and the corresponding Section VII.C of the Plan) shall not apply to DIP Claims, Senior
33 Secured Bond Claims, or Senior Secured Credit Agreement Claims.

34 **4. Subordinated Claims**

35 The allowance, classification, and treatment of all Allowed Claims and the respective
36 distributions and treatments under the Plan take into account and conform to the relative priority
37 and rights of the Claims in each Class in connection with any contractual, legal, and equitable
38 subordination rights relating thereto, whether arising under general principles of equitable
39 subordination, § 510(b), or otherwise. Except with respect to Allowed Claims, pursuant to § 510,
40 the ~~Debtors reserve the right for the Debtors or the Reorganized Debtors, as applicable, Court shall~~
41 ~~retain jurisdiction~~ to re-classify, upon ~~approval by the Court~~ proper application, any Claim in
42 accordance with any contractual, legal, or equitable subordination relating thereto.

43 **5. Exculpation**

44 The Exculpated Parties³¹ shall neither have, nor incur any liability to any Entity for any

45
46
47 ³¹ As defined in Section 1.71 of the Plan, "Exculpated Parties" means "solely to the extent of the
48 Exculpation, each of the (a) the Debtors, and any of their Related Parties; (b) the Lapis Parties,
and any of their respective Related Parties; (c) the Committee, its members, and any of their

1 prepetition or ~~postpetition~~post-petition act taken or omitted to be taken in connection with the
2 Chapter 11 Cases, or related to formulating, negotiating, soliciting, preparing, disseminating,
3 confirming, or implementing the Plan or consummating the Plan, the Disclosure Statement, or any
4 contract, instrument, release, or other agreement or document created or entered into in connection
5 with the Plan, or any other prepetition or ~~postpetition~~post-petition act taken or omitted to be taken
6 in connection with or in contemplation of the restructuring of the Reorganized Debtors ~~or,~~
7 liquidation of the Liquidating Debtors, or administration of the GUC Distribution Trust. Without
8 limiting the foregoing “Exculpation” provided under ~~Plan~~this Section ~~VII.E~~, the rights of any
9 Holder of a Claim or Interest to enforce rights arising under the Plan shall be preserved, including
10 the right to compel payment of distributions in accordance with the Plan; provided, that the
11 foregoing “Exculpation” shall have no effect on the liability of any Entity for liability solely to the
12 extent resulting from any such act or omission taken after the Effective Date or of any Entity solely
13 to the extent resulting from any act or omission that is determined in a final order to have constituted
14 gross negligence or willful misconduct; provided, further, that, subject to the foregoing exclusions,
15 each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her, or
16 its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or
17 agreement. The exculpation of the Lapis Parties is an integral component of the Senior Debt 9019
18 Settlement.

11 6. Releases

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

33 respective Related Parties; (d) the Board Trustees; (e) the Patient Care Ombudsman, and any of
34 its respective Related Parties; (f) the POC, its members, and any of their respective Related
35 Parties; and (g) the GUC Distribution Trustee and his or her Related Parties; provided, the
36 officers of the Debtors and Non-Debtor Affiliates and AHM, Inc. shall not constitute Exculpated
37 Parties for the purposes of this Plan.” As defined in Section 1.131, “Related Parties” means “with
38 respect to any person or entity, except as otherwise set forth below or in this Plan, any past or
39 present representative, controlling persons, officer, director, agent, attorney, advisor, Professional,
40 employee, subsidiary or Affiliate, shareholder, partner (general or limited), executive committee
41 member, member, managers, equity holder, trustee executor, predecessor in interest, successor or
42 assign of any such person, provided, the officers of the Debtors and Non-Debtor Affiliates and
43 AHM, Inc. shall not constitute Related Parties for the purposes of this Plan.”

1 Release shall be a Released Party only in his or her capacity as a member of the Committee.
2 Furthermore, “Releasing Party” means ~~all Holders of Claims and the Released Parties~~. (a) the
3 Released Parties; and (b) all Holders of Claims that (i) vote to accept the Plan, and (ii) do not
4 affirmatively opt out of the third party release provided by Section VII.F.2 of the Plan pursuant to
5 a duly executed Ballot; provided, that, notwithstanding anything contained herein to the contrary,
6 in no event shall an Entity that (x) does not vote to accept or reject the Plan, (y) votes to reject the
7 Plan, or (z) appropriately marks the Ballot to opt out of the third party release provided in Section
8 VII.F.2 of the Plan and returns such Ballot in accordance with the Solicitation Procedures Order,
9 be a Releasing Party.

10 The Plan Proponents believe that these releases are in accordance with applicable law as they are narrow in time and scope, relate to actions
11 that occurred during the Chapter 11 Cases and do not apply to claims for gross negligence or willful
12 misconduct.

13 **a. Debtors’ Releases**

14 The Plan provides for the following releases of the Debtors:

15 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
16 AUTHORIZED BY APPLICABLE LAW, THE RELEASED PARTIES AND THEIR
17 RESPECTIVE PROPERTY WILL BE EXPRESSLY, UNCONDITIONALLY, GENERALLY
18 AND INDIVIDUALLY AND COLLECTIVELY RELEASED, ACQUITTED AND
19 DISCHARGED BY THE DEBTORS ON BEHALF OF THEMSELVES, THEIR ESTATES, THE
20 REORGANIZED DEBTORS, THE ~~LITIGATIONGUC DISTRIBUTION~~ TRUST AND THE
21 LIQUIDATION TRUST (SUCH THAT THE REORGANIZED DEBTORS, THE
22 ~~LITIGATIONGUC DISTRIBUTION~~ TRUST AND THE LIQUIDATION TRUST WILL NOT
23 HOLD ANY CLAIMS OR CAUSES OF ACTION RELEASED PURSUANT TO ~~THE~~THIS
24 PLAN), FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF
25 THE RELEASED PARTIES, FROM ANY AND ALL ACTIONS, CLAIMS, DEBTS,
26 OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES AND
27 LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED ON
28 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 ~~LITIGATIONGUC 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 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.

