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and Debtors In Possession

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

22 In re:
23 **ASTRIA HEALTH, et al.,**
24 Debtors and Debtors in
25 Possession.¹

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

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

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), 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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Exhibit A – Second Amended Joint Chapter 11 Plan of Reorganization

Exhibit B – Liquidation Analysis

Exhibit C – Financial Projections

**NOTICE TO HOLDERS OF CLAIMS
AND DISCLAIMERS**

THIS DISCLOSURE STATEMENT (TOGETHER WITH ITS EXHIBITS, THE “**DISCLOSURE STATEMENT**”) INCLUDES AND DESCRIBES THE SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ASTRIA HEALTH AND ITS AFFILIATES, DATED NOVEMBER 4, 2020 (THE “**PLAN**”),² A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A, WHICH WAS FILED JOINTLY BY ASTRIA HEALTH, A WASHINGTON NONPROFIT PUBLIC BENEFIT CORPORATION (“**ASTRIA**”), AND THE ABOVE-REFERENCED AFFILIATED DEBTORS AND DEBTORS IN POSSESSION (THE “**DEBTORS**”) UNDER CHAPTER 11 OF TITLE 11 OF THE UNITED STATES CODE, 11 U.S.C. §§ 101, *ET SEQ.* (THE “**BANKRUPTCY CODE**”),³ IN THESE CHAPTER 11 CASES (THE “**CHAPTER 11 CASES**”), AND LAPIS ADVISERS, LP AS LENDER UNDER THE DEBTOR IN POSSESSION FACILITY IN THE CHAPTER 11 CASES, AGENT UNDER THE DEBTORS’ PREPETITION 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, SERIES 2017A BONDS AND THE SERIES 2017B BONDS (COLLECTIVELY THE “**LAPIS PARTIES**” AND, TOGETHER WITH THE DEBTORS, THE “**PLAN PROPONENTS**”).

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

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

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

NO SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT, ITS EXHIBITS, AND § 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 THIS DISCLOSURE STATEMENT AND THE ATTACHED EXHIBITS.

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

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

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

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

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

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES
AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE AUTHORITY AND
NEITHER THE SEC NOR ANY STATE AUTHORITY HAS PASSED UPON THE
ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE
MERITS OF THE PLAN. NEITHER THIS DISCLOSURE STATEMENT NOR THE
SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN CONSTITUTES AN
OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN

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

1 ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS
2 NOT AUTHORIZED.

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

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

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

25 ALL OF THE PROJECTED RECOVERIES TO CREDITORS ARE BASED UPON
26 THE ANALYSES PERFORMED BY THE PLAN PROPONENTS AND THEIR
27 PROFESSIONALS. ALTHOUGH EVERY EFFORT HAS BEEN MADE TO VERIFY
28 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
VERSION OF THE PLAN FILED AT DOCKET NUMBER 1471 (THE “COMMITTEE

1 **PLAN SETTLEMENT”)**.⁵ AS A RESULT OF THE MODIFICATIONS TO THE PLAN
2 CONSISTENT WITH THE TERMS OF THE COMMITTEE PLAN SETTLEMENT,
3 INCLUDING WITH RESPECT TO THE TREATMENT OF GENERAL UNSECURED
CLAIMS UNDER THE PLAN AND CERTAIN MODIFICATIONS RELATED THERETO,
THE COMMITTEE SUPPORTS THE PLAN’S CONFIRMATION.

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

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I.
INTRODUCTION

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

The Debtors submit this disclosure statement (together with its exhibits, the “**Disclosure Statement**”) pursuant to § 1125 on behalf of themselves and Lapis Advisers, LP as lender under the Debtor in Possession Facility in the Chapter 11 Cases, agent under the Debtors’ prepetition 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 Second Amended Joint Chapter 11 Plan of Reorganization of Astria Health and Its Affiliates, dated 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 hearings to be held on the adequacy of this Disclosure Statement and confirmation of

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 www.kccllc.net/astria.

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 the Plan, the Plan Proponents will request that the Bankruptcy Court (i) approve this Disclosure
2 Statement as containing “adequate information” in accordance with § 1125(b) to enable a
3 hypothetical, reasonable investor typical of claimholders in a Class of Claims entitled to vote as
4 set forth in the Plan to make an informed judgment about whether to accept or reject the Plan and
5 (ii) confirm the Plan in accordance with § 1129. A hearing to consider the adequacy of this
6 Disclosure Statement (the “**Disclosure Statement Hearing**”) will be held on November 6, 2020,
7 at 11:00 a.m. Pacific Standard Time, and a hearing to consider confirmation of the Plan (the
8 “**Confirmation Hearing**”) will be held on December 18, 2020, at 10:00 a.m. Pacific Standard
9 Time, before the Honorable Whitman L. Holt, United States Bankruptcy Judge, at the Bankruptcy
10 Court, 402 East Yakima Avenue, Suite 200, Yakima, Washington 98901. At the Confirmation
11 Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements
12 for confirmation under the Bankruptcy Code.

13 The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan
14 must be filed and served so they are received on or before December 4, 2020, in the manner
15 described in section VI.B.1 of this Disclosure Statement. The Confirmation Hearing may be
16 adjourned from time to time by the Bankruptcy Court without further notice except for the
17 announcement of the adjournment date made at the Confirmation Hearing or at any subsequent
18 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
24 as 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 Standard Time, on December 4,
26 2020 (the “**Voting Deadline**”).

27 If your ballot is not timely received, it may not be counted in determining whether the
28 Plan 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
2 investor typical of each of the Classes whose votes are being solicited to make an informed
3 judgment with respect to the Plan. **THE BANKRUPTCY COURT'S APPROVAL OF THIS**
4 **DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION WITH**
5 **RESPECT TO THE MERITS OF THE PLAN. ALL CREDITORS ARE ENCOURAGED**
6 **TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND**
7 **IN THEIR ENTIRETY BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE**
8 **PLAN.**

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II.
EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

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

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

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

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

The filing of a chapter 11 petition triggers the automatic stay provisions of the Bankruptcy 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 in seven discrete instances. *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
2 debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the
3 proposed plan, § 1125 requires the debtor to prepare and file a disclosure statement containing
4 adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable
investor to make an informed judgment about the plan. This Disclosure Statement is presented to
holders of Claims against the Debtors to satisfy the requirements of § 1125 in connection with the
Debtors' solicitation of votes on the Plan.

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

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

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

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

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

22 In general, a bankruptcy court also may confirm a plan of reorganization even though
23 fewer than all the classes of impaired claims accept such plan. For a plan of reorganization to be
confirmed, despite its rejection by a class of impaired claims, the plan must be accepted by at
24 least one class of impaired claims (determined without counting the vote of insiders) and the
proponent of the plan must show, among other things, that the plan does not "discriminate
25 unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims
that has not accepted the plan. *See* Section VI.C.7. **The Plan has been structured so that it will
satisfy the foregoing requirements as to any rejecting class of Claims, and can therefore be
confirmed, if necessary, 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 GUC Distribution Trust will be created to pursue all Avoidance Actions (other than any Avoidance Actions against the Debtors' vendor that provided revenue cycle, billing and collection services to the Debtors prepetition 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 Claims consistent with the terms of the Plan.
- A Liquidation Trust (together with the GUC 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

1 thereto.

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

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

10 **1. Unclassified Claims**

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

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.

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	<p>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.</p>
<p>Priority Tax Claims</p>	<p>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.</p>

2. Classified Claims

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS	TREATMENT
1	<p>Priority Claims (priority unsecured claims alleged pursuant to Code §§ 507(a)(4) and (5)) Total Amount = Unknown</p>	Unimpaired	Not Entitled to Vote / Deemed to Accept	Paid in cash in full on later of Effective Date or when Allowed
2A	<p>Senior Secured Bond Debt Claims Total 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</p>	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 such Senior Secured Bond Debt

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	subject to per diem adjustment.			Claims as of the Effective Date.
2B	<p>Senior Secured Credit Agreement Claims</p> <p>Total Estimated Amount = \$13,162,397.26</p> <p>Actual amount subject to per diem adjustment.</p>	Impaired	Entitled to Vote	<p>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 hereto in Exhibit A in the amount of all Senior Secured Credit Agreement Claims as of the Effective Date.</p>
2C	Other Secured Claims	Impaired	Entitled to Vote	<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 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.</p>

1	3	Convenience Class Claims	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.
2		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			
3	4	General Unsecured Claims (Not Otherwise Classified)	Impaired	Entitled to Vote	Holder of Allowed General Unsecured Claims shall receive, on one or more GUC Distribution Dates, a <i>Pro Rata</i> share of the Net GUC Distribution Trust Assets.
4		Total Amount = Approximately \$101,950,399.80 ⁹			
5	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.
6	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 Claims and distributions under the Plan.

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.

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.

1 Based on an initial review of the Claims filed in the Chapter 11 Cases, the total amount of
2 General Unsecured Claims are approximately \$101,950,399.80. The Debtors, however, believe
3 that this amount will materially reduce following the claims adjudication process. The actual
4 amount distributed to Holders of Class 4 General Unsecured Claims (and the timing any such
5 distributions) will vary based on the Assets that are recovered by, or otherwise transferred by the
6 Debtors or Reorganized Debtors to, the GUC Distribution Trust (which will total not less than
7 \$7.3 million) and the reconciled amount of General Unsecured Claims that are Allowed. Holders
8 of Class 5 Intercompany Claims are eliminated through the limited consolidation of the Debtors
9 for Plan purposes.

6 **IV.**
7 **GENERAL OVERVIEW OF THE DEBTORS**¹⁰

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

9 **A. Overview of the Debtors**

10 The Astria Health system, headquartered in the heart of Yakima Valley, Washington, is
11 the largest non-profit healthcare system based in Eastern Washington, with annual revenues of
12 approximately \$140 million. Astria is the parent non-profit organization of two operating
13 hospitals and one former hospital—(1) Sunnyside Community Hospital Association
14 (“**Sunnyside**”), based in Sunnyside, Washington; (2) SHC Medical Center – Yakima (“**SHC–**
15 **Yakima**”) formerly d/b/a Astria Regional Medical Center, based in Yakima, Washington; and (3)
16 SHC Medical Center – Toppenish d/b/a Astria Toppenish Hospital (“**SHC–Toppenish**,” and
17 collectively with Sunnyside and SHC–Yakima, the “**Hospitals**”), based in Toppenish,
18 Washington—along with outpatient Astria Health Centers (11 medical clinics and 19 specialty
19 clinics), Ambulatory Surgical Center, Astria Hearing and Speech, and Astria Home Health and
20 Hospice with healthcare sites and providers conveniently located in towns and cities throughout
21 the region.

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

- 23 • SHC Holdco, LLC (“**SHC Holdco**”);
- 24 • Sunnyside Community Hospital Home Medical Supply, LLC (“**Sunnyside Home**
25 **Medical Supply**”);
- 26 • Sunnyside Home Health d/b/a Astria Home Health (“**Astria Home Health**”);
- 27 • Sunnyside Professional Services, LLC (“**SPS**”);
- 28 • 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
- Yakima HMA Home Health, LLC d/b/a Astria Home Health (“**Yakima HMA**
Home Health”).¹¹

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

28 ¹¹ Yakima HMA Home Health and Sunnyside Home Health do business together as Astria Home
Health. For purposes of this Disclosure Statement, all references to Astria Home Health are to
Sunnyside Home Health, whose sole member is Sunnyside.

1 With the exception of SHC–Yakima, which will be dissolved upon the conclusion of the
2 ARMC’s Closure Plan, the Plan provides for the reorganization of the Debtors, and their
3 emergence from the Chapter 11 Cases as the Reorganized Debtors.

4 **1. The Health System**

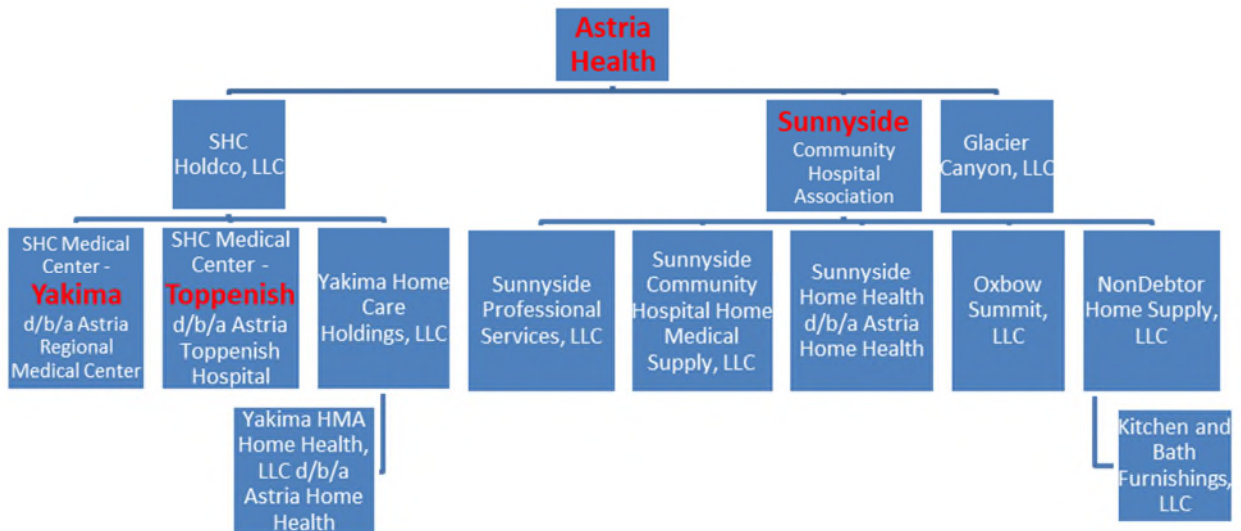
5 The Debtors operate as a nonprofit health care system (the “**Health System**”) providing
6 medical services to patients who generally reside in Yakima County and Benton County,
7 Washington through the operation of Sunnyside and SHC–Toppenish, several health clinics, home
8 health services, and other healthcare services. Collectively, they have 111 licensed beds, three
9 active emergency rooms, and a host of medical specialties.

10 Overall, the Health System provides medical treatments to approximately 233,000 patients
11 annually, including approximately 4,253 who spend at least one night in its Hospitals during the
12 year. Sunnyside is the only hospital in Sunnyside, Washington, and SHC–Toppenish is the only
13 hospital in Toppenish, Washington.

14 The Health System employs approximately 862 regular employees (making it one of the
15 largest employers in the Yakima Valley), and approximately 392 doctors have privileges at the
16 Hospitals.