1 ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT'S
2 APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTORS' RELEASES,
3 WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND
4 DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE
5 COURT'S FINDING THAT THE DEBTORS' RELEASES ARE: (1) IN EXCHANGE FOR THE
6 GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (2)
7 A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY
8 THE DEBTORS' RELEASES; (3) IN THE BEST INTERESTS OF THE DEBTORS' ESTATES
9 AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE, AND
10 REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR
11 HEARING; AND (6) A BAR AGAINST ANY OF THE DEBTORS' ESTATES, THE
12 REORGANIZED DEBTORS, THE LITIGATIONGUC DISTRIBUTION TRUST, OR THE
13 LIQUIDATION TRUST, ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED
14 PURSUANT TO THE DEBTORS' RELEASES.

15 THE FOREGOING RELEASE AS TO THE LAPIS PARTIES IS AN INTEGRAL
16 COMPONENT OF THE SENIOR DEBT 9019 SETTLEMENT.

17 **b. Third Party Releases**

18 The Plan further provides for the following nondebtor releases:

19 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
20 AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES SHALL BE DEEMED
21 TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND
22 COLLECTIVELY, RELEASED AND ACQUITTED THE RELEASED PARTIES AND THEIR
23 RESPECTIVE PROPERTY ~~(INCLUDING THE RELEASED PARTIES' PREDECESSORS,
24 SUCCESSORS AND ASSIGNS, SUBSIDIARIES, AFFILIATES, MANAGED ACCOUNTS OR
25 FUNDS, CURRENT AND FORMER OFFICERS, DIRECTORS, PRINCIPALS,
26 SHAREHOLDERS, DIRECT AND INDIRECT EQUITY HOLDERS, MEMBERS, PARTNERS
27 (GENERAL AND LIMITED), EMPLOYEES, AGENTS, ADVISORY BOARD MEMBERS,
28 FINANCIAL ADVISORS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS,
CONSULTANTS, REPRESENTATIVES, MANAGEMENT COMPANIES, FUND ADVISORS
AND OTHER PROFESSIONALS) AND THE RELEASED PARTIES~~ FROM ANY AND ALL
ACTIONS, CLAIMS, INTERESTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES
OF ACTION, REMEDIES AND LIABILITIES WHATSOEVER, INCLUDING ANY
DERIVATIVE CLAIMS ASSERTED ON BEHALF OF THE DEBTOR, WHETHER KNOWN
OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING
OR HEREAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT OR OTHERWISE, THAT
SUCH HOLDER (WHETHER INDIVIDUALLY OR COLLECTIVELY) EVER HAD, NOW
HAS OR HEREAFTER CAN, SHALL OR MAY HAVE, BASED ON OR RELATING TO, OR
IN ANY MANNER 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 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 LITIGATIONGUC 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

1 DEBTORS, THE REORGANIZED DEBTORS, THE ~~LITIGATION~~ ~~GUC~~ ~~DISTRIBUTION~~
2 TRUST, OR THE LIQUIDATION TRUST ON ACCOUNT OF AN ALLOWED CLAIM
3 AGAINST THE DEBTORS PURSUANT TO THE PLAN. FOR THE AVOIDANCE OF DOUBT,
4 THE RELEASING PARTIES SHALL INCLUDE (A) THE RELEASED PARTIES, AND (B)
5 ALL HOLDERS OF CLAIMS THAT (I) VOTE TO ACCEPT THE PLAN, AND (II) DO NOT
6 AFFIRMATIVELY OPT OUT OF THE THIRD PARTY RELEASE PROVIDED BY THIS
7 SECTION ~~VII.F.2 OF THE PLAN~~ PURSUANT TO A DULY EXECUTED BALLOT.
8 NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IN NO EVENT SHALL
9 AN ENTITY THAT (X) DOES NOT VOTE TO ACCEPT OR REJECT THE PLAN, (Y) VOTES
10 TO REJECT THE PLAN, OR (Z) APPROPRIATELY MARKS THE BALLOT TO OPT OUT OF
11 THE THIRD PARTY RELEASE PROVIDED IN THIS SECTION ~~VII.F.2 OF THE PLAN~~ AND
12 RETURNS SUCH BALLOT IN ACCORDANCE WITH THE SOLICITATION PROCEDURES
13 ORDER, BE A RELEASING PARTY.

14 ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT'S
15 APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY
16 RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS
17 AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE
18 THE COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR
19 THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED
20 PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS
21 RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE
22 DEBTORS AND ALL HOLDERS OF CLAIMS; (4) FAIR, EQUITABLE, AND REASONABLE;
23 (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND
24 (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM RELEASED
25 PURSUANT TO THE THIRD PARTY RELEASE.

26 NOTWITHSTANDING ANY PROVISION IN THE PLAN, THERE SHALL BE NO
27 RELEASE OR EXCULPATION BY OR INJUNCTION AGAINST ANY COMMITTEE
28 MEMBER HOLDING A CLAIM OR REPRESENTING A 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 POSTPETITION ACTIONS, OMISSIONS OR LIABILITIES, TRANSACTION,
OCCURRENCE, OR OTHER ACTIVITY OF ANY NATURE EXCEPT FOR AS PROVIDED
IN THIS PLAN OR THE CONFIRMATION ORDER.

7. Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION
ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, INTERESTS,
CAUSES OF ACTION, OR LIABILITIES THAT: (1) ARE SUBJECT TO COMPROMISE AND
SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (2) HAVE BEEN RELEASED
PURSUANT TO SECTION VII.F.1 ~~OF THE PLAN~~ HEREOF; (3) HAVE BEEN RELEASED
PURSUANT TO SECTION VII.F.2 ~~OF THE PLAN~~ HEREOF; (4) ARE SUBJECT TO
EXCULPATION PURSUANT TO SECTION VII.E ~~OF THE PLAN~~ HEREOF; OR (5) ARE

1 OTHERWISE STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN,
2 ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE
3 EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY
4 ACTION OR OTHER PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY
5 CLAIMS, INTERESTS, CAUSES OF ACTIONS, OR LIABILITIES THAT HAVE BEEN
6 COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE REORGANIZED
7 DEBTORS, THE LITIGATIONGUC DISTRIBUTION TRUST, THE LIQUIDATION TRUST,
8 OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF
9 ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON
10 ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY RELEASED,
11 SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, CAUSES OF ACTION, OR
12 LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY
13 MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE
14 DEBTORS, THE REORGANIZED DEBTORS, THE LITIGATIONGUC DISTRIBUTION
15 TRUST, THE LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED
16 (OR THE PROPERTY OR ESTATE OF THE DEBTOR OR ANY ENTITY SO RELEASED OR
17 EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO
18 ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS,
19 CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR ENFORCING
20 ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE
21 REORGANIZED DEBTORS, THE LITIGATIONGUC DISTRIBUTION TRUST, THE
22 LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE
23 PROPERTY OR ESTATE OF THE DEBTOR OR ANY ENTITY SO RELEASED OR
24 EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO
25 ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS,
26 CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR
27 SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS
28 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 LITIGATIONGUC 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 ~~OR THE SALE ORDER~~; PROVIDED,
FURTHER, THAT NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO
PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR
COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR
OTHERWISE TO THE EXTENT PERMITTED BY LAW.

26 **8. Waiver of Statutory Limitations on Releases**

27 EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE
28 PLAN (INCLUDING UNDER SECTION VII.H OF THE PLAN) EXPRESSLY
ACKNOWLEDGES THAT ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT

1 EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT
2 TO EXIST IN HIS FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY
3 AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, THEY HAVE CAREFULLY
4 CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE
5 ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR
6 CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH
7 RELEASING PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON
8 IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES
9 NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO
10 EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN
11 BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE RELEASED
12 PARTY. THE RELEASES CONTAINED IN SECTION VII.H OF THE PLAN ARE EFFECTIVE
13 REGARDLESS OF WHETHER THOSE RELEASED MATTERS ARE PRESENTLY KNOWN,
14 UNKNOWN, SUSPECTED OR UNSUSPECTED, FORESEEN OR UNFORESEEN.

9. Limitation on Liability GUC Distribution Trustee

10 The GUC Distribution Trustee will not be liable for any act they may do or omit to do as GUC
11 Distribution Trustee under the Plan and GUC Distribution Trust Agreement, as applicable,
12 while acting in good faith and in the exercise of his or her reasonable business judgment; nor
13 will the GUC Distribution Trustee be liable in any event except for gross negligence, fraud,
14 or willful misconduct. The foregoing limitation on liability will also apply to any Person or
15 Entity (including any attorney or other professional) employed by the GUC Distribution
16 Trustee and acting on behalf of the GUC Distribution Trustee in the fulfillment of the GUC
17 Distribution Trustee's duties under the Plan or the GUC Distribution Trust Agreement. Also,
18 the GUC Distribution Trustee and any Person or Entity (including any attorney or other
19 professional) employed by the GUC Distribution Trustee and acting on behalf of the GUC
20 Distribution Trustee shall be entitled to indemnification out of the assets of the GUC
21 Distribution Trust against any losses, liabilities, expenses (including attorneys' fees and
22 disbursements), damages, taxes, suits, or claims that they may incur or sustain by reason of
23 being, having been, or being or having been employed by, the GUC Distribution Trustee, or
24 for performing any function incidental to such service.

9.10. Setoffs

19 Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on
20 and after the Effective Date, the Reorganized Debtors, the ~~Litigation~~GUC Distribution Trustee or
21 the Liquidation Trustee, as applicable, pursuant to the Bankruptcy Code (including §§ 553 and
22 558), applicable ~~nonbankruptcy~~non-bankruptcy law, or as may be agreed to by the Holder of a
23 Claim or Interest, may set off against any Allowed Claim or Interest on account of any Proof of
24 Claim or proof of Interest or other pleading Filed with respect thereto prior to the Confirmation
25 Hearing and the distributions to be made pursuant to the Plan on account of such Allowed Claim
26 or Interest (before any distribution is made on account of such Allowed Claim or Interest), any
27 claims, rights, and Causes of Action of any nature that the Debtor's Estate may hold against the
28 Holder of such Allowed Claim or Interest, to the extent such claims, rights, or Causes of Action
against such Holder have not been otherwise compromised or settled on or prior to the Effective
Date (whether pursuant to the Plan or otherwise); provided that neither the failure to effect such a
setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or
release by the Debtors, the Reorganized Debtors, the ~~Litigation~~GUC Distribution Trustee or the
Liquidation Trustee, as applicable, of any such claims, rights, and Causes of Action that the
Debtors' Estates may possess against such Holder. In no event shall any Holder of Claims or
Interests be entitled to set off any Claim or Interest against any claim, right, or Cause of Action of
the Debtor's Estate unless such Holder has timely Filed a Proof of Claim (including any Proof of
Claim timely Filed by the Governmental Bar Date) with the Court expressly preserving such setoff;
provided that nothing in the Plan shall prejudice or be deemed to have prejudiced the Debtors', the

1 Reorganized Debtors', the ~~Litigation~~GUC Distribution Trustee's or the Liquidation Trustee's right
2 to assert that any Holder's setoff rights were required to have been asserted by motion or pleading
3 filed with the Court prior to the Effective Date, or any such Holder's right to assert that there was
4 no such requirement.