17 Collectively, the Debtors provide the following services: allergy testing and treatment
18 program, ambulatory surgery, audiology, behavioral health/psychiatry, breast health center,
19 cancer care, catheterization lab, colorectal surgery, critical care medicine, diabetes education,
20 diagnostic imaging and radiology, ear, nose and throat, emergency services, endocrinology,
21 family medicine, gastroenterology, gynecological surgery, heart care, hand surgery, heart failure,
22 home health, hospice, hospitalists, inpatient behavioral health, internal medicine, interventional
23 cardiology, laboratory, life transitions intensive out-patient program, maternity services, medical
24 withdrawal management, nephrology, neurosurgery, spine care, nutritional services, obstetrics
25 and gynecology, occupational medicine, orthopedics, orthopedic surgery, outpatient palliative
26 care, speech therapy, physical therapy, pediatrics, pharmacy, plastic and reconstructive surgery,
27 podiatry, rehabilitation, inpatient rehabilitation, senior services, sleep medicine, sports medicine,
28 stroke care, surgical services, robotic surgery, general surgery, telehealth, urology, urological
surgery, walk-in care, women’s health, vascular medicine, and wound care center.

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



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

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10 **a. Astria**

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

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

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18 **b. Sunnyside entities**

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

28 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.

- SPS is a wholly owned subsidiary of Sunnyside, and a for-profit limited liability corporation. SPS owns two medical office buildings and manages those buildings for Sunnyside.
- Astria Home Health is a wholly-owned subsidiary of Sunnyside. It is a nonprofit organization providing home health services in Sunnyside. Astria Home Health is exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “IRC”) from federal income taxes except for unrelated business income.
- Sunnyside Home Medical Supply is a wholly-owned subsidiary of Sunnyside. It buys and sells inventory and leases medical equipment, such as oxygen tanks, concentrators, transcutaneous electrical nerve stimulation (“TENS”) units and similar equipment. It is a nonprofit organization exempt under Section 501(c)(3) of the IRC from federal income taxes except for unrelated business income.
- Oxbow Summit is a wholly owned subsidiary of Sunnyside. Oxbow Summit owns 50 acres of land in Sunnyside to be developed for the future Sunnyside replacement

1 hospital.

- 2 • K&B is a wholly owned subsidiary of Home Supply, LLC, which is a wholly owned
3 nondebtor subsidiary of Sunnyside. K&B owns approximately 2.5 acres of land on I-
84 in Zillah being held for future medical development.

4 **c. Yakima entities**

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

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

17 **d. SHC–Toppenish**

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

23 **e. Nondebtor entities**

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

- 25 • Sunnyside Medical Center, LLC
26 • Sunnyside Hospital Foundation¹³
27 • Caravan Health ACO. 19, LLC d/b/a Astria Health Clinically Integrated
28 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

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

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

- 1 • AH NPP
- 2 • AH NP1
- 3 • AH NP2
- 4 • AH NP3
- 5 • AH NP4
- 6 • AH NP5
- 7 • AH NP6
- 8 • AH NP7
- 9 • AH NP8

6 **2. Employees**

7 **a. Physicians**

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

10 **b. Employees**

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

15 **c. Collective Bargaining Agreements**

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

19 **d. Benefits**

20 Although the Debtors have no pension obligations, they sponsor the Regional Health
21 401(k) Plan (the “**401(k) Plan**”), a defined contribution plan that covers all employees with a
22 minimum of three months’ service. Employees are 100 percent vested upon entering the 401(k)
23 Plan. The Debtors make 100% matching contributions to the 401(k) Plan up to 3% of employee
24 compensation plus additional matching of 50% of employee contributions between 3-5% of
25 compensation. Total expenses are approximately \$640,000 per year. Additional benefits include:
26 medical, dental, vision, basic life insurance, dependent life insurance, accidental death and
27 dismemberment (“**AD&D**”), long-term disability (“**LTD**”), vacation and sick pay, and tuition
28 assistance.

29 **3. Management**

30 Astria’s current (a) Interim President and Interim Chief Executive Officer (“**CEO**”) is
31 Brian Gibbons, who is also the President and CEO of Sunnyside and has served in that latter
32 position since April 2017; and (b) Chief Financial Officer (“**CFO**”) is Maxwell Owens, who has
33 held such position since August 2020. These officers were formerly employed by AHM, Inc.
34 (“**AHM**”), a nondebtor entity that provides management services to the Health System. AHM
35 qualifies as an “insider” under § 101(31), with pass-through compensation over the course of
36 these Chapter 11 Cases as reflected in the monthly operating reports (*see* Section V.B.6 below).
37 However, the Executive Services Agreement between Astria and AHM will be rejected. It is
38 currently expected that all AHM employees currently serving as officers or employees of the
39 Debtors will be offered employment by AH System, effective on the Effective Date.

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.

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

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

1. The Debtors’ Prepetition Secured Debt

As of the Petition Date, the Debtors collectively had a total of approximately \$71.7 million of outstanding secured debt outstanding, held by Banner Bank, MidCap Financial Trust as Agent for the MidCap Lenders, UMB Bank, N.A. as the trustee for bondholders, certain entities affiliated with Lapis Advisers, LP, Lapis Advisers, LP, as agent for certain lenders, and GE HFS LLC (collectively, the **Prepetition Secured Parties**”), consisting of liens on the following collateral in 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). Amounts reflected do not include interest or expenses, including professional	GE HFS, LLC (\$5m)

			fees.	
1				
2	Junior	UMB Bank (principal =	UMB Bank	
3	Liens	\$35.4m)/ Lapis Advisers,	(principal =	
4		LP (principal = \$10m).	\$35.4m)/	
5		Amounts reflected do not	Lapis	
6		include interest or	Advisers, LP	
7		expenses, including	(principal =	
8		professional fees.	\$10m).	
9			Amounts	
10			reflected do	
11			not include	
12			interest or	
13			expenses,	
14			including	
15			professional	
16			fees.	

11 **a. Banner Bank Prepetition Debt**

12 Prior to the commencement of the Chapter 11 Cases, Sunnyside entered into various
13 Business Loan Agreements, dated December 30, 2010, May 19, 2015, March 21, 2016, August 2,
14 2016, October 6, 2016, March 21, 2017, and May 4, 2018, each between Banner Bank and
15 Sunnyside (as each such agreement has been amended, modified, or supplemented to date, the
16 “**Banner Bank Loan Documents**”) providing Sunnyside with financing in the aggregate
17 principal amount of \$27,006,225. The advances made pursuant to the Banner Bank Loan
18 Documents were secured by a first priority lien (the “**Banner Senior Sunnyside Liens**”) on
19 personal property and real property of Sunnyside as set forth in the Banner Bank Loan
20 Documents and associated documents (such assets the “**Banner Bank Collateral**”). As of the
21 Petition Date, Sunnyside was indebted to Banner Bank in the approximate principal amount of
22 \$10.6 million (the “**Outstanding Prepetition Banner Bank Obligations**”).

19 **b. MidCap Financial Trust Prepetition Debt**

20 Prior to the commencement of the Chapter 11 Cases, SHC Holdco, LLC, SHC–Yakima,
21 SHC–Toppenish, Yakima Home Care Holdings, LLC, and Yakima HMA Home Health, LLC, as
22 co-borrowers (collectively, the “**MidCap Borrowers**”), entered into that certain Credit and
23 Security Agreement dated September 18, 2017 (as amended, modified, or supplemented to date,
24 the “**MidCap Credit Agreement**”), with the lenders party thereto (the “**MidCap Lenders**”) and
25 MidCap Financial Trust, as agent for the MidCap Lenders (the “**MidCap Agent**”), providing the
26 MidCap Borrowers with a revolving loan facility in the maximum principal amount of \$15
27 million. The advances made pursuant to the MidCap Credit Agreement were secured by a first
28 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**”).

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

10 Thus, the Debtors were burdened by the highly restricted, high cost of capital with regard
11 to the MidCap Credit Agreement. The Debtors believed these problems could be alleviated by
12 entering into the proposed debtor in possession facility (the “**DIP Facility**”) through the Chapter
13 11 Cases.

14 c. Lapis Obligations

15 Pursuant to that certain Bond Indenture, dated as of November 1, 2017, between
16 Washington Health Care Facilities Authority (the “**Authority**”), as issuer, and UMB Bank, N.A.
17 as the trustee (the “**Bond Trustee**”) for the bondholders, entities affiliated with Lapis Advisers,
18 LP (collectively, the “**Bondholders**”), the Authority issued \$27 million of tax-exempt
19 Washington Health Care Facilities Authority Revenue Bonds, Series 2017A (the “**Series 2017A**
20 **Bonds**”) and \$8.4 million of tax-exempt Washington Health Care Facilities Authority Revenue
21 Bonds, Series 2017B (the “**Series 2017B Bonds**”) and, together with the Series 2017A Bonds,
22 collectively the “**2017 Bonds**”).

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

1 Prior to the commencement of the Chapter 11 Cases, Astria and Sunnyside, as co-
2 borrowers (the “**Lapis 2019 Loan Borrowers**”), entered into a Credit Agreement dated January
3 18, 2019 (the “**Lapis 2019 Loan Agreement**”) with Lapis Advisers, LP (the “**Lapis Agent**”), as
4 agent for lenders party thereto (the “**Lapis 2019 Loan Lenders**”), whereby the Lapis 2019 Loan
5 Lenders agreed to make advances to the Lapis 2019 Loan Borrowers in the principal amount of
6 up to \$10 million (the “**Lapis 2019 Loan**”). SHC Holdco, LLC, Glacier Canyon, LLC, SHC-
7 Yakima, SHC-Toppenish, Yakima Home Care Holdings, LLC, Yakima HMA Home Health,
8 LLC, as well as certain other non-filing affiliates, as guarantors (the “**Lapis 2019 Loan**
9 **Guarantors**”), entered into a Continuing Guaranty (the “**Lapis 2019 Loan Guaranty**” and
10 together with the Lapis Sunnyside Loan Agreement, the “**Lapis 2019 Loan Documents**”), dated
11 January 18, 2019, wherein the Lapis 2019 Loan Guarantors agreed to guaranty the obligations of
12 the Lapis 2019 Loan Borrowers under the Lapis 2019 Loan. The advances made pursuant to the
13 Lapis 2019 Loan were secured by (i) a junior lien (the “**Lapis 2019 Sunnyside Liens**” and
14 together with the Lapis 2017 Sunnyside Liens, the “**Lapis Subordinated Sunnyside Liens**”) on
15 the assets of the Lapis 2019 Borrowers subordinate and subject to the Banner Senior Sunnyside
16 Liens, (ii) a junior lien (the “**Lapis 2019 SHC Holdco Liens**” and together with the Lapis 2017
17 SHC Holdco Liens, the “**Lapis Senior Holdco Liens**”) on the assets of the Lapis 2019 Loan
18 Guarantors not subject to the MidCap Senior A/R Liens as set forth in the Lapis 2019 Loan
19 Documents, and (iii) a junior lien (the “**Lapis 2019 A/R Liens**” and together with the Lapis 2017
20 A/R Liens, the “**Lapis Subordinated A/R Liens**”) on the MidCap Priority Collateral (such
21 assets, the “**Lapis 2019 Collateral**” and together with the Lapis SHC Holdco Collateral, the
22 “**Lapis Prepetition Collateral**”).

23 As of the Petition Date, approximately \$10 million of principal was outstanding under the
24 Lapis 2019 Loan.

25 **d. Equipment Loan**

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

29 **2. The Debtors’ Prepetition Unsecured Debt**

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

37 **C. Certain Affiliate Transactions**

38 **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

1 (two money market accounts and two CDs); five were credit card accounts.

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

11 **2. Corporate Overhead**

12 Astria pays corporate obligations, such as management pay (contracted through a third
13 party), life insurance costs, other employee benefits, property insurance, and other corporate
14 vendors from the Astria Account. Astria allocates such expenses among the Debtors, based on
15 which the comptroller requests corresponding transfers to be made from those Debtors’ accounts.

14 **3. Treatment of Intercompany Claims Under the Plan**

15 The Intercompany Claims will be expunged and eliminated through the limited
16 consolidation of the Debtors for purposes of treatment of Claims and distributions under the Plan
17 under the Plan. *See* Section VI.E.5.e.

17 **V.**

18 **THE CHAPTER 11 CASES**¹⁴

19 **A. Commencement and Joint Administration of the Chapter 11 Cases**

20 On May 6, 2019, the Debtors filed voluntary petitions for relief under chapter 11 of the
21 Bankruptcy Code in the Bankruptcy Court.

22 In order to expedite the administration of the Chapter 11 Cases and reduce administrative
23 expenses without prejudicing any creditor’s substantive rights, the Debtors sought the joint
24 administration of the Chapter 11 Cases. The Bankruptcy Court issued an order directing the joint
25 administration of the Chapter 11 Cases for procedural purposes.

24 **B. Continuation of Business After the Petition Date**

25 **1. Postpetition Financing**

26 On May 9, 2019, following a hearing held on May 8, 2019, the Bankruptcy Court entered
27 the Interim Order (I) Authorizing the Debtors to Obtain Postpetition Financing; (II) Granting
28 Security Interests and Superpriority Administrative Expense Status; (III) Granting Adequate

28 ¹⁴ The Debtors have prepared and are solely responsible for the statements and assumptions
reflected in this Section V.

1 Protection to Certain Prepetition Secured Credit Parties; (IV) Modifying the Automatic Stay; (V)
2 Authorizing the Debtors to Enter Into Agreements with JMB Capital Partners Lending, LLC; (VI)
3 Authorizing Use of Cash Collateral; (VII) Scheduling a Final Hearing and (VIII) Granting
4 Related Relief [Docket No. 82], authorizing the Debtors to obtain senior secured postpetition
5 financing in an aggregate principal amount of up to \$28 million from JMB Capital Partners
6 Lending, LLC (the “**Initial DIP Lender**”), with the Debtors’ request to obtain a total of \$36
7 million in postpetition financing to be considered at the final hearing (the “**Initial DIP Facility**”).

8 The Interim DIP Facility enabled the Debtors to refinance their existing senior
9 indebtedness by repaying in full all obligations of the Debtors owed to MidCap. The Initial DIP
10 Facility provided needed liquidity to the Debtors to ensure the efficient operations and future
11 growth of the Debtors’ business and promote a successful reorganization of the Debtors.

12 On June 18, 2019, following a hearing held on June 13, 2019, the Bankruptcy Court
13 entered the Final Order (I) Authorizing the Debtors to Obtain Postpetition Financing; (II)
14 Granting Security Interests and Superpriority Administrative Expense Status; (III) Granting
15 Adequate Protection to Certain Prepetition Secured Credit Parties; (IV) Modifying the Automatic
16 Stay; (V) Authorizing the Debtors to Enter Into Agreements with JMB Capital Partners Lending,
17 LLC; (VI) Authorizing Use of Cash Collateral; (VII) Scheduling a Final Hearing and (VIII)
18 Granting Related Relief [Docket No. 293].

19 On December 13, 2019, the Debtors filed a motion [Docket No. 818], seeking a new order
20 (I) Authorizing the Debtors to Obtain Replacement Postpetition Financing; (II) Granting Security
21 Interests and Superpriority Administrative Expense Status; (III) Granting Adequate Protection to
22 Certain Prepetition Secured Credit Parties; (IV) Modifying the Automatic Stay; (V) Authorizing
23 the Debtors to Enter Into Agreements with Lapis Advisers, L.P. (VI) Authorizing Use of Cash
24 Collateral; (VII) Scheduling a Final Hearing; and (VIII) Granting Related Relief [Docket No.
25 841], authorizing the Debtors to obtain from Lapis Advisers, L.P., as agent for the lenders party
26 thereto (collectively, the “**Replacement DIP Lenders**”), additional senior secured postpetition
27 financing in an amount sufficient to pay off and replace the Initial DIP Facility plus \$700,000 of
28 Committed Advances to fund the Debtors’ working capital needs, with the Debtors’ request to
obtain a total of \$43,100,000 in postpetition financing to be considered at the final hearing (the
“**Replacement DIP Facility**”).

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

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

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

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

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2. Cash Management

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

3. Employee-Related Matters

Of particular importance to the Debtors’ efforts to stabilize their businesses and continue their operations uninterrupted was their ability to maintain the continued support and cooperation of their employees. Accordingly, on the Petition Date, the Debtors sought and, on May 9, 2019 [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 maintained a bank account to honor all prepetition and postpetition checks related to such prepetition obligations to employees.

4. Maintenance of Utility Services

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

5. The Employment and Interim Compensation of Professionals

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

- Dentons US LLP – Counsel for the Debtor, retained July 8, 2019 *nunc pro tunc* to the Petition Date [Docket No. 377];
- Bush Kornfeld KKP – Co-Counsel for the Debtor, retained June 26, 2019 *nunc pro tunc* to the Petition Date [Docket No. 337];
- Piper Sandler Companies¹⁵ – Investment Banker to the Debtors, retained September 13, 2019 *nunc pro tunc* to July 2, 2019 [Docket No. 606];
- Cushman & Wakefield U.S., Inc. – Broker to the Debtors, retained April 30, 2020 *nunc pro tunc* to March 1, 2020 [Docket No. 1244];

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

- 1 • Almon Commercial Real Estate – Broker for the Debtors, retained April 30, 2020
2 *nunc pro tunc* to March 1, 2020 [Docket No. 1245];
- 3 • Sills Cummis & Gross P.C. – Co-Counsel to the Committee, retained July 5, 2019
4 *nunc pro tunc* to May 23, 2019 [Docket No. 371];
- 5 • Polsinelli PC – Co-Counsel to the Committee, retained July 5, 2019 *nunc pro tunc*
6 to May 23, 2019 [Docket No. 372];
- 7 • Berkeley Research Group, LLC – Financial Advisor to the Committee, retained
8 July 15, 2019 *nunc pro tunc* to May 29, 2019 [Docket No. 392];
- 9 • Susan N. Goodman – PCO, appointed June 17, 2019 [Docket Nos. 278, 1382];¹⁶
- 10 • Kurtzman Carson Consultants LLC – Noticing Agent, appointed June 19, 2019,
11 *nunc pro tunc* to June 6, 2019 [Docket No. 292].

12 On August 6, 2019, the Bankruptcy Court issued an order establishing certain procedures
13 by which all Professionals would be required to comply in seeking compensation for fees and
14 reimbursement of expenses [Docket No. 453]. During the course of these Chapter 11 Cases, the
15 Debtors’ have paid \$4,492,797 to Debtor professionals, \$2,818,512 to Lapis Parties professionals,
16 \$1,773,732 to Committee professionals, \$272,867 to the PCO, \$0 to PCO professionals,
17 \$1,029,550 to KCC, and \$3,262,776 to the U.S. Trustee.

18 In addition, prior to the Petition Date, the Debtors employed and was in the practice of
19 employing certain professionals, in the ordinary course of business, to render services to their
20 Estates (collectively, the “**Ordinary Course Professionals**”), including legal, tax, and insurance
21 services, which were necessary to the day-to-day continuation of the Debtors’ operations. On
22 June 21, 2019, and as amended on July 5, 2019, the Bankruptcy Court granted the Debtors the
23 authority to continue to employ and compensate the Ordinary Course Professionals in the
24 ordinary course [Docket Nos. 306 and 370].

25 **6. Reporting and Disclosures**

26 The Debtors have complied with their duties under §§ 521, 1106 and 1107 and all
27 applicable U.S. Trustee guidelines, including the filing of the Debtors’ monthly operating reports
28 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).

29 **7. Current Financial Information**

30 Following the closure of ARMC, the Debtors were able to stabilize operations and
31 finances prior to the onset of the COVID-19 pandemic. As of March 5, 2020, Sunnyside’s
32 estimated going concern value was \$67.5 million, SHC-Toppenish’s estimated going concern
33 value was \$16.2 million, and the Debtors’ related medical office building’s estimated going
34 concern value was \$13.6 million.¹⁷ Also, as of March 5, 2020, the estimated liquidation value of
35 Sunnyside was \$18 million and SHC-Toppenish was \$13.05 million.

36 ¹⁶ The Patient Care Ombudsman retained Crowe & Dunlevy and Sussman Shank LLP as counsel.
37 *See* Docket Nos. 1384-87.

38 ¹⁷ As discussed in Section V.F herein, the Court approved a sale of ARMC and the related
medical office building in October 2020 for \$20 million.

1 On March 13, 2020, the Governor of Washington State issued a moratorium on elective
2 procedures which had a significant impact on net patient revenues generated. The Debtors
3 responded by further reducing operating expenses including management and staff salary
4 reductions along with temporary furloughs. In response to the pandemic, the federal government
5 provided payments to providers based upon their recent historical patient revenues to compensate
6 for the loss of patient revenues. The Debtors received payments approximating \$18 million in
7 aggregate COVID funding during the months of April through June 2020, resulting in net
8 operating profits during those months. As of October 31, 2020, the Debtors had approximately
9 \$28.0 million in cash in the bank and are meeting postpetition liabilities, including payment of
10 professional fees approved to date. For the six months ending December 31, 2020, the Debtors
11 are projected to generate approximately \$80 million in net revenue and net income and EBIDA
12 (earnings before interest, depreciation and amortization) of \$8.4 million and \$13.7 million,
13 respectively. The Debtors are projected to generate positive monthly EBIDA in every month
14 subsequent to confirmation of the Plan sufficient to pay operating expenses in the normal course
15 of business, debt service and capital expenditures (“capex”) as needed.

9 **C. Appointment of Statutory Parties in Interest**

10 **1. Formation and Representation of the Committee**

11 On May 24, 2019, the U.S. Trustee appointed the Committee pursuant to § 1102(a) and
12 (b)(1) [Docket No. 135]. The members of the Committee are CHSPSC, LLC,
13 LocumTenens.com, LLC, Community Health of Central Washington, Medtronic USA, Inc.,
14 Morrison Management Specialists, Inc., Apogee Physicians, and Boston Scientific.

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

15 Because the Debtors are a health care business as defined in § 101(27A), on June 11,
16 2019, the Bankruptcy Court directed the U.S. Trustee to appoint a PCO pursuant to § 333(a)(2)
17 [Docket No. 241]. On June 17, 2019, the U.S. Trustee appointed Susan Goodman, of Mesch,
18 Clark & Rothschild, as the PCO [Docket No. 278, with change of firm update at Docket No. 379].
19 The amended approval order to formally include record access language was approved on June
20 12, 2020 [Docket No. 1382]. Since appointment, the PCO initially filed geographic location-
21 specific reports for ARMC, Toppenish, and Sunnyside [first report series at Docket Nos. 463-465;
22 second report series at Docket Nos. 682, 686-687]. Thereafter, the PCO has filed seven
23 consolidated reports—two supplemental reports [Docket Nos. 750 and 1356] and five interim
24 reports [Docket Nos. 855, 1042, 1205, 1484, and 1793].

20 **D. The Automatic Stay**

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

25 During the Chapter 11 Cases, the Bankruptcy Court granted limited relief from the
26 automatic stay in seven discrete instances, as described below.

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

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

1 the Court granted the parties' stipulated dismissal of the appeal [App. Docket No. 5-1].

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

12 On September 23, 2019, the Bankruptcy Court entered an order lifting the stay and
13 requiring that Astria Health pay TIAA Commercial Finance ("**TIAA**") adequate protection
14 payments; otherwise, TIAA is entitled to recover and liquidate its collateral. [Docket No. 622].

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

19 On June 30, 2020, the Bankruptcy Court approved [Docket No. 1454] a stipulation
20 [Docket No. 1303] between the Debtors and Cardinal Health 110, LLC ("**CH 100**"), Cardinal
21 Health 200, LLC ("**CH 200**"), and Cardinal Health 414, LLC ("**CH 414**," and together with CH
22 100 and CH 200, "**Cardinal Health**"), granting Cardinal Health limited relief from the automatic
23 stay to permit it to set off certain prepetition credits owing to the Debtors, first, against prepetition
24 claims that would otherwise constitute § 503(b)(9) Claims, and, second against Cardinal Health's
25 General Unsecured Claim.

26 **E. The Debtors' Sale Efforts**

27 On November 20, 2019, the Debtors filed a motion (the "**Sale Motion**") for an order,
28 among other things, establishing bid procedures related to the sale of substantially of the Debtors'
Assets, 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].

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

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

The Debtors engaged Piper Sandler ("**Piper**") to conduct a dual track process seeking
potential refinancing of existing senior secured indebtedness or sale of some or all of the
operating assets of the Debtors. After an extensive marketing process to local, regional and
national healthcare operating companies only two hospital operating company buyers submitted
letters of interest for certain operating assets of the Debtors. One company submitted an offer for
all three Hospitals at a level insufficient to pay existing senior secured indebtedness. Through
Piper, the Debtors were informed that their offer was contingent on acquiring all three Hospitals
and would 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

1 success. Thus, the Plan Proponents ultimately concluded that a sale process is not a viable exit
2 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].

3 Piper also conducted an extensive marketing process reaching out to approximately 130
4 financial institutions seeking exit financing for the Debtors sufficient to pay down senior secured
5 debt and support a plan of reorganization. Fifty-seven of the financial institutions contacted by
6 Piper requested and received marketing material outlining the opportunity. Six indications of
7 interest were received, both verbal and written, ranging from refinancing only the DIP Facility to
8 a complete takeout of the Debtors' senior secured debt. The Debtors pursued opportunities with
9 two lenders offering the most liquidity and the best opportunity to takeout the entire existing
10 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.

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

12 From the Petition Date through December 2019, the Debtors worked to obtain exit
13 financing or a buyer interested in acquiring ARMC, the medical center operated by SHC–Yakima
14 and Astria, under acceptable terms. Notwithstanding those efforts (including retention of an
15 investment banker), the Debtors were not able to obtain such financing or buyer. In fact,
ARMC's deteriorating financial condition coupled with a failed effort to obtain refinancing or a
purchaser led to the emergency closure of ARMC in order to prevent a risk to patient safety at
ARMC.

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

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

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

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

On May 6, 2020, Debtors filed their (a) *Motion to Authorize And Approve Private Sale of*

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

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

8 **G. COVID-19 PANDEMIC**

9 **1. ARMC Lease Discussions**

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

19 On April 11, 2020, the State notified the Debtors that it had concluded that the facility was
20 no longer needed, and, therefore, the Lease would be terminated as of May 11, 2020.
21 Nonetheless, to date, the Debtors have been paid \$2,428,000 by the State pursuant to the Lease.

22 **2. Suspension of Elective Procedures**

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

The majority of surgical cases in hospitals are performed on an outpatient elective basis, a
trend that has been occurring for decades. This includes joint replacements, most orthopedic
surgeries, GI procedures, general surgery and non-emergency cardiac procedures. Inpatient
revenue at Sunnyside represents only 24% of revenue volume. Following the ban on elective
procedures, nearly all scheduled elective procedures at Sunnyside were cancelled. Following the
outbreak of the COVID-19 pandemic, Governor Inslee issued a proclamation prohibiting non-life
threatening elective procedures. Total surgical procedures at Sunnyside for the month of March
2020 decreased to 228 compared to 319 the prior month and a budgeted value of 298, consistent
with the prior year—a 29% reduction from the prior month and directly related to the state order
halting procedures. Prior to the Governor’s proclamation in mid-March, surgical procedures were
on target to meet budget. Surgical volume for the six months ended June 30, 2020 decreased
approximately 17% with the biggest reduction in outpatient elective procedures. Inpatient

1 surgical procedures through June 30, 2020 increased slightly compared to 2019. Surgical
2 procedures have slowly improved across the summer and for the nine months ended September
3 30, 2020 surgical procedures decreased 13%. Emergency department visits decreased
4 approximately 27% for the nine months ended September 30, 2020 compared to the prior year,
5 however, this is partially offset by a higher percentage of admissions per visit, and along with
6 higher acuity an increase in the average daily census through September 30, 2020. With a
7 significant percentage of volume dependent on outpatient visits and surgical procedures, net
8 patient revenue for April and May was down approximately 35%, before receipt of CARES
9 funds, from January and February, just prior to the Governor's proclamation. SHC-Toppenish,
10 while much smaller than Sunnyside, had similar results in March, April and May with net revenue
11 down, before receipt of CARES funds, approximately 20% from the beginning of the year. On a
12 combined basis, net revenue has slowly rebounded for the quarter ended September 30, 2020
13 compared to the three months ended March 31, 2020, \$37.2 million versus \$38.8 million, only a
14 4% reduction. While net revenue declined in the second quarter, CARES funding and reductions
15 in operating expenses allowed the organization to remain profitable. With less revenue generation
16 there will be an overall reduction in A/R and future cash collections as billed claims are being
17 collected but not replaced at the same level prior to the order to halt procedures. Reduced cash
18 collections will not be immediate but deferred approximately 30-60 days (depending on payor)
19 from the date of service. Reimbursement for COVID-19 inpatient admissions along with special
20 funding from CMS will not come close to replacing lost revenue. The long-term impact is
21 unknown, but patients have communicated their concerns and will not return until they are
22 absolutely sure hospitals are safe environments. Utilization and revenue lost overnight will not
23 return quickly but rather slowly over the next several months. Continuing Cost Reimbursement at
24 Sunnyside and SHC-Toppenish

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

1 SHC-Toppenish is reimbursed for inpatient medical and surgical services on a prospective
2 payment system basis and, based on the discharged diagnosis for individual Medicare and
3 Medicaid inpatient claims and based on fee schedules for outpatient services. Behavioral claims
4 are paid on a per diem basis, with rates adjusted periodically following completion of annual cost
5 reports. SHC-Toppenish received increases in Medicaid reimbursement rates for medical surgical
6 admissions as well as increased per diem rates for behavioral patients effective July 1, 2020.
7 Medicaid rates for medical and surgical admissions increased approximately fifty percent while
8 per diem rates for behavioral patients increased from \$1,171 to \$2,024, an increase of
9 approximately 73%. In addition, SHC-Toppenish was awarded a certificate of need (CON) for 47
10 more psych beds to meet the shortfall in Yakima County. In addition to awarding SHC-
11 Toppenish the CON, the State of Washington also awarded SHC-Toppenish a grant of \$1,960,000
12 to build out the first ten beds awarded under the CON.