4 **10.11. Revesting of Property in the Debtors**

5 Except as provided elsewhere in the Plan or in the Exchange Debt Documents, the
6 ~~Confirmation~~Effective Date of the Plan revests the assets of the Estate in the Reorganized Debtors,
7 free and clear of all Claims, liens, encumbrances, and Interests, except as expressly provided in the
8 Plan. From and after the Effective Date, Reorganized Debtors may operate their business and use,
9 acquire and dispose of property without supervision by the Court and free of any restrictions of the
10 Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan
11 and the Confirmation Order.

9 **11.12. Preservation of Restricted Funds for Charitable Purposes**

10 Pursuant to § 1123(b) and all other applicable law and subject to consent of the Washington
11 Attorney General, the Reorganized Debtors shall be vested with and shall retain any and all
12 restricted funds, if any, formerly held by Debtors. All such funds shall be held in charitable trust
13 and may be used only for the restricted purposes permitted under applicable law. The Debtors are
14 not aware of any restricted funds.

13 **12.13. Modification of Plan**

14 Subject to such notice as the ~~Bankruptcy~~ Court may require, the Debtors may, with the prior
15 written consent of the Lapis Parties and the Committee, modify the Plan at any time before
16 Confirmation, if circumstances develop that warrant modification or amendment to the Plan. For
17 the avoidance of doubt, the Debtors will not modify any term of the Plan constituting the Committee
18 Plan Settlement without prior consent of the Committee.

19 However, the ~~Bankruptcy~~ Court may require a new disclosure statement and/or re-voting
20 on the Plan if ~~the~~ Debtors materially modify the Plan before Confirmation. ~~The~~ Debtors may also
21 seek to modify the Plan at any time after Confirmation so long as (1) the Plan has not been
22 substantially consummated and (2) if the Court authorizes the proposed modifications after notice
23 and a hearing.

20 **13. — Dissolution of Committee**

21 No later than

22 **14. Termination of Patient Care Ombudsman**

23 Upon the Effective Date, the Committee shall be dissolved, and shall be released and
24 discharged from the rights and duties arising from or related to the Chapter 11 Cases, except
25 with respect to final applications for professionals' compensation. The professionals retained
26 by the Committee and the Committee Members thereof shall not be entitled to compensation
27 or reimbursement of expenses for any services rendered or expenses incurred after the
28 Effective Date, except for services rendered and expenses incurred in connection with any
applications by such professionals or Committee Members for allowance of compensation
and reimbursement of expenses pending on the Effective Date or timely Filed after the
Effective Date as provided in the Plan, as approved by the Court, responsibilities of the Patient

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1 Care Ombudsman will be terminated and she may dispose of any documents provided to her
2 in the course of her reporting.

3 **14.15. Post-Confirmation Status Report**

4 Within 120 days of the entry of the order confirming the Plan, the Debtors (if the Effective
5 Date has not occurred) or Reorganized Debtors (if it has) shall file a status report with the Court
6 explaining what progress has been made toward Consummation of the confirmed Plan. The status
7 report shall be served on the U.S. Trustee, the twenty largest unsecured creditors, and those parties
8 who have requested special notice. Further status reports shall be filed every 120 days and served
9 on the same Entities.

10 **15.16. Quarterly Fees**

11 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of Confirmation shall be paid
12 to the U.S. Trustee on or before the Effective Date of the Plan. Quarterly fees accruing under 28
13 U.S.C. § 1930(a)(6) after Confirmation shall be paid by the ~~Litigation Trustee~~ Liquidation Trust to
14 the U.S. Trustee in accordance with 28 U.S.C. § 1930(a)(6) and the ~~Litigation~~ Liquidation Trust
15 ~~Agreement~~ until entry of a final decree, or entry of an order of dismissal or conversion to chapter
16 7. If the Liquidation Trust fails to timely pay the quarterly fees that come due after Confirmation,
17 the Reorganized Debtors shall remain obligated to pay the fees and may seek indemnification from
18 the Liquidation Trust.

19 **16.17. Post-Confirmation Conversion/Dismissal**

20 A creditor or party in interest may bring a motion to convert or dismiss the Chapter 11 Cases
21 under § 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If the Court
22 orders the Chapter 11 Cases converted to Chapter 7 after the Plan is confirmed, then all property
23 that had been property of the Chapter 11 Estate, and that has not been disbursed pursuant to the
24 Plan, will revert in the Chapter 7 Estate, and the automatic stay will be reimposed upon the reverted
25 property only to the extent that relief from stay was not previously granted by the Court during
26 these Chapter 11 Cases.

27 The Confirmation Order may also be revoked under very limited circumstances. The Court
28 may revoke the order if the Confirmation Order was procured by fraud and if the party in interest
brings an adversary proceeding to revoke Confirmation within 180 days after the entry of the
Confirmation Order.

17.18. Final Decree

Once the Estates have been fully administered as referred to in Bankruptcy Rule 3022, the
Reorganized Debtors, or such other party as the Court shall designate in the Confirmation Order,
shall file a motion with the Court to obtain a final decree to close the Chapter 11 Cases.

VII.
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Plan Proponents believe the Plan is in the best interests of the Creditors and should
accordingly be accepted and confirmed. If the Plan as proposed, however, is not confirmed, the
following three alternatives may be available to the Debtors: (i) a liquidation of the Debtors' Assets
pursuant to chapter 7 of the Bankruptcy Code; (ii) an alternative plan of reorganization and
liquidation may be proposed and confirmed; or (iii) the Debtors' Chapter 11 Cases may be
dismissed.

1 **A. Chapter 7 Liquidation**

2 If a plan pursuant to chapter 11 of the Bankruptcy Code is not confirmed by the Bankruptcy
3 Court, the Debtors' Chapter 11 Cases may be converted to a liquidation case under chapter 7 of the
4 Bankruptcy Code, in which case a trustee would be elected or appointed, pursuant to applicable
5 provisions of chapter 7 of the Bankruptcy Code, to liquidate the Assets of the Debtors for
6 distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors
7 believe that such a liquidation would result in smaller distributions being made to the Debtors'
8 Creditors than those provided for in the Plan because (a) the likelihood that other Assets of the
9 Debtors would have to be sold or otherwise disposed of in a less orderly fashion, (b) additional
10 administrative expenses attendant to the appointment of a trustee and the trustee's employment of
11 attorneys and other professionals, (c) additional expenses and Claims, some of which would be
12 entitled to priority, which would be generated during the liquidation and from the rejection of leases
13 and other executory contracts. The Debtors have determined that confirmation of the Plan will
14 provide each Holder of an Allowed Claim with a recovery that is not less than such Holder would
15 receive pursuant to liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

16 **B. Alternative Plan Pursuant to Chapter 11 of the Bankruptcy Code**

17 If the Plan is not confirmed, the Debtors may propose a different plan, which might involve
18 an alternative means for the reorganization or liquidation of the Debtors' Assets. However, it is
19 difficult to speculate on or assess the terms and potential treatment of Allowed Claims under any
20 such alternative plan. Furthermore, for the Debtors and/or Creditors to formulate, solicit and
21 confirm any such alternative plan would likely require the Estates to incur additional administrative
22 and other expenses, may substantially delay distributions to Creditors, and may result in lower
23 recoveries to Creditors than the proposed Plan. The Plan Proponents believe that the terms of the
24 Plan provide for an orderly and efficient administration of the Debtors' Assets and will result in the
25 realization of the most value for Holders of Claims against the Debtors' Estates.

26 **C. Dismissal of the Debtors' Chapter 11 Cases**

27 Dismissal of the Debtors' Chapter 11 Cases would have the effect of restoring (or
28 attempting to restore) all parties to the *status quo ante*. Upon dismissal of the Debtors' Chapter 11
Cases, the Debtors would lose the protection of the Bankruptcy Code, thereby requiring, at the very
least, an extensive and time-consuming process of negotiation with the various creditors of the
Debtors, and possibly resulting in costly and protracted litigation in various jurisdictions. Dismissal
would also permit unpaid unsecured creditors to obtain and enforce judgments against the Debtors.
The Debtors believe that these actions could lead ultimately to the liquidation of the Debtors' Assets
under chapter 7 of the Bankruptcy Code. Therefore, the Debtors believe that dismissal of the
Chapter 11 Cases is not a preferable alternative to the Plan.

29 **VIII.**
30 **CERTAIN MATERIAL FEDERAL TAX CONSEQUENCES**

31 THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF
32 CERTAIN MATERIAL U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN AND IS NOT
33 A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE
34 FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX
35 ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY
36 VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES.
37 ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT ITS OWN TAX
38 ADVISOR REGARDING THE APPLICABLE U.S. FEDERAL, STATE, LOCAL, AND NON-
39 U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

1 **A. General**

2 The following discussion summarizes certain material U.S. federal income tax
3 consequences to the Debtors, the Liquidation Trust, the LitigationGUC Distribution Trust, and
4 Holders entitled to vote on the Plan. This discussion is based on current provisions of the IRC,
5 applicable Treasury Regulations, judicial authority and current administrative rulings and
6 pronouncements of the Internal Revenue Service (the “Service”). There can be no assurance that
7 the Service will not take a contrary view, no ruling from the Service has been or will be sought nor
8 will any counsel be asked to provide a legal opinion as to any of the expected tax consequences set
9 forth below.

10 Legislative, judicial or administrative changes or interpretations may be forthcoming that
11 could alter or modify the statements and conclusions set forth herein. Any such changes or
12 interpretations may or may not be retroactive and could affect the tax consequences to Holders of
13 Claims, the Liquidation Trust, the LitigationGUC Distribution Trust, or the Debtors. It cannot be
14 predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law
15 changes contained therein would affect the tax consequences described herein.