13 Individual claims at both hospitals go through a complex process of charge capture,
14 coding, audit and claims review prior to being submitted to the third-party payor. Claims that
15 don't meet criteria within SHC-Toppenish's systems are rejected internally until a "clean" claim
16 can be submitted. After going through a complex internal process, claims rejected by third party
17 payors are *de minimis*.

18 **H. The Adversary Proceedings**

19 **1. Washington State Nurses Association**

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

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

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

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

On April 21, 2020, the Bankruptcy Court held a hearing to deliver its oral decision on the
WSNA-AP MTD. On April 30, 2020, the Bankruptcy Court entered an Order granting in part
and denying in part the WSNA-AP [Adv. Pro. Docket No. 29] (the "**WSNA-AP MTD Order**").
Specifically, the WSNA-AP MTD Order denied the WSNA-AP MTD as to the first cause of
action (alleged WARN violations); but granted the WSNA-AP MTD, *with prejudice*, as to the

1 second (alleged Washington Payment Act violations) and third (alleged Washington Rebate Act
2 violations) causes of action.

3 The WSNA Adversary Proceeding was later settled and, on September 9, 2020, the Court
4 entered an order approving a settlement agreement between WSNA and the Debtors. [Adv.
5 Docket No. 43]. On September 22, 2020, a Stipulation of Dismissal was filed. [Adv. Docket No.
6 45].

7 **2. Small Business Administration**

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

On May 15, 2020, the Debtors also filed a motion for a temporary restraining order [Adv.
Docket No. 2] (the “**TRO Motion**”), which, among other things, sought to ensure that the SBA
Defendants would reserve sufficient funds or guaranty authority pending resolution of the issues
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

1 for direct appeal to the Ninth Circuit. *Id.*

2 The Debtors received confirmation that their resubmitted PPP applications were approved
3 and will be funded. *See* Adv. Docket No. 33. In fact, the Debtors have now received
4 approximately \$2.7 million in PPP loans. The United States Department of Justice asserts that it
5 is entitled to repayment of these funds in full on the Effective Date as an administrative expense
6 and, at minimum, the Administrative and Priority Claims Reserve provided for in the Plan should
7 be increased to account for the full amount of the asserted administrative claim. The Debtors
8 dispute this position.

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

15 3. Yakima HMA

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

24 A scheduling conference had been set in the YHMA Adversary Proceeding for July 8,
25 2020, but a delayed continuance of approximately one month has been requested so that the
26 YHMA Plaintiffs could obtain a new summons and re-serve the YHMA Complaint on the
27 YHMA Debtor Defendants. *See* Adv. Docket No. 6.

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

29 I. Schedules and Claims Bar Dates

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

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

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

38 (A) *Bar Date for Prepetition Claims.* On August 10, 2016, the Bankruptcy Court
entered the *Notice of Chapter 11 Bankruptcy Case* [Docket No. 91], which fixed August 5, 2019
as the last day for the filing of proofs of claim in this case for all Claims against the Debtors
arising prior to the Petition Date (including any claims arising under § 503(b)(9)) (the "**General**

1 **Bar Date**”), except for claims by Governmental Units. The bar date for Governmental Claims
2 was November 4, 2019 (the “**Governmental Bar Date**,” and together with the General Bar Date,
3 the “**Bar Dates**”). On June 17, 2020, the Bankruptcy Court entered an order [Docket No. 1417]
4 setting a second general bar date of July 22, 2020, for those certain potential prepetition claimants
5 who did not receive notice of the General Bar Date before August 5, 2019.

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

10 (B) *Bar Date for Rejection Damage Claims.* The Debtors currently have until August
11 30, 2020, subject to further extension prior to Confirmation, to assume or reject their unexpired
12 leases of nonresidential real property pursuant to § 365(d) [Docket No. 1466].

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

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

24 On February 5, 2020, the Debtors filed their first omnibus motion [Docket No. 1019] for
25 an order authorizing them to reject certain executory contracts and unexpired leases of real
26 property, to which certain counterparties objected [Docket Nos. 1052, 1096]. The Bankruptcy
27 Court granted the first omnibus motion on March 27, 2020. *See* Docket No. 1146. On May 8,
28 2020, the Debtors filed their second omnibus motion [Docket No. 1262] for an order authorizing
29 them to reject certain additional executory contracts and unexpired leases of real property, to
30 which certain counterparties objected [Docket Nos. 1321]. The Bankruptcy Court granted the
31 second omnibus motion on June 11, 2020 [Docket No. 1369], with the exception of two
32 agreements the rejection of which was authorized on July 6, 2020 [Docket No. 1465].

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

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

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

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

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

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

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

11 **J. Committee Plan Settlement**

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

20 The Debtors and the Committee engaged in extensive negotiations regarding these issues
21 culminating in a settlement resolving the Committee’s objections as set forth in a plan settlement
22 term sheet between the parties, the terms of which have been incorporated into the amended Plan.
23 The settlement, as embodied in the amended Plan, reflects a compromise and resolution of
24 numerous complex issues, including those set forth in the Committee Objection, and is the result
25 of significant efforts by both the Debtors and the Committee.

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

29 **VI.** 30 **THE CHAPTER 11 PLAN**

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

37 The Claims against the Debtors are divided into Classes according to their seniority and
38 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.

1 **A. Introduction**

2 The Plan provides for the reorganization of the Debtors, with the sole exception of SHC-
3 Yakima, which will proceed along its Closure Plan and be dissolved. As a result of the chapter
4 11 process and through the Plan, the Debtors expect that creditors will obtain a substantially
5 greater recovery from the Estates than the recovery that would be available if the Debtors' assets
6 had been liquidated under chapter 7 of the Bankruptcy Code.

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

8 **1. Ballots and Voting Deadlines**

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

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

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

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

2. Parties in Interest Entitled to Vote

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

3. Definition of Impairment

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

- a. leaves unaltered the legal, equitable, and contractual rights of the holder of the claim or equity interest; or

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- b. notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default:
 - (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);
 - (B) reinstates the maturity of such claim or interest as it existed before such default;
 - (C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law;
 - (D) if such claim arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to § 365(b)(1)(A), compensates the Holder of such claim or such interest (other than the debtor or an insider) for actual pecuniary loss incurred by such Holder as a result of such failure; and
 - (E) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the Holder of such claim or interest.

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

- Class 2A (Senior Secured Bond Debt Claims)
- Class 2B (Senior Secured Credit Agreement Claims)
- Class 2C (Other Secured Claims)
- Class 3 (Convenience Class Claims)
- Class 4 (General Unsecured Claims)
- Class 4A (Insured Claims).

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

C. Confirmation Procedure

1. Confirmation Hearing

A hearing before the Honorable Whitman L. Holt, United States Bankruptcy Judge, to consider confirmation of the Plan, has been scheduled for December 18, 2020 at 10:00 a.m. Pacific 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.

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2. Procedure for Objections

Any objection to confirmation of the Plan must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objection must be filed with the Bankruptcy Court and served on counsel for the Plan Proponents, counsel for the Committee, the U.S. Trustee, and all parties who have filed a notice of appearance by 4:00 p.m. Pacific Standard Time on December 4, 2020. Unless an objection is timely filed and served, it may not be considered by the Bankruptcy Court.

3. Requirements for Confirmation

The Bankruptcy Court will confirm the Plan only if it meets all the requirements of § 1129. Among the requirements for confirmation are that the Plan be: (a) accepted by all impaired classes 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:

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

4. Voting and Acceptance of the Plan

As a condition to confirmation of the Plan, the Bankruptcy Code requires each Class of “impaired” Claims entitled to vote on the Plan to vote to accept the Plan. The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of two-thirds (2/3) in dollar amount and more than one-half (1/2) number of those claims or interests in that class actually 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.

Classes of Claims that are not “impaired” under the Plan are conclusively presumed to have 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.

5. Best Interests Test

The “best interests” of impaired creditors test requires that each Holder of a Claim that has not voted to accept the Plan and belongs to an impaired Class receive or retain under the Plan property of a value that is not less than the value such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. To determine what members of each 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.

Attached as Exhibit B is a liquidation analysis prepared by the Debtors, reflecting a greater 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

1 the “best interests” of impaired creditors test.

2 **6. The Feasibility Test**

3 The “feasibility” test requires the Bankruptcy Court to find that confirmation of the Plan is
4 not likely to be followed by the liquidation or the need for further reorganization of the Debtors.
5 For purposes of determining whether the Plan satisfies this condition, the Debtors have analyzed
6 the capacity of each Debtor to service its obligations under the Plan.

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

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

14 **7. Unfair Discrimination and the Fair and Equitable Test**

15 If any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still
16 confirm the Plan despite such non-acceptance under the “cram down” provisions set forth in
17 § 1129(b). To obtain a confirmation under those circumstances, the Plan Proponents must show,
18 among other things, that the Plan “does not discriminate unfairly” against and is “fair and
19 equitable” with respect to each impaired Class of Claims that has rejected the plan.

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

29 **8. Other Requirements of § 1129**

30 The Plan Proponents believe that the Plan meets all the other technical requirements of
31 § 1129, including that the Plan has been proposed in good faith.

32 **D. Reservation and Preservation of Causes of Action**

33 Except as otherwise provided in the Plan with respect to Released Parties and Exculpated
34 Parties, all Causes of Action are preserved (the “**Preserved Claims**”). For the avoidance of
35 doubt, Preserved Claims include claims against the Vendor and are not preserved as to the
36 Exculpation of Exculpated Parties in Section VII.E and the releases of the Released Parties in
37 Section VII.F of the Plan. With respect to Preserved Claims, the Debtors, their Estates, the
38 Reorganized Debtors, the GUC Distribution Trustee, and the Liquidation Trustee expressly
reserve, retain, and preserve all claims and/or Causes of Action (as defined in Section I(A) of the
Plan) of the Debtors and their Estates of any kind or nature whatsoever, whether arising before or
after the Petition Date, without limitation. Consistent with § 1123(b)(3), this reservation,
retention, and preservation is intended to provide for settlement and/or adjustment of claims

1 and/or retention and/or enforcement of all claims and Causes of Action that constitute a Preserved
2 Claim. This Preserved Claim reservation, retention, and preservation is intended to be broad in
3 scope, and provides notice to enable Holders of Claims to (i) identify the claims and Causes of
4 Action (or potential claims and Causes of Action) at issue and (ii) evaluate whether those claims
5 and Causes of Action might provide additional assets for distribution.

6 As defined in Section 1.22 of the Plan, "Causes of Action" means:

7 any and all claims, actions, causes of action, choses in action, rights, demands,
8 Liens, suits, liabilities, encumbrances, lawsuits, adverse consequences, debts,
9 damages, dues, sums of money, obligations, accounts, reckonings, deficiencies,
10 bonds, bills, disbursements, expenses, losses, specialties, covenants, guaranties,
11 contracts, controversies, agreements, promises, variances, trespasses, powers,
12 judgments, privileges, licenses, franchises, remedies, rights of setoff, rights of
13 recoupment, third-party claims, subrogation claims, defenses, contribution claims,
14 reimbursement claims, indemnity claims, counterclaims, and cross-claims
15 (including those of the Debtors and/or the Estates), each of any kind or character
16 whatsoever, whether known or unknown, foreseen or unforeseen, suspected or
17 unsuspected, liquidated or unliquidated, fixed or contingent, matured or
18 unmatured, secured or unsecured, disputed or undisputed, and whether held or
19 assertable in a personal or representative capacity, based in law or equity,
20 including under the Bankruptcy Code or under any other federal or state statute or
21 common law, whether in contract or tort or any other theory of law, whether
22 direct, indirect, derivative, or otherwise, whether arising before, on, or after the
23 Petition Date, and whether asserted or unasserted as of the Effective Date,
24 including, without limitation, (i) the right to object to, challenge or otherwise
25 contest any claims, whether or not any such claim is the subject of a proof of
26 claim; (ii) any right of setoff, counterclaim, or recoupment and any claim for
27 breach of contract or for breach of duties imposed by law or in equity; (iii) any
28 claim pursuant to § 362; (iv) any claim or defense including fraud, mistake,
duress, and usury, and any other defenses set forth in § 558; (v) all claims, causes
of action (avoidance or otherwise), objections, rights, and remedies arising under
Chapter 5 of the Bankruptcy Code pursuant to, among others, §§ 502, 510, 542
through 545 and 547 through 553 or 558 thereof, or similar or equivalent claims,
causes of action, objections, rights, and remedies arising under state law,
including all Avoidance Actions, irrespective of whether or not the targets 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 a
claim in these cases, unless expressly and in writing released or 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

1 Debtors; (xiv) Preserved Claims; and (xv) all Avoidance Actions against AHM,
2 Inc. The foregoing definition shall be construed in accordance with its broadest
3 possible meaning, and any doubts or ambiguities shall be resolved in favor of
4 inclusivity. Except as otherwise expressly provided in the Plan, any and all
5 Causes of Action are preserved under the Plan. For the avoidance of doubt, the
6 Board Trustees are, on the terms of the Plan, Exculpated Parties and Released
7 Parties and, thus, are not subject to any Causes of Action or Avoidance Actions.

8 This Preserved Claims reservation, retention, and preservation of claims and Causes of
9 Action further provides notice to creditors and other parties in interest in these Chapter 11 Cases
10 about the types and categories of claims and Causes of Action that might enlarge the Estates, and
11 is based upon information known by the Debtors to date. To the extent that any creditor or party
12 in interest has any questions or concerns regarding the scope and breadth of the types and/or
13 categories of claims and Causes of Action reserved, retained, and preserved, any such creditor or
14 party in interest should object to this Disclosure Statement and request that the Court require a
15 more complete description of the types or categories of claims and Causes of Action reserved,
16 retained, and preserved.

17 Further, no Person or Entity may rely on the absence of a specific reference in the Plan or
18 the Disclosure Statement to any claim and/or Cause of Action against them as any indication that
19 the Debtors, their Estates, the Reorganized Debtors, the GUC Distribution Trustee, or the
20 Liquidation Trustee, as applicable, will not pursue any and all available claims and/or Causes of
21 Action against them, it being the intent of such parties that all claims and Causes of Action
22 described herein shall be reserved, retained, and preserved for the benefit of all creditors and
23 parties in interest. No preclusion doctrine, including the doctrines of *res judicata*, collateral
24 estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches,
25 shall apply to such claims and/or Causes of Action upon, after, or as a consequence of the Plan's
26 confirmation or occurrence of the Effective Date. Any counterparty to a claim or Cause of Action
27 that is concerned whether a claim and/or Cause of Action may or will be asserted against it, him,
28 or her, may contact the Debtors in connection with the Plan confirmation process described in this
Disclosure Statement for further information.