16 The following summary is for general information only. The tax treatment of a Holder may
17 vary depending upon such Holder’s particular situation. This summary does not address all of the
18 tax consequences that may be relevant to a Holder, including any consequences of the alternative
19 minimum tax or net investment income tax, and does not address the tax consequences to a Holder
20 that has made an agreement to resolve its claim in a manner not explicitly provided for in the Plan.
21 This summary also does not address the U.S. federal income tax consequences to persons not
22 entitled to vote on the Plan or to Holders subject to special treatment under the U.S. federal income
23 tax laws, such as brokers or dealers in securities or currencies; persons that use the accrual method
24 of accounting and report income on an “applicable financial statement”; certain securities traders;
25 tax-exempt or government entities; persons that have ceased to be U.S. citizens or lawful permanent
26 residents of the United States; financial institutions; insurance companies; partnerships and other
27 pass-through entities; Holders that have a “functional currency” other than the United States dollar;
28 and Holders that have acquired Claims in connection with the performance of services. This
summary addresses the tax United States federal tax treatment only of a United States person,
defined as a Holder that is, for U.S. federal income tax purposes: (i) an individual citizen or resident
of the United States; (ii) a corporation created or organized under the laws of the United States, any
state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal
income tax without regard to its source or (iv) a trust if either a court within the United States is
able to exercise primary supervision over the administration of the trust and one or more U.S.
persons have the authority to control all substantial decisions of the trust, or the trust has validly
elected to be treated as a domestic trust for U.S. federal income tax purposes. The following
summary assumes that all Claims denominated as indebtedness are properly treated as debt for U.S.
federal income tax purposes.

22 The tax treatment of Holders and the character, amount and timing of income, gain or loss
23 recognized as a consequence of the Plan and the distributions provided for by the Plan may vary,
24 depending upon, among other things: (i) whether the Claim (or portion thereof) constitutes a Claim
25 for principal or interest; (ii) the type of consideration received by the Holder in exchange for the
26 Claim and whether the Holder receives distributions under the Plan in more than one taxable year;
27 (iii) whether the Holder is a citizen or resident of the United States for tax purposes, is otherwise
28 subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such
as those that are excluded from this discussion as noted above; (iv) the manner in which the Holder
acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was
acquired at a discount; (vii) whether the Holder has taken a bad debt deduction with respect to the
Claim (or any portion thereof) in the current or prior years; (viii) whether the Holder has previously
included in income accrued but unpaid interest with respect to the Claim; (ix) the method of tax
accounting of the Holder; (x) whether the Claim is an installment obligation for U.S. federal income

1 tax purposes; and (xi) whether the “market discount” rules are applicable to the Holder. Therefore,
2 each Holder should consult its tax advisor for information that may be relevant to its particular
3 situation and circumstances, and the particular tax consequences to such Holder of the transactions
4 contemplated by the Plan.

5 **B. U.S. Federal Income Tax Consequences to the Debtors**

6 **1. In General**

7 The Debtors are not-for-profit corporations that are exempt from federal income taxation
8 under Section 501(c)(3) of the IRC. It is intended that nothing in the Plan shall adversely affect the
9 tax-exempt status of the Debtors. Accordingly, the Debtors do not expect the implementation of
10 the Plan to have any adverse federal income tax consequences on the Debtors before or after the
11 Effective Date. If the tax-exempt status of the Debtors would terminate, the Debtors may be subject
12 to tax on their income, which would reduce the amount of distributions payable to the Holders of
13 Claims. This summary assumes that the Debtors are and will continue to be exempt from
14 federal income tax under Section 501 of the IRC.

15 Organizations that are otherwise exempt from federal income tax under Section 501 of the
16 IRC are nevertheless subject to tax on their “unrelated business taxable income” (“UBTI”). UBTI
17 is generally defined as gross income from any unrelated trade or business regularly carried on by a
18 tax-exempt entity less any deductions attributable thereto. An unrelated trade or business consists
19 of any trade or business the conduct of which is not substantially related to the organization’s
20 exempt purpose or function.

21 UBTI includes unrelated debt-financed income (“UDFI”). UDFI includes income derived
22 from debt-financed property during the taxable year and may include income derived from a sale
23 or other disposition of debt-financed property if there was acquisition indebtedness outstanding
24 with respect to such property during the 12-month period ending with the date of sale or other
25 disposition. Acquisition indebtedness generally includes any debt incurred directly or indirectly to
26 purchase such property. Thus, to the extent that a tax-exempt directly or indirectly (including
27 through an investment in a partnership or other entity (or arrangement) which is treated as a pass-
28 through entity for federal income tax purposes) has income from a trade or business, or earns
income in respect of certain leveraged investments, a tax-exempt partner’s allocable share of such
income generally will be treated as UBTI.

If the Debtors retain their tax-exempt status and any of their assets are regarded as UDFI
(which generally would not include property substantially all the use of which is substantially
related to the exercise or performance by the Debtors of the purpose or function constituting the
basis for its tax-exempt status), the Debtors may be subject to tax on a percentage of the income
(including gain) derived from such assets.

2. Gain or Loss on Sale or Exchange

Under the IRC, a taxpayer must recognize and include in gross income gain on the sale or
exchange of assets equal to the excess of the amount realized therefrom over the adjusted basis of
the assets. The transfer of assets, in payment and discharge of recourse indebtedness is treated as
a sale or exchange of such assets.

Each Debtor is exempt from U.S. federal income taxation under section 501(c)(3) of the
IRC. Gain realized and recognized in a transfer of assets in payment and discharge of recourse
indebtedness would be exempt from U.S. federal income taxation.

Each Debtor is also subject to tax on UBTI. Gain on the sale of assets other than (a) property
subject to depreciation recapture, or (b) property includable in inventory or held primarily for sale

1 to customers in the ordinary course of an unrelated trade or business is excluded from UBTI under
2 the IRC. Gain on the sale of assets includable in inventory or held primarily for sale to customers
is included in UBTI, and is subject to tax.

3 In addition, gain on the sale or exchange of debt-financed property is included in UDFI, and
4 so includable in UBTI, and subject to tax.

5 **3. Cancellation of Debt Income**

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

11 The IRC permits a debtor in bankruptcy to exclude its COD income from gross income if
12 the discharge occurs in a bankruptcy case (“**Bankruptcy Exception**”) or to the extent that the
debtor is insolvent at the time of the discharge (“**Insolvency Exception**”), either of which should
13 apply to exclude any COD income from taxation in these Chapter 11 Cases.

14 The same analysis applies to UBTI and UDFI. Income excluded from gross income under
the Bankruptcy Exception or Insolvency Exception for income tax purposes is also excluded from
15 gross income for UBTI and UDFI purposes. Accordingly, either the Bankruptcy Exception or the
Insolvency Exception should apply to exclude any UBTI or UDFI from taxation.

16 **C. U.S. Federal Income Tax Treatment with Respect to the Plan Trusts**

17 The Debtors shall file copies of the Plan Trust Agreements at least ten (10) days prior to the
18 hearing on the Disclosure Statement Voting Deadline. The Plan Trust Agreements will provide
19 additional information concerning the U.S. federal income tax treatment of the Plan Trusts; in
20 addition to the provisions regarding federal income tax treatment of the GUC Distribution Trust set
21 forth in Sections III.E.1 and III.E.8 of the Plan.

22 **D. U.S. Federal Income Tax Treatment with Respect to Holders of Allowed Claims that** 23 **Are Beneficiaries of the Plan Trusts**

24 Subject in all respects to the provisions of Sections III.E.1 and III.E.8 of the Plan:

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25 Holders of Allowed Claims as of the Effective Date that are Beneficiaries of either Plan
26 Trust should be treated as receiving from the Debtors their respective shares of the applicable assets
27 of the applicable Plan Trust in satisfaction of their Allowed Claims, and simultaneously transferring
28 such assets to the applicable Plan Trust. Accordingly, a Holder of such Claim should generally
recognize gain or loss in an amount equal to the amount deemed realized on the Effective Date (as
described above) less its adjusted tax basis of its Claim. Additionally, such Holders should
generally recognize their allocable share of income, gain, loss and deductions recognized by the
applicable Plan Trust on an annual basis.

Because a Holder’s ultimate share of the assets of the applicable Plan Trust based on its
Allowed Claim will not be determinable on the Effective Date due to, among other things, the
existence of Disputed Claims and the value of the assets at the time of actual receipt not being
ascertainable on the Effective Date, such Holder should recognize additional or offsetting gain or

1 loss if, and to the extent that, the aggregate amount of cash and fair market value of the assets of
2 the applicable Plan Trust ultimately received by such Holder is greater than or less than the amount
3 used in initially determining gain or loss in accordance with the procedures described in the
4 preceding paragraph. It is unclear when a Holder of an Allowed Claim that is a beneficiary of a
5 Plan Trust should recognize, as an additional amount received for purposes of computing gain or
6 loss, an amount attributable to the disallowance of a Disputed Claim.

7 The character of any gain or loss as capital gain or loss or ordinary income or loss and, in
8 the case of capital gain or loss, as short-term or long-term, will depend on a number of factors,
9 including: (i) the nature and origin of the Claim; (ii) the tax status of the Holder of the Claim;
10 (iii) whether the Claim has been held for more than one year; (iv) the extent to which the Holder
11 previously claimed a loss or bad debt deduction with respect to the Claim; and (v) whether the
12 Claim was acquired at a market discount. A Holder that purchased its Claim from a prior Holder
13 at a market discount may be subject to the market discount rules of the IRC. Under those rules
14 (subject to a *de minimis* exception), assuming that such Holder has made no election to accrue the
15 market discount and include it in income on a current basis, any gain recognized on the exchange
16 of such Claim generally would be characterized as ordinary income to the extent of the accrued
17 market discount on such Claim as of the date of the exchange.

18 It is possible that the IRS may assert that any loss should not be recognizable until the
19 respective Plan Trustee makes its final distribution of the assets of the applicable Plan Trust.
20 Holders should consult their tax advisors regarding the possibility that the recognition of gain or
21 loss may be deferred until the final distribution of the assets of the applicable Plan Trust.

22 Although not free from doubt, Holders of Disputed Claims should not recognize any gain
23 or loss on the date that the applicable Plan Trust Assets are transferred to the applicable Plan Trust,
24 but should recognize gain or loss in an amount equal to: (i) the amount of cash and the fair market
25 value of any other property actually distributed to such Holder less (ii) the adjusted tax basis of its
26 Claim. It is possible, however, that such Holders may be required to recognize the fair market
27 value of such Holder's allocable share of the applicable Plan Trust Assets, as an amount received
28 for purposes of computing gain or loss, either on the Effective Date or the date such Holder's Claim
becomes an Allowed Claim.

Holders of Allowed Claims will be treated as receiving a payment of interest (includible in
income in accordance with the Holder's method of accounting for tax purposes) to the extent that
any cash or other property received (or deemed received) pursuant to the Plan is attributable to
accrued but unpaid interest, if any, on such Allowed Claims. The extent to which the receipt of
cash or other property should be attributable to accrued but unpaid interest is unclear. The Debtors
and the Plan Trustees intend to take the position, and the Plan provides, that such cash or property
distributed pursuant to the Plan will first be allocable to the principal amount of an Allowed Claim
and then, to the extent necessary, to any accrued but unpaid interest thereon. Each Holder should
consult its tax advisor regarding the determination of the amount of consideration received under
the Plan that is attributable to interest (if any). A Holder generally will be entitled to recognize a
loss to the extent any accrued interest was previously included in its gross income and is not paid
in full.