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

- a. the right to object to, challenge or otherwise contest any claims, whether or not
any such claim is the subject of a proof of claim;
- b. any right of setoff, counterclaim, or recoupment and any claim for breach of
contract or for breach of duties imposed by law or in equity;
- c. any claim pursuant to § 362;
- d. any claim or defense including fraud, mistake, duress, and usury, and any other
defenses set forth in § 558;
- e. all claims, causes of action (avoidance or otherwise), objections, rights, and
remedies arising under Chapter 5 of the Bankruptcy Code pursuant to, among
others, §§ 502, 510, 542 through 545 and 547 through 553 or 558 thereof, or
similar or equivalent claims, causes of action, objections, rights, and remedies

1 arising under state law, including all Avoidance Actions,¹⁸ irrespective of whether
2 or not the targets of such causes of action have been identified by name, or any
3 transfers subject to avoidance have been listed, in the Debtors' Schedules, this
Disclosure Statement, the Plan, or any other document Filed in the Chapter 11
Cases;

4 f. the Vendor Claims;¹⁹

5 g. claims under any Insurance Policies applicable to the Debtors;

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

8 i. all claims, causes of action, and other rights (including rights to challenge any
9 asserted Lien) of any kind or nature against any party asserting a claim in these
cases, unless expressly and in writing released or waived during the Chapter 11
10 Cases, including under the Plan;

11 j. all legal and equitable defenses against any Claim or Cause of Action asserted
against the Debtors;

12 k. all claims and/or Causes of Action of any kind or nature arising under state or
13 federal law arising under a theory of negligence, professional negligence, and/or
malpractice;

14 l. all claims and/or Causes of Action of any kind or nature arising under state law
based fraudulent conveyance theories;

15 m. all claims and/or Causes of Action constituting, for, based upon, or relating to a
16 breach of fiduciary duty, a tort, a contract, an Avoidance Action, federal or state
17 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
18 former members, managers, and/or officers of the Debtors; and

19 n. all Avoidance Actions against AHM.

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

23 ¹⁸ As defined in Section 1.11 of the Plan, "Avoidance Actions" means "any and all actual or
24 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, 510, 542,
25 544, 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."

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

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

2 **1. General Overview**

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

7 **2. Limited Consolidation**

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

28 **3. Summary and Classification of Claims**

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

36 The following table summarizes the Classes of Claims under the Plan that are Allowed
37 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	Impaired	Entitled to Vote

3	Convenience Class Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
4A	Insured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Eliminated Through Consolidation of Debtors for Plan Purposes	N/A

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.

4. Unclassified Claims

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

a. Administrative Claims

i. Types of Claims Entitled to Administrative Priority

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

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

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ii. Administrative Claims Bar Date

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

iii. Supplemental Administrative Claims Bar Date

Holders of Administrative Claims based upon liabilities incurred by the Debtors in the ordinary course of their business on or after the date the Administrative Claims Bar Date Order was entered but prior to the Effective Date must File and serve such Claims on the Reorganized Debtors within thirty (30) days after the Effective Date or such claims shall be forever barred 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.

Notwithstanding the foregoing, the following entities that hold Administrative Expense Claims do not need to assert an Administrative Expense Claim (collectively, the “Excluded Claims”):

a) Administrative Expense Claims based upon liabilities that the Debtors (other than SHC Medical Center - Yakima) incurred in the ordinary course of their business to providers of goods and services. To be clear, Administrative Expense Claims held by vendors of goods and services to ARMC are not Excluded Claims and such vendors must file an Administrative Expense Claim;

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

c) Any entity that has already properly filed a motion requesting allowance of an administrative expense claim pursuant to § 503(b);

d) A holder of an Administrative Expense Claim that previously has been allowed by order of the Court;

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

f) Any claims held by the Lapis Parties.

iv. Treatment of Administrative Claims

a. DIP Claims.

In accordance with the Senior Debt 2019 Settlement, all DIP Claims 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 in

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

3 **b. Other Administrative Claims.**

4 The Plan provides that, except for Ordinary Course Administrative Expenses (which will
5 be paid in the ordinary course of business) and DIP Claims, all Administrative Claims, including
6 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.

7 **c. Treatment of Professional Fee Claims.**

8 The Plan provides that all persons and entities seeking an award by the Bankruptcy Court
9 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
10 forty-five (45) days after the Effective Date, and, (b) upon Bankruptcy Court approval of such
final application, shall receive, in full satisfaction, settlement, and release of, and in exchange for
11 such Claim, from the Administrative and Priority Claims Reserve, cash in such amounts as
allowed by the Bankruptcy 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)
12 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
13 doubt, estate Professionals may still receive interim compensation prior to the Effective Date if
otherwise able to under existing court orders.

14 **d. Treatment of Priority Tax Claims.**

15 The Plan provides that Priority Tax Claims shall be paid in full in Cash from the
16 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
17 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
18 may be mutually agreed upon between the holder of such Claim and the Plan Proponents, and
consistent with the terms of the Definitive Documents.

19 **5. Classified Claims**

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

23 The Plan classifies Claims into five (5) Classes, some with subclasses: Class 1 consisting
24 of all Priority Claims (Other than Priority Tax Claims); Class 2 consisting of all Secured Claims
(broken down further into Class 2A Senior Secured Bond Debt Claims, Class 2B Senior Secured
25 Credit Agreement Claims, and Class 2C Other Secured Claims); Class 3 consisting of
Convenience Class Claims; Class 4 consisting of all General Unsecured Claims (with Class 4A
26 consisting of Class 4 Claims that are also Insured Claims); and Class 5 consisting of all
Intercompany Claims. For each Class, the Plan states whether the Claims are not Impaired (Class
27 1) or Impaired (Classes 2A, 2B, 2C, 3, 4, and 4A) and how the Holders of the Claims will be
treated under the Plan. The Classes and proposed treatment of Allowed Claims of each Class
28 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**

1 **not those Creditors have accepted the Plan.**

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

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

5 Class 1 consists of Priority Claims against Debtors, other than Priority Tax Claims. These
6 Priority Claims are entitled to priority treatment in that each Holder of such a Claim is entitled to
7 receive Cash from the Administrative and Priority Claims Reserve on the Effective Date (or as
8 soon as practicable thereafter) equal to the allowed amount of such Claim, unless the Class votes
9 to accept deferred Cash payments of a value, as of the Effective Date, equal to the allowed
10 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
13 benefits. Such Claims will be treated as General Unsecured Claims in Class 4.²¹

14 Class 1 is not Impaired. Holders of Class 1 Priority Claims, therefore, are conclusively
15 presumed to have accepted the Plan pursuant to § 1126(f) and are not 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 1	23 Priority unsecured claims alleged pursuant to Code §§ 507(a)(4) and (5) 24 Total Amount = Unknown	25 No	26 No	27 Paid in cash in full on later of Effective Date or when Allowed

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

29 Classes 2A, 2B, and 2C consist of Secured Claims against Debtors. Secured Claims are
30 claims secured by liens on property of the Estate. The treatment of Senior Secured Bond Debt
31 Claims and Senior Secured Credit Agreement Claims is an integral component of the Senior Debt
32 9019 Settlement.

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

36 ²¹ Employees may have accumulated paid time off (“PTO”) that the employees were able to roll
37 forward from year to year, or cash out at retirement or departure. With limited exception
38 regarding certain employees who were employed by ARMC, separated after January 1, 2020 and
39 then rehired by another Debtor and who were paid on account of unused PTO earned while at
40 ARMC or provided with an allowed claim, the Reorganized Debtors will assume the PTO Claims
41 for retained employees of the Hospital, and PTO will be allowed to be used on the same terms
42 and conditions as before Petition Date.

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

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

14 Classes 2A, 2B and 2C Claims are Impaired. Therefore, Holders of Class 2A, 2B and 2C
 15 Secured Claims 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 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.	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 Total Estimated Amount = \$13,162,397.26 Actual amount subject to per	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 such Senior Secured Credit Agreement Claims for Senior Secured Credit Agreement

1		diem adjustment.			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.
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5	2C	Other Secured Claims	No	Yes	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.
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16 **c. Class 3 – Convenience Class Claims**

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

27 Holders of Class 3 Convenience Class Claims shall be entitled to receive 20% of the
 28 allowed amount of their 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.

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

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
3	Convenience Class Claims Total Amount = Est. Allowed amount of \$1,611,501, ²² 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.

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 under the Plan. Otherwise, Holders of Allowed Class 4 General Unsecured Claims shall receive, on one or more GUC Distribution Dates, a *Pro Rata* share of the net assets of the GUC Distribution Trust; and Holders of Class 4A Allowed Insured Claims shall, subject to the terms and conditions set forth in the Plan, 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.

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

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
4	General Unsecured Claims (Not Otherwise	No	Yes	Holders of Allowed General Unsecured Claims shall receive, on one or more GUC Distribution

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

1		Classified)			Dates, a <i>Pro Rata</i> share of the Net GUC Distribution Trust Assets.
2		Total Amount =			
3		Approximately			
4	4A	Insured Claims	No	Yes	Subject to the terms and conditions set forth 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.
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9					As of the Effective Date, all Insured Claims are Disputed.
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11 **e. Class 5 – Intercompany Claims**

12 All Intercompany Claims shall be expunged and eliminated through the limited consolidation of the Debtors 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 Intercompany Claims, therefore, are conclusively presumed to have rejected the Plan pursuant to § 1126(g) and are not entitled to vote to accept or reject the Plan.

14 **F. Means of Implementing the Plan**

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

16 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 comprises (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 the Plan, (ii) the issuance (or reinstatement, as applicable) of the debt instruments (the “**Exchange Debt**”) described in the schedule attached to the Plan 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 the Plan.

17 The treatment and distributions provided for in the Plan 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 numerous complex issues including the Debtors’ obligation to satisfy the DIP Claim on the Effective Date, the scope, extent and value of the collateral associated with the Senior Secured Bond Debt Claims and Senior Secured Credit Agreement Claims and related matters. The settlement provides final resolution of all issues relating to the DIP Claims and the rights and benefits of Lapis Parties, and the validity, enforceability and priority of the Senior Secured Bond Debt Claims and Senior Secured Credit Agreement Claims. Pursuant to the Senior Debt 9019

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

1 Settlement, subject to the occurrence of the Effective Date, each prepetition Claim reflected in a
2 proof of claim filed by the Lapis Parties in the Chapter 11 Cases that is not a Senior Secured
3 Bond Debt Claim or Senior Secured Credit Agreement Claim shall be Allowed as a General
4 Unsecured Claim in the liquidated amount specified therein.

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

12 **2. The Committee Plan Settlement**

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

28 **3. Vendor Claims**

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

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

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

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

1 **4. Corporate Actions**

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

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

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

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

19 From the filing of this Amended Plan in the Chapter 11 Cases through the Effective Date
20 (the "**Performance Period**"), each board trustee of the Debtors shall direct the Debtors' officers
21 and others to (a) afford to AH System and the Lapis Parties reasonably full and complete access
22 during normal business hours to and the right to inspect the plants, properties, books, accounts,
23 records and all other relevant documents and information with respect to the assets, liabilities and
24 business of the Debtors, (b) furnish AH System and the Lapis Parties with such additional
25 financial and operating data and other information as to businesses and properties of the Debtors
26 as AH System or the Lapis Parties may from time to time reasonably request, and (c) cause the
27 Debtors to (i) use commercially reasonable efforts to maintain and preserve each Debtor's
28 respective business organizations and its respective relationships with physicians, suppliers,
customers and others having business relationships with the Debtors, provided that this provision
does not prevent the Debtors from assuming or rejecting executory contracts or unexpired leases
or otherwise terminating such relationships in the ordinary course of business; and (ii) satisfy the
conditions precedent to the occurrence of the Effective Date. Each board trustee shall otherwise
direct the Debtors' officers and employees to reasonably and promptly cooperate with AH System
and its authorized representatives and attorneys in AH System's efforts to satisfy the conditions
precedent to the occurrence of the Effective Date.

29 **5. The GUC Distribution Trust**

30 **a. Establishment of the GUC Distribution Trust**

31 On the Effective Date, all GUC Distribution Trust Assets, defined in Section 1.86 of the
32 Plan as follows, shall be contributed and transferred to the GUC Distribution Trust for the benefit
33 of the GUC Distribution Trust Beneficiaries: "(i) the Initial GUC Distribution Amount^[24], (ii) the

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

1 Second GUC Distribution Amount^[25], (iii) GUC Avoidance Actions^[26], and (iv) the GUC Vendor
2 Recovery^[27].”

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

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

19 The GUC Distribution Trust will be governed in accordance with the terms of a GUC

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

27 ²⁶ As defined in Section 1.81 of the Plan, “GUC Avoidance Actions” means “all Avoidance
28 Actions other than the Vendor Avoidance Actions.”

29 ²⁷ As defined in Section 1.92 of the Plan, “GUC Vendor Recovery” means “the GUC Vendor
30 Cash Recovery plus the GUC Vendor Credit Recovery. The aggregate total sum of the GUC
31 Vendor Recovery, the Initial GUC Distribution Amount, and Second GUC Distribution Amount,
32 shall not exceed the GUC Cap.” As defined in Section 1.90 of the Plan, “GUC Vendor Cash
33 Recovery” means “fifty percent (50%) of any and all net Cash proceeds of the Vendor Claims,
34 which shall be transferred by the Debtors to the GUC Distribution Trust within thirty (30) days
35 after the Debtors’ receipt of such net Cash proceeds.” As defined in Section 1.91 of the Plan,
36 “GUC Vendor Credit Recovery” means “the Cash equivalent of fifty percent (50%) of any and all
37 non-Cash value realized by the Debtors as a result of the Vendor Claims, which will be paid by
38 the Debtors (or Reorganized Debtors, as applicable) to the GUC Distribution Trust quarterly as
39 that value (in the form of cost savings or otherwise) is realized by the Debtors (or Reorganized
40 Debtors, as applicable). For the purpose of calculating the Cash equivalent of any non-Cash
41 value realized by the Debtors (or Reorganized Debtors, as applicable) as a result of any Vendor
42 Claims, the amount shall be calculated as set forth in the Term Sheet.” As defined in Section 1.82
43 of the Plan, “GUC Cap” means “twenty five million dollars (\$25,000,000).”

1 Distribution Trust Agreement prepared by the Committee in consultation with the Debtors and the
2 Lapis Parties, which shall contain provisions customary to trust agreements utilized in
3 comparable circumstances, including, but not limited to, any and all provisions necessary to
4 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.

5 All parties shall execute any documents or other instruments as necessary to cause title to
6 the applicable GUC Distribution Trust Assets to be transferred to the GUC Distribution Trust.
7 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.

8 **b. Powers and Authority of the GUC Distribution Trustee**

9 The powers of the GUC Distribution Trustee shall be set forth in full in the GUC
10 Distribution Trust Agreement and shall include, among other things, subject to the limitations set
11 forth in the Plan and the requirements set forth in a Plan Supplement: (a) the power to use,
12 distribute, abandon, or otherwise dispose of all GUC Distribution Trust Assets; (b) the power to
13 effect distributions under the Plan to the Holders of Allowed General Unsecured Claims; (c) the
14 authority to pay all costs and expenses of administering the GUC Distribution Trust after the
15 Effective Date (including the GUC Post-Effective Date Expenses), including the power to employ
16 and compensate professionals and other Entities to assist the GUC Distribution Trustee in
17 carrying out the duties hereunder (subject to the Reorganized Debtors' approval of professional
18 fees as described in Section III.E.6. of the Plan), and to obtain and pay premiums for insurance
19 and any other powers necessary or incidental thereto; (d) the power to implement all aspects of
the Plan relating to the GUC Distribution Trust, including any other powers necessary or
incidental thereto; (e) the authority to settle Claims, applicable Causes of Action, including GUC
Avoidance Actions, or disputes as to amounts owing to or from the by Holders of General
Unsecured Claims consistent with the terms of the Plan; (f) the authority to participate in any
post-Effective Date motions to amend or modify the Plan or the GUC Distribution Trust
Agreement, or appeals from the Confirmation Order; (g) the authority to participate in actions to
enforce or interpret the Plan; (h) the power to bind the GUC Distribution Trust; and (i) the power
to establish accounts in the name of the GUC Distribution Trust for the 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.

20 The GUC Distribution Trustee, in his or her sole discretion, shall have the authority to
21 allocate and reallocate GUC Distribution Trust Assets (including Cash, and including any
22 reserves necessary to effectuate the terms of the Plan) as necessary to effectuate the Plan without
23 further application to, or approval of, the Court, to the extent such allocation or reallocation
24 would not be inconsistent with the terms of the Plan. In the event that the GUC Distribution
25 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 the Plan (including for
the purposes of distribution under the Plan), the GUC Distribution Trustee shall have the
authority to make such allocation or reallocation with approval of the Court upon application to
the Court.

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

27 The GUC Distribution Trustee shall serve without bond and shall receive compensation
28 for serving as GUC Distribution Trustee as set forth in the GUC Distribution Trust Agreement.
At any time after the Effective Date and without further application to or Order of the Court, the

1 GUC Distribution Trustee may employ and compensate Persons or Entities, including
2 professionals (which may, but need not, include Professionals previously or currently employed
3 in the Chapter 11 Cases) reasonably necessary to assist the GUC Distribution Trustee in the
4 performance of his or her duties under the GUC Distribution Trust Agreement and the Plan. Such
5 Persons or Entities shall be compensated and reimbursed by the GUC Distribution Trustee for
6 their reasonable and necessary fees and out of pocket expenses on a monthly basis in arrears,
7 subject to the Reorganized Debtors' approval of professional fees as described in Section III.E.6.
8 of the Plan.

9
10
11 **d. GUC Distribution Trustee as Successor in Interest to the Committee**

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

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

20
21 **e. GUC Distribution Trust's Post-Effective Date Expenses**

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

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

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

1 All fees and expenses payable by the Reorganized Debtors pursuant to Section III.E.6 of
2 the Plan shall be subject to the following payment provisions:

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

22 **g. GUC Distribution Reserve**

23 Prior to making a distribution to any Holders of Allowed General Unsecured Claims under
24 the Plan, the GUC Distribution Trustee may place in reserve and/or in a separate account any
25 funds that may be needed to pay General Unsecured Claims that are Disputed and General
26 Unsecured Claims that have otherwise not been Allowed in the event that all or a portion of such
27 Claims become Allowed. When a General Unsecured Claim is Allowed or Disallowed (and thus
28 becomes an Allowed Claim or a Disallowed Claim, in whole or in part), the funds set aside on
account of such Claim may be released from the reserve and shall be available for distribution in
accordance with the terms of the Plan to either (i) the Holder of the General Unsecured Claim that
has become an Allowed Claim, or (ii) if Disallowed, the Holders of Allowed General Unsecured
Claims. The GUC Distribution Trustee, in his or her sole discretion, on and after the Effective
Date, shall have authority to increase or decrease such as reasonably necessary and appropriate,
and upon satisfaction of all Allowed General Unsecured Claims required to be paid from the
reserve, to transfer amounts held therein for distribution pursuant to the Plan.

29 **h. GUC Distribution Trust Income Tax Status**

30 For federal income tax purposes, all parties (including, without limitation, the Debtors, the
31 GUC Distribution Trustee, and the beneficiaries of the GUC Distribution Trust) shall treat the
32 GUC Distribution Trust as a liquidating trust within the meaning of Treasury Income Tax
33 Regulation section 301.7701-4(d) and IRS Revenue Procedure 94-45, 1994-2 C.B. 124. For
34 federal income tax purposes, the transfer of Assets to the GUC Distribution Trust under the Plan
35 shall be treated as a deemed transfer to the beneficiaries of the GUC Distribution Trust in
36 satisfaction of their Claims followed by a deemed transfer of the Assets by the beneficiaries to the
37 GUC Distribution Trust. For federal income tax purposes, the beneficiaries will be deemed to be
38 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 income, gain, loss deductions, and credits ("Tax Items"). The

1 beneficiaries will report such Tax Items on their federal income tax returns and pay any resulting
2 federal income tax liability. All parties will use consistent valuations of the assets transferred to
3 the GUC Distribution Trust for all federal income tax purposes. The assets shall be valued based
4 on the GUC Distribution Trustee's good faith determination of their fair market value.

5 **i. Termination of the GUC Distribution Trust**

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

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

20 **6. Establishment of Liquidation Trust; Appointment of Liquidation Trustee;
21 Transferring Assets and Claims to the Liquidation Trust**

22 On the Effective Date, except as otherwise provided in the D&O Cause of Action
23 Agreement consistent with the D&O Cause of Action Agreement (discussed below), the
24 following Assets (the "**Liquidation Trust Assets**" and, together with the GUC Distribution Trust
25 Assets, "**Plan Trust Assets**") shall be contributed to the Liquidation Trust subject to a
26 Liquidation Trust Agreement (together with the GUC Distribution Trust Agreement, the "**Plan
27 Trust Agreements**," and each individually a "**Plan Trust Agreement**") acceptable to the
28 Debtors and the Lapis Parties and the appointment of a Liquidation Trustee acceptable to the
Lapis Parties in their sole discretion:

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

In the event any Liquidation Trust Assets 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 the Exchange Debt in accordance with the
Exchange Debt Documents.

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

2 The D&O Causes of Action²⁸ shall be preserved for the benefit of the Debtors' Estates and
3 their creditors. The mechanism for (a) the vesting, revesting, and/or transfer of the D&O Causes
4 of Action and any related insurance policies (including the D&O Insurance Policies (as defined in
5 the Plan)), (b) the prosecution and/or settlement or other resolution of the D&O Causes of Action
6 (including the funding of the fees and costs attendant to such prosecution and/or settlement or
7 other resolution), and (c) the sharing of any proceeds of the D&O Causes of Action shall be
8 subject to further agreement between the Lapis Parties and the Committee (the "**D&O Cause of
9 Action Agreement**"), which shall be filed as part of the Plan Supplement.

10 **8. Post-Confirmation Management**

11 Reorganized Debtors, controlled by AH System as the sole member, will provide the
12 management for the Hospitals after the Effective Date. The Debtors' Executive Services
13 Agreement with AHM will be rejected as of the earlier of the date ordered by the Court on a
14 motion to reject the agreement, the Effective Date, or such other date as may be specified in the
15 Confirmation Order. It is currently expected that all AHM employees currently serving as
16 officers or employees of the Debtors will be offered employment by AH System, effective on the
17 effective date. Astria's current Interim CEO is Brian Gibbons and Astria's CFO is Maxwell
18 Owens. Brian Gibbons' salary is \$21,167.06 per month as CEO of Sunnyside, with a still to be
19 agreed increase to account for his serving as Interim CEO. Maxwell Owens' salary is \$25,720.33
20 per month. Compensation for another 25 management personnel across all the Debtors totals
21 \$186,429.66 per month.

22 To the extent necessary to implement the Plan, AH System, will govern pursuant to
23 amended and restated bylaws and other corporate documents. The new directors for the
24 Reorganized Debtors will be set forth in the Plan Supplement and whose composition is subject to
25 (a) applicable law and (b) the consent of the Lapis Parties. The new directors will also establish
26 and maintain management on terms acceptable to AH System.

27 **9. Termination of the Committee and Appointment of POC**

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

 On the Effective Date, a POC consisting of not less than three (3) Persons or Entities that
are beneficiaries of the GUC Distribution Trust. The identities of the Persons and/or Entities that
will serve on the POC as of the Effective Date will be filed as part of the Plan Supplement. The
POC's sole function and responsibility shall be to advise the GUC Distribution Trustee in the

²⁸ As defined in Section 1.45 of the Plan, "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 performance of the GUC Distribution Trustee's duties and obligations under the Plan with respect
2 to the administration of the GUC Distribution Trust for the benefit of Holders of Allowed General
3 Unsecured Claims. The members of the POC shall serve without compensation but may be
reimbursed for reasonable expenses incurred in the performance of their duties as members of the
POC.

4 **10. Creation of Administrative and Priority Claims Reserve**

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

16 **G. Objections to Claims**

17 After the Effective Date, the Reorganized Debtors (and with respect to General Unsecured
18 Claims, the GUC Distribution Trustee) will have the authority and obligation to review,
19 compromise, and object to any Claims other than Allowed Claims consistent with Section V of
20 the Plan. The Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
21 Distribution Trustee) will: (i) have the authority, without Court approval or approval by the GUC
22 Distribution Trustee or any other person or entity, to compromise, release or settle any Claim
23 where the Claim has an asserted face value of \$25,000 or less and (ii) be required to seek an order
24 of the Court approving the compromise, release or settlement of any Claim that has an asserted
25 value of greater than \$500,000, with notice and opportunity for hearing required with respect to
26 such compromise, release or settlement. If the Reorganized Debtors (and with respect to General
Unsecured Claims, the GUC Distribution Trustee) seek to compromise, release or settle any
Claim where the Claim has an asserted face value of between \$25,000 and \$500,000, the
Reorganized Debtors (and with respect to General Unsecured Claims, the GUC Distribution
Trustee) will provide at least five (5) Business Days' advance notice of the same to the Lapis
Parties, the GUC Distribution Trustee, and the Reorganized Debtors, as applicable, and the
opportunity to object within such notice period. If the Lapis Parties, the GUC Distribution
Trustee, or the Reorganized Debtors, as applicable, object and the objection is not resolved
consensually, the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
Distribution Trustee) may seek approval of the compromise, release or settlement by the Court on
an expedited basis.

27 **H. Claims Paid or Payable by Third Parties**

28 Subject to the terms of Section III.N of the Plan regarding Class 4A Insured Claims,

1 Claims paid and/or payable by third parties, irrespective of classification, shall be treated as
2 follows:

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

4 A Claim shall be reduced in full, and such Claim shall be Disallowed without a Claim
5 objection having to be filed and without any further notice to or action, order, or approval of the
6 Court, to the extent that the Holder of such Claim receives payment in full on account of such
7 Claim from a party that is not a Debtor or a Distributing Party. To the extent a Holder of a Claim
8 receives a distribution under the Plan on account of such Claim and receives payment from a
9 party that is not a Debtor or a Distributing Party on account of such Claim, such Holder shall,
10 within two weeks of receipt thereof, repay or return the distribution to the applicable Debtor or
11 Distributing Party to the extent the holder's total recovery on account of such Claim from the
12 third party and under the Plan exceeds the Allowed amount of such Claim.

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

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

23 **I. Special Issues Regarding Insured Claims**

24 Under the terms of Debtors' various insurance policies, Debtors may owe deductible
25 amounts on account of Insured Claims for personal injury and medical malpractice. After the
26 Effective Date of the Plan (unless an order modifying the automatic stay has been entered at an
27 earlier date), Holders of Insured Claims shall be enjoined by the injunction established by the
28 Confirmation Order from commencing or continuing any enforcement action to collect such
Claim against the Estate.

Consistent with the foregoing, distributions under the Plan to each Holder of an 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 in any other way, the rights and obligations of Debtors' insurers under their policies, and
Debtors' insurers shall retain any and all defenses to coverage that such insurers may have,
including the right to contest and/or litigate with any party, including Debtors, the existence,
primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall
not operate as a waiver of any other Claims that Debtors' insurers have asserted or may assert in
any proof of Claim or Debtors' rights and defenses to such proofs of Claim.

J. Distributions of Property Under the Plan

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

1 Notwithstanding any other provision of the Plan (i) each Holder of an Allowed Unsecured
2 Claim that is to receive a distribution pursuant to the Plan shall have sole and exclusive
3 responsibility for the satisfaction and payment of any tax obligations imposed by any
4 Governmental Unit, including income, withholding, and other tax obligations, on account of such
5 distribution, and (ii) no distribution shall be made to or on behalf of such Holder pursuant to the
6 Plan unless and until such Holder has made arrangements satisfactory to the Distributing Party for
7 the payment and satisfaction of such income, withholding, and other tax obligations or such tax
8 obligation that would be imposed upon any disbursing agent in connection with such distribution.
9 Any property distributed pursuant to the Plan shall, pending the implementation of such
10 arrangements, be treated as an undeliverable distribution under the Plan.

11 **1. Manner of Cash Payments Under the Plan**

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

17 **2. No Distributions with Respect to Disputed Claims**

18 No payments of Cash or distributions of other property or other consideration of any kind
19 shall be made on account of any Disputed Claim unless and until such Claim becomes an
20 Allowed Claim or is deemed to be such for purposes of distribution, and then only to the extent
21 that the Claim becomes, or is deemed to be for distribution purposes, an Allowed Claim. Unless
22 otherwise provided in the Plan, any Holder of a Claim that becomes an Allowed Claim after the
23 Effective Date will receive any unpaid distribution that otherwise would have been payable under
24 the Plan on the Next Payment Date after the date that such Claim becomes an Allowed Claim or
25 as soon thereafter as practicable.

26 **3. Record Date for Distribution**

27 On the Distribution Record Date, the Distributing Party shall be authorized and entitled to
28 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 of the Plan.

4. Delivery of Distributions

The Distributing Party shall make distributions to each Holder of an Allowed Claim by
mail as applicable as follows: (a) at the address set forth on the proof of Claim filed by such
Holder of an Allowed Claim; (b) at the address set forth in any written notice of address change
Filed with the Court, delivered to the Distributing Party, and reflected on the Claims Register
after the date of any related proof of Claim; (c) at the address reflected in the Schedules if no
proof of Claim is filed and no written notice of address change has been Filed with the Court,
delivered to the Distributing Party, and reflected on the Claims Register; and (d) with respect to
the Lapis Parties, as directed by the Lapis Parties.

5. Undeliverable and Unclaimed Distributions

Subject to the terms of any settlement agreement, if the distribution to the Holder of any
Allowed Claim is returned as undeliverable, no further distribution shall be made to such Holder
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

1 possession of the Distributing Party pursuant to this section until such time as a distribution
2 becomes deliverable. Undeliverable Cash distributions shall not be entitled to any interest,
3 dividends, or other accruals of any kind. Any check that is not cashed or otherwise deposited
4 within three months after the check's date shall be deemed an undeliverable distribution under the
5 Plan.

6 Any Holder of an Allowed Claim who does not assert a Claim in writing for an
7 undeliverable distribution within one year after the date such distribution was due shall no longer
8 have any Claim to or interest in such undeliverable distribution, and shall be forever barred from
9 receiving any distributions under the Plan, or from asserting a Claim against the Debtors or their
10 property, or the GUC Distribution Trust and its assets, and the Claim giving rise to the
11 undeliverable distribution will be discharged.

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

14 **6. Estimation of Disputed Claims for Distribution Purposes**

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

20 **7. Minimum Distributions**

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

28 **8. Rounding**

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
one-half cent being rounded up to the nearest whole cent.

9. Full Satisfaction

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

10. Distribution Free and Clear

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

K. Conditions Precedent to Plan Confirmation

The conditions precedent to confirmation of the Plan shall include: (a) a final order,

1 finding that the Disclosure Statement contains adequate information pursuant to § 1125, shall
2 have been entered by the Court; (b) the proposed Confirmation Order will be in form and
3 substance satisfactory to the Lapis Parties and the Committee; (c) the Plan, including any
4 amendments, modifications or supplements thereto, and all documentation contemplated by the
5 Plan and the terms set forth in any Plan Supplement and the Definitive Documentation, shall be in
6 form and substance satisfactory to the Lapis Parties (and, with respect to any portion of the Plan
7 Supplement relating to the Committee Plan Settlement, including, *inter alia*, the GUC
8 Distribution Trust, the Committee); (e) and any order authorizing the DIP Agreement shall be in
9 full force and effect, shall not have been terminated and there shall be no ongoing event of
10 default; and (f) the Exchange Debt Documents shall be in a form acceptable to the Plan
11 Proponents.

7 **L. Conditions to Effectiveness**

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

11 **1. Conditions**

- 12 a) The Confirmation Order shall have become a Final Order;
- 13 b) Execution of the Definitive Documents, including the Exchange Debt
14 Documents;
- 15 c) The actual and anticipated Allowed Administrative, Professional and
16 Priority Claims do not exceed the Allowed Administrative, Professional and Priority
17 Claims Cap;
- 18 d) There has been compliance with the terms specified in Section III.D of the
19 Plan;
- 20 e) The bylaws of AH System, AH NP2, the Debtors and their affiliates shall
21 be acceptable to the Lapis Parties; and
- 22 f) All such other actions, documents, and agreements the Debtors, the Lapis
23 Parties, and the Committee determine are necessary to implement the Plan shall have been
24 effected or executed.

21 The Debtors shall file and serve a “Notice of Occurrence of Effective Date” to all Holders
22 of record of Claims and Interests as of the date of entry of the Confirmation Order.

23 **2. Waiver of Conditions**

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

1 **M. Authorization of Entity Action**

2 Each of the matters provided for under the Plan involving the Entity structure of Debtors
3 or Entity action to be taken by or required of Debtors shall, as of the Effective Date, be deemed to
4 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 of further action by creditors or Board Trustees of the Debtors.

5 **N. Limited Consolidation**

6 The Plan provides for the limited—or “deemed” substantive—consolidation of the
7 Debtors. This Disclosure Statement sets forth (i) the legal requirements to establish deemed
8 substantive consolidation, and (ii) the factual bases supporting the Debtors’ request for deemed
9 substantive consolidation. As set forth in the Plan, this Disclosure Statement and the Plan shall
10 be deemed a motion requesting that the Bankruptcy Court approve the deemed substantive
11 consolidation contemplated by the Plan at the Confirmation Hearing, unless otherwise separately
12 scheduled. **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 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 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 of deemed substantive consolidation as set forth in this
Disclosure Statement or the Plan.

13
14 If the Bankruptcy Court determines that deemed substantive consolidation of any given
15 Debtor is not appropriate, then the Plan Proponents may request that the Bankruptcy Court
16 otherwise confirm the Plan and approve the treatment of, and distributions to, the different
17 Classes under the Plan on an adjusted, Debtor-by-Debtor basis. Furthermore, the Plan Proponents
18 reserve 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
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
Debtors into Astria if all Impaired Classes entitled to vote on the Plan vote to accept the Plan.

19 As will be set forth in more detail in the Debtors’ brief in support of confirmation of the
Plan, the Debtors believe deemed substantive consolidation is appropriate here.

20 **1. The Effect of Deemed Substantive Consolidation**

21 “Deemed consolidation” merely treats the assets and liabilities as if they were pooled
22 without actually merging the debtor entities. *In re Owens Corning*, 419 F.3d 195, 202 (3d Cir.
2005) (deemed consolidation will “not result in the merger of or the transfer or commingling of
any assets of the Debtors . . . [which] will continue to be owned by the respective Debtors”).

23
24 Here, deemed consolidation for creditor distribution purposes is appropriate to avoid the
25 impact consolidation of the legal entities may have on matters such as licensing and other post-
confirmation issues relating to the Hospital assets.

26 **2. The Facts of the Chapter 11 Cases Satisfy Each Independent Basis for
Deemed Substantive Consolidation**

27 The facts of these Chapter 11 Cases demonstrate that the Debtors are entitled to the
28 deemed consolidation contemplated by the Plan.

1 **a. Creditors Dealt with the Debtors as a Single, Economic Unit**

2 **i. The Debtors Obtained Secured Financing as a Single Economic**
3 **Unit**

4 The Debtors’ secured lenders dealt with the Debtors as a single economic unit. Thus, this
5 factor is satisfied even if the Debtors never claimed to be a singular entity. *See, e.g., In re*
6 *Abeinsa Hldg., Inc.*, 562 B.R. 265, 280-81 (Bankr. D. Del. 2016) (finding creditor expectations
7 were satisfied by partial substantive consolidation where, among other things, “[t]he lenders
8 under these credit agreements received combined financial reports from the Debtors as to all
9 obligors that were parties to the applicable credit agreements, and calculated financial covenant
10 compliance based on the assets and liabilities of those entities”).

11 A substantial amount of the Debtors’ prepetition secured debt relates to loan and bond
12 obligations on which multiple debtors are obligated. For example, all of the Debtors are obligated
13 as co-borrowers or guarantors under the 2017 Bonds, the Lapis 2017 Loan and the Lapis 2019
14 Loan (collectively, the “**Lapis Prepetition Obligations**”).

15 The Lapis Prepetition Obligations imposed joint and several liability on the Debtors, and
16 the terms of the Lapis Prepetition Obligations only addressed the rights and obligations of the
17 Debtors collectively, rather than on a Hospital-by-Hospital basis.

18 The terms of the postpetition adequate protection offered to the Lapis Prepetition
19 Obligations are no different. The adequate protection approved by the Bankruptcy Court [*see*
20 *Docket Nos. 293, 1201*] clearly contemplates the continued joint and several nature of the relief
21 as follows:

- 22 • adequate protections liens are joint and several as to the Debtors; and
- 23 • adequate protection superpriority claims are joint and several as to the Debtors.

24 **ii. The Debtors Negotiated Major Contracts and Agreements as a**
25 **Single Economic Unit**

26 After Astria’s acquisitions of SHC–Yakima and SHC–Toppenish, major contracts and
27 agreements were negotiated or entered-into on a system-wide basis, such that counterparties dealt
28 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 of scale of the Astria Health System. In light of these benefits, the Debtors
standardized system-level contracting that normalized pricing for contracts (including physician-
related contracts) across all Hospitals. The Debtors’ critical system-wide contracts and
negotiations include:

- health insurance and retirement benefits;
- group purchasing order contracts;
- IT systems contracts; and
- other contracts.

The Debtors also have centralized management in place which allows the Debtors to
operate as one integrated health system—the Astria Health System.

In light of these facts, separate-entity plans would likely be contrary to the expectations of

1 creditors that viewed their agreements with the Debtors as backed by the Astria Health System.

2 **b. The Debtors' Affairs Are So Entangled That Consolidation Will**
3 **Benefit All Creditors**

4 Although the Debtors maintained certain separate formalities for each entity—or, more
5 often, each entity group—as set forth in the Debtors' "first-day" motion to authorize continued
6 use of its cash management system [Docket No. 22] (the "**Cash Management Motion**"), a more
7 thorough analysis of the Debtors' finances and operations reveals significant interconnectivity,
8 which would prove costly and time-consuming to unwind at the expense of recoveries in these
9 Chapter 11 Cases. Accordingly, the interests of creditors are best served by deemed substantive
10 consolidation. *See In re Bonham*, 229 F.3d 750, 766 (9th Cir. 2000) (citing *Augie/Restivo Baking*
11 *Co., Ltd.*, 860 F.2d 515, 519 (2nd Cir. 1988)).

12 Here, there are also significant facts related to entangled affairs among the Debtors that
13 weigh in favor of substantive consolidation. The Debtors engaged in the following complex,
14 prepetition intercompany transfers (not always booked as intercompany transfers), combined
15 accounting, valuation issues, and collective management that would prove difficult and costly to
16 creditors to unwind or reconcile:

- 17 • Prior to its closure, SHC–Yakima operated cash-flow negative, exhausting the
18 proceeds of the DIP Facility and then requiring transfers from the other Debtors.
- 19 • As noted in section IV.C.1 above, further described in the Cash Management Motion,
20 and reflected in the Debtors' monthly operating reports (*see* Section V.B.6 above), the
21 Debtors engaged in extensive intercompany transfers.
- 22 • Decisions to hire physicians and determine contract terms are made through a
23 consolidated health system process including legal and chief executive review.

24 Unwinding the transactions to prepare separate-Debtor plans would require time and
25 allocations and assumptions. By way of example, prepetition and postpetition allocations by the
26 Estates may be subject to challenge as follows:

- 27 • Professional fees must also be allocated among the Debtors if the Debtors cases are
28 not consolidated. This task would require, for each time entry, an analysis of which
Debtor, or Debtors, benefitted from the particular services. Although laborious, such
an analysis directly impacts creditors if the cases are not consolidated given that
Professional Claims receive priority treatment.
- The closure of SHC-Yakima severely limits any assumptions with respect to future
operations based on the Debtors' historic operations. The Debtors capital structure
also changed significantly during the Chapter 11 Cases—the Debtors incurred
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.

Moreover, different asset valuation or liability allocation assumptions will lead to
different results in both asset allocations among Debtors and balances available for distributions
to creditors. 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. 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.

1 **O. Reservation of Fair and Equitable (Cram Down) Power**

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

4 **P. Treatment of Executory Contracts and Unexpired Leases**

5 **1. Assumption of Executory Contracts**

6 **a. Assumptions**

7 On or before the Voting Deadline, AH System will File the “Schedule of Assumed
8 Agreements” and serve it on the parties to agreements listed on the schedule. AH System reserves
9 the right to amend the Schedule of Assumed Agreements at any time prior to the Voting Deadline
10 to: (a) delete any Executory Contract from the Schedule of Assumed Agreements and provide for
11 its rejection under the Plan or (b) add any Executory Contract and provide for its assumption
under the Plan or otherwise, subject to the right of the counterparty to object to such 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
claimed by objecting contract counterparties.

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

16 **b. Cure Payments**

17 Any monetary amounts by which each Executory Contract to be assumed is in default
18 shall be satisfied, pursuant to § 365(b)(1), by payment from the Administrative and Priority
19 Claims Reserve, of the default amount (as set forth in the Debtors’ books and records), a schedule
20 of which will be Filed and served by the Voting Deadline, in full in Cash on the later of the
21 Effective Date or when such Cure Claim is Allowed, or on such other terms as the parties to each
22 such Executory Contract may otherwise agree. In these Chapter 11 Cases, prior to Confirmation
23 of the Plan, some known Cure Payments will have already been paid or resolved by stipulation or
24 agreement. In the event of a dispute regarding (a) the amount of any Cure Payments, (b) the
25 ability of Reorganized Debtors to provide “adequate assurance of future performance” (within the
26 meaning of § 365) under the contract or lease to be assumed, or (c) any other matter pertaining to
27 assumption, the cure payments required by § 365(b)(1) shall be made following the entry of a
28 Final Order resolving the dispute and approving the assumption. Pending the Court’s ruling on
such motion, the Executory Contract at issue shall be deemed assumed by Reorganized Debtors
as of the Effective Date, unless otherwise ordered by the Court on a motion to reject the
agreement, and the Debtors will reserve amounts for Disputed Cure Payments in the full amounts
claimed by objecting contract counterparties. In no event shall the GUC Distribution Trust be
liable or otherwise responsible for any Cure Payment.

26 **c. Objections to Assumption**

27 Any Entity who is a party to an Executory Contract that will be assumed under the Plan
28 must File with the Court and serve upon interested parties a written statement and supporting
declaration stating the basis for any objection to assumption by no later than seven (7) days after
the filing of the Schedule of Assumed Agreements (“**Assumption Objections**”). Any Entity that

1 fails to timely File and serve such a statement and declaration will be deemed to waive any and
2 all objections to the proposed assumption of its contract or lease. Debtors must file and serve its
3 reply with respect to any Assumption Objections by no later than five (5) days after the filing of
4 an Assumption Objection. A hearing on the Assumption Objections will take place at the
5 Confirmation Hearing, or as soon thereafter as the Court is available.

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

10 **d. Resolution of Claims Relating to Assumed Agreements**

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

18 **2. Rejection of Executory Contracts**

19 **a. Rejected Agreements**

20 Immediately prior to the Effective Date, all Executory Contracts of the Debtors will be
21 deemed rejected in accordance with the provisions and requirements of §§ 365 and 1123 except
22 those Executory Contracts that (i) have been assumed by order of the Bankruptcy Court, (ii) are
23 subject to a motion to assume pending on the Effective Date, or (iii) have been identified on a list
24 of assumed contracts to be filed with the Bankruptcy Court prior to the Voting Deadline, which
25 shall be a date prior to the Effective Date of the Plan. The Confirmation Order will constitute a
26 Court order approving such rejections of Executory Contracts as of the Effective Date pursuant to
27 §§ 365 and 1123.

28 **b. Bar Date for Rejection Damages**

Any Claim for damages arising from the rejection under the Plan of an Executory
Contract 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 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 holding these Claims will be barred from receiving any distribution under the Plan on
account of such untimely claims.

3. Postpetition Contracts and Leases

Except as set forth in the Schedule of Rejected Agreements or as 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 assumed by Reorganized Debtors.

4. Indemnification Obligations

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 employees, attorneys,
other professionals and agents of the Debtors, and such current and former employees',

1 attorneys', other professionals' and agents' of the Debtors, and such current respective Affiliates,
2 respectively, against any Claims or Causes of Action under the Indemnification Provisions or
3 applicable law, shall survive Confirmation, shall be assumed by the Debtors and assigned to the
4 Reorganized Debtors and will remain in effect after the Effective Date if such indemnification,
5 defense, reimbursement, or limitation is owed in connection with an event occurring before the
6 Effective Date; provided, however, that, notwithstanding anything in the Plan to the contrary, the
7 obligation of the Reorganized Debtors to fund such Indemnification Provisions shall be limited to
8 the extent of coverage available under any Reorganized Debtor Insurance Policies.

5. Lapis Parties Fees and Expenses

6 As an integral component of the Senior Debt 9019 Settlement, to the extent not previously
7 paid prior to the Effective Date or in connection with the Plan, the fees and expenses of each of
8 the Lapis Parties shall be deemed Allowed Administrative Expenses and shall be paid in Cash on
9 the Effective Date.

Q. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims

1. Joint Pursuit of Reconciliation, Objections to, and/or Settlement of Asserted General Unsecured Claims

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

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

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

2. Resolution of Disputed Claims

a. Allowance of Claims

24 On and after the Effective Date, the Reorganized Debtors (and with respect to General
25 Unsecured Claims, the GUC Distribution Trustee), shall have and shall retain any and all rights
26 and defenses that the Debtors had with respect to any Claim or Interest, except with respect to any
27 Claim or Interest deemed Allowed as of the Effective Date. Except as expressly provided in the
28 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.

As set forth in Section 1.9 of the Plan, "Allowed" means, "with respect to (I) a Claim: (a)
any Claim, a proof of Claim for which was timely Filed by the applicable Claims Bar Date,
Supplemental Bar Date or Administrative Claims Bar Date (or a Claim for which a Proof of

1 Claim is not required to be Filed under the Plan, the Bankruptcy Code, or a Final Order of the
2 Court); (b) any Claim that is listed in the Schedules as not contingent, not unliquidated, and not
3 disputed, and for which no Proof of Claim has been timely Filed; (c) any Claim allowed pursuant
4 to the Plan or Final Order of the Court; provided, that with respect to any Claim described in
5 clause (a) above, such Claim shall be considered Allowed only if and to the extent that no
6 objection to the allowance of such Claim has been interposed within the applicable period of time
7 fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or Court, or if such an objection is
8 so interposed and the Claim shall have been Allowed by a Final Order; provided, further, that the
9 Debtors or the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
10 Distribution Trustee), as applicable, may, subject to Section V.A [of the Plan], affirmatively
11 determine to allow any Claim described in clause (a) notwithstanding the fact that the period
12 within which an objection may be interposed has not yet expired; provided, further, that any
13 Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an Order
14 of the Court shall not be considered an Allowed Claim under this Plan; provided, further, that any
15 Claim disallowed or expunged under the Plan, by Final Order of the Court, or otherwise shall not
16 be an Allowed Claim; provided, further, that with respect to any Claim Allowed only in part,
17 references to Allowed Claims in this Plan include, and are limited to, only the portion of the
18 Claim that is Allowed; and (II) an Interest, to the extent Allowed under this Plan. Unless
19 otherwise specified in the Plan, an Allowed Claim does not include interest on the Claim accruing
20 after Petition Date. Moreover, all or any portion of a Claim that is satisfied or released during the
21 Chapter 11 Cases is not an Allowed Claim.”

12 **b. Prosecution of Objections to Claims**

13 On or after the Effective Date, the Reorganized Debtors (and with respect to General
14 Unsecured Claims, the GUC Distribution Trustee), shall have the authority to File objections to
15 Claims, and the exclusive authority, subject to Section V.A of the Plan, to settle, compromise,
16 withdraw, or litigate to judgment objections on behalf of the Debtors’ Estates to any and all
17 Claims, except with respect to any Claim or Interest deemed Allowed as of the Effective Date.
18 From and after the Effective Date, the Reorganized Debtors (and with respect to General
19 Unsecured Claims, the GUC Distribution Trustee) shall have the sole authority, subject to Section
20 V.A of the Plan, to administer and adjust the Claims Register with respect to Claims to reflect any
21 such settlements or compromises and no further notice to or action, order, or approval of the
22 Court with respect to such settlements or compromises shall be required.

19 **c. Claims Estimation**

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

25 Notwithstanding any provision otherwise in the Plan to the contrary, a Claim that has been
26 expunged from the Claims Register but that is subject to appeal or has not been the subject of a
27 Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the
28 Court. In the event that the Court estimates any Disputed Claim, contingent Claim, or
unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such
Claim or a maximum limitation on such Claim for all purposes under the Plan, including for
purposes of distributions, and the Reorganized Debtors (or the GUC Distribution Trustee, as

1 applicable) may elect to pursue additional objections to the ultimate distribution on such Claim. If
2 the estimated amount constitutes a maximum limitation on such Claim, the Reorganized Debtors
3 (or the GUC Distribution Trustee, as applicable) may elect to pursue any supplemental
4 proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding §
5 502(j), in no event shall any Holder of a Claim that has been estimated pursuant to § 502(c) or
6 otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a
7 motion requesting the right to seek such reconsideration on or before 21 days after the date on
8 which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and
9 resolution procedures are cumulative and not exclusive of one another. Claims may be estimated
10 and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by
11 the Court.

12 **d. Expungement or Adjustment to Claims Without Objection**

13 Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims
14 Register by the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
15 Distribution Trustee) or the Claims and Noticing Agent at the Reorganized Debtors' (and with
16 respect to General Unsecured Claims, the GUC Distribution Trustee's) direction, and any Claim
17 that has been amended may be adjusted thereon by the Reorganized Debtors (and with respect to
18 General Unsecured Claims, by the GUC Distribution Trustee) without a Claims objection having
19 to be Filed and without any further notice to or action, order, or approval of the Court.

20 **e. Deadline to File Objections to Claims**

21 Any objections to Claims shall be Filed no later than the Claims Objection Bar Date.

22 **3. Disallowance of Claims**

23 Any Claim, or any portion thereof, is Disallowed and shall be expunged without further
24 action by the Debtors and without further notice to any party or action, approval, or Order of the
25 Court, to the extent that it (i) has been disallowed by Final Order or settlement; (ii) is scheduled in
26 the amount of zero dollars (\$0) or as contingent, disputed, or unliquidated on the Schedules and
27 as to which a Claims Bar Date, Supplemental Bar Date or Administrative Claims Bar Date has
28 been established but no Proof of Claim has been timely Filed or deemed timely Filed with the
Court pursuant to either the Bankruptcy Code or any Final Order of the Court, including the
Claims Bar Date Order, Supplemental Bar Date Order or Administrative Claims Bar Date Order
or otherwise deemed timely Filed under applicable law; or (iii) is not scheduled 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 Claim has been timely Filed or deemed timely Filed with the
Court pursuant to either the Bankruptcy Code or any Final Order of the Court, including the
Claims Bar Date Order, Claims Bar Date Order, Supplemental Bar Date Order or Administrative
Claims Bar Date Order or otherwise deemed timely Filed under applicable law.

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

1 **4. Disallowance of Untimely Claims**

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

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

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

21 **5. Amendments to Claims**

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

27 **6. No Interest**

28 Unless otherwise specifically provided for in the Plan, by applicable law (including,
without limitation, § 506(b)), or agreed to by, as applicable, the Debtors, the Committee, the
Reorganized Debtors, or the GUC Distribution Trustee interest shall not accrue or be paid on any
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.

R. Jurisdiction

1. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
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:

- a) Allow, Disallow, determine, liquidate, classify, estimate, or establish the priority,
Secured or unsecured status, or amount of any Claim, including the resolution of
any request for payment of any Administrative Claim and the resolution of any and
all objections to the Secured or unsecured status, priority, amount, or Allowance of

1 Claims; provided that, for the avoidance of doubt, the Court's retention of
2 jurisdiction with respect to such matters shall not preclude the Debtors or the
3 Reorganized Debtors, as applicable, from seeking relief from any other court,
tribunal, or other legal forum of competent jurisdiction with respect to such
matters;

- 4 b) decide and resolve all matters related to the granting and denying, in whole or in
5 part, any applications for allowance of compensation or reimbursement of
expenses to professionals authorized pursuant to the Bankruptcy Code or the Plan;
- 6 c) resolve any matters related to (i) the assumption or assumption and assignment of
7 any Executory Contract to which a Debtor is a party or with respect to which a
8 Debtor may be liable in any manner and to hear, determine, and, if necessary,
9 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;
- 10 d) adjudicate, decide, or resolve any controversies, if any, with respect to
11 distributions to Holders of Allowed Claims;
- 12 e) adjudicate, decide, or resolve any motions, adversary proceedings, contested, or
13 litigated matters, and any other matters, and grant or deny any applications
14 involving a Debtor that may be pending on the Effective Date;
- 15 f) adjudicate, decide, or resolve any and all matters related to Causes of Action;
- 16 g) adjudicate, decide, or resolve any and all matters related to § 1141;
- 17 h) enter and implement such orders as may be necessary or appropriate to execute,
18 implement, or consummate the provisions of the Plan and all contracts,
19 instruments, releases, indentures, and other agreements or documents created in
20 connection with the Plan or the Disclosure Statement;
- 21 i) enforce any order for the sale of property pursuant to §§ 363, 1123, or 1146(a);
- 22 j) resolve any cases, controversies, suits, disputes, or Causes of Action that may arise
23 in connection with the Consummation, interpretation, or enforcement of the Plan
24 or any Entity's obligations incurred in connection with the Plan;
- 25 k) issue injunctions, enter and implement other orders, or take such other actions as
26 may be necessary or appropriate to restrain interference by any Entity with
27 Consummation or enforcement of the Plan;
- 28 l) resolve any cases, controversies, suits, disputes, or Causes of Action with respect
to the settlements, compromises, discharges, releases, injunctions, exculpations,
and other provisions contained in Section VII of the Plan and enter such orders as
may be necessary or appropriate to implement such releases, injunctions, and other
provisions;
- m) enter and implement such orders as are necessary or appropriate if the
Confirmation Order is for any reason modified, stayed, reversed, revoked, or
vacated;

- 1 n) determine any other matters that may arise in connection with or relate to the Plan,
2 the Disclosure Statement, the Confirmation Order, or the Plan Supplement,
3 including any matter arising in connection with or otherwise relating to the
4 Liquidation Trust or GUC Distribution Trust;
- 5 o) adjudicate any and all disputes arising from or relating to distributions under the
6 Plan or any transactions contemplated therein;
- 7 p) adjudicate, decide, or resolve any motions, adversary proceedings, contested or
8 litigated matters, and any other matters, and grant or deny any applications
9 involving a Debtor that may be pending on the Effective date, including the
10 WSNA Adversary Proceeding, SBA Adversary Proceeding, and YHMA
11 Adversary Proceeding;
- 12 q) consider any modifications of the Plan, to cure any defect or omission, or to
13 reconcile any inconsistency in any Court order, including the Confirmation Order;
- 14 r) determine requests for the payment of Claims entitled to priority pursuant to § 507;
- 15 s) hear and determine matters concerning state, local, and federal taxes in accordance
16 with §§ 346, 505, and 1146 (including the expedited determination of taxes under
17 § 505(b));
- 18 t) hear and determine matters concerning exemptions from state and federal
19 registration requirements in accordance with § 1145;
- 20 u) hear and determine all disputes involving the existence, nature, or scope of the
21 release provisions set forth in the Plan, including any dispute relating to any
22 liability arising out of the termination of employment or the termination of any
23 employee or retiree benefit program, regardless of whether such termination
24 occurred prior to or after the Effective Date;
- 25 v) enforce all orders previously entered by the Court;
- 26 w) hear any other matter not inconsistent with the Bankruptcy Code;
- 27 x) enter an order concluding or closing the Chapter 11 Cases; and
- 28 y) enforce the compromise, settlement, injunction, release, and exculpation
provisions set forth in Section VII of the Plan.

2. Consent to Jurisdiction

All creditors who have filed claims in the Chapter 11 Cases shall be deemed to have consented to the jurisdiction of the Bankruptcy Court for purposes of the Causes of Action.

S. Effect of Confirmation of Plan

1. Discharge

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

1 Except as otherwise provided in the Plan or the Confirmation Order or in any Executory
2 Contract assumed by Debtors during the Chapter 11 Cases (including, without limitation, the
3 Debtors' indemnification obligations thereunder), the Plan and Confirmation Order shall: (a) on
4 the Effective Date, discharge and release the Debtors, the Estate, the Reorganized Debtors, and
5 their property to the fullest extent permitted by §§ 524 and 1141 from all Claims, including all
6 debts, obligations, demands, liabilities, and Claims that arose before the Effective Date, and all
7 debts of the kind specified in §§ 502(g), 502(h), or 502(i), regardless of whether or not (i) a proof
8 of Claim based on such debt is Filed or deemed Filed, (ii) a Claim based on such debt is allowed
9 pursuant to § 502, or (iii) the Holder of a Claim based on such debt has or has not accepted the
10 Plan; (b) void any judgment underlying a Claim discharged hereunder; and (c) preclude all
11 Entities from asserting against the Debtors, the Estate, the Reorganized Debtors, or their
12 respective property any Claims based upon any act or omission, transaction, or other activity of
13 any kind or nature that occurred prior to the Effective Date. To the extent any Claim is paid other
14 than under the Plan, Debtors will be deemed discharged and released with respect to such Claim
15 and such Claim and shall not receive a distribution under the Plan.

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

2. **Compromise and Settlement of Claims and Controversies**

21 Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other
22 benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan
23 or in any contract, instrument, or other agreement or document created pursuant to the Plan, the
24 distributions, rights, and treatment that are provided in the Plan shall be in complete settlement,
25 compromise, and release, effective as of the Effective Date, of Claims, and Causes of Action of
26 any nature whatsoever, including any interest accrued on Claims from and after the Petition Date,
27 including, but not limited to, all known or unknown liabilities of, Liens on, obligations of, rights
28 against 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, including demands,
liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent
such Claims 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), (h), or (i), in each case whether or not: (a) a Proof of Claim based
upon such debt, right, or interest is Filed or deemed Filed pursuant to § 501; (b) a