E. Tax Withholding and Information Reporting

Subject in all respects to Section III.N of the Plan:

Distributions to Holders of Allowed Claims are subject to applicable tax withholding.
Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under
certain circumstances, be subject to "backup withholding" at the then-applicable withholding rate
(currently 24%). Backup withholding generally applies if the holder (a) fails to furnish its social
security number or other taxpayer identification number, (b) furnishes an incorrect taxpayer

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1 identification number, (c) fails properly to report interest or dividends, or (d) under certain
2 circumstances, fails to provide a certified statement, signed under penalty of perjury, that the tax
3 identification number provided is its correct number and that it is not subject to backup withholding.
4 Backup withholding is not an additional tax, and may be refunded to the extent it results in an
5 overpayment of tax. Certain persons are exempt from backup withholding. Holders of Allowed
6 Claims are urged to consult their tax advisors regarding the Treasury Regulations governing backup
7 withholding and the extent to which the transactions contemplated by the Plan would be subject to
8 these Treasury Regulations.

9 In addition, Treasury Regulations generally require disclosure by a taxpayer on its U.S.
10 federal income tax return of certain types of transactions in which the taxpayer participated,
11 including, among other types of transactions, certain transactions that result in the taxpayer's
12 claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors
13 regarding these Treasury Regulations and whether the transactions contemplated by the Plan would
14 be subject to these Treasury Regulations and require disclosure on the holder's tax returns.

15 **IX.**
16 **RISK FACTORS IN CONNECTION WITH THE PLAN**

17 The Holders of Claims against the Debtors should read and carefully consider the following
18 risk factors, as well as the other information set forth in this Disclosure Statement (and the
19 documents delivered together herewith), before deciding whether to vote to accept or reject the
20 Plan. These risk factors should not, however, be regarded as constituting the only risks associated
21 with the Plan and its implementation.

22 **A. Bankruptcy Considerations**

23 Although the Plan Proponents believe that the Plan will satisfy all requirements necessary
24 for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court
25 will confirm the Plan as proposed. Moreover, there can be no assurance that modifications of the
26 Plan will not be required for confirmation or that such modifications would not necessitate the re-
27 solicitation of votes.

28 In addition, the occurrence of the Effective Date is conditioned on the satisfaction of the
conditions precedent set forth in the Plan, and there can be no assurance that such conditions will
be satisfied. In the event the conditions precedent described in the Plan have not been satisfied as
of the Effective Date, then the Confirmation Order will be vacated, no Distributions will be made
pursuant to the Plan, and the Debtors and all Holders of Claims will be restored to the *status quo*
ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date
had never occurred.

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

The liquidation of certain Assets and the prosecution of certain Causes of Action may result
in the availability of additional assets for distribution pursuant to the Plan's terms. The potential
recoveries from any such actions, and the outcomes of the Adversary Proceedings are unknown.
~~In addition, there can be no assurance that the Litigation Trust assets will be sufficient to pay the
fees and expenses of the Litigation Trustee or make any distributions to the Litigation Trust
Beneficiaries.~~

1 As to each Impaired Class that has not accepted the Plan, the Plan may be confirmed if the
2 Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and
3 equitable” with respect to these Classes. The Plan Proponents believe that the Plan satisfies these
4 requirements. ~~Nevertheless, there can be no assurance that the Bankruptcy Court will reach the
5 same conclusion.~~

4 **B. No Duty to Update Disclosures**

5 The Plan Proponents have no duty to update the information contained in this Disclosure
6 Statement as of the date hereof, unless otherwise specified herein, or unless the Plan Proponents
7 are required to do so pursuant to an order of the Bankruptcy Court. Delivery of the Disclosure
8 Statement after the date hereof does not imply that the information contained herein has remained
9 unchanged.

8 **C. Representations Outside this Disclosure Statement**

9 This Disclosure Statement contains representations concerning or related to the Debtors and
10 the Plan that are authorized by the Bankruptcy Code and the Bankruptcy Court. Please be advised
11 that any representations or inducements made outside this Disclosure Statement and any related
12 documents which are intended to secure your acceptance or rejection of the Plan should not be
13 relied upon by Holders of Claims that are entitled to vote to accept or reject the Plan.

12 **D. No Admission**

13 The information and representations contained herein shall not be construed to constitute
14 an admission of, or be deemed evidence of, any legal effect of the Plan on the Plan Proponents, the
15 Plan Trustees, ~~or~~ Holders of Claims, ~~or the Committee.~~

15 **E. Tax and Other Related Considerations**

16 A discussion of potential tax consequences of the Plan is set forth in this Disclosure
17 Statement. However, the content of this Disclosure Statement is not intended and should not be
18 construed as tax, legal, business or other professional advice. Holders of Claims should seek advice
19 from their own independent tax, legal and other professional advisors based on their own individual
20 circumstances.

19 **X.**
20 **RECOMMENDATION AND CONCLUSION**

21 The Plan Proponents believe the Plan provides the best available alternative for maximizing
22 the recoveries that Creditors may receive from the Estates. Therefore, the Plan Proponents
23 recommend that all Creditors that are entitled to vote on the Plan vote to accept the Plan.

23 Dated: ~~July 7,~~ November 4, 2020

DENTONS US LLP

25 By: /s/ Samuel R. Maizel
26 Samuel R. Maizel
27 Sam J. Alberts
28 Geoffrey M. Miller

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Counsel to the *Debtors and Debtors In Possession*

Dated: ~~July 7,~~November 4, 2020

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

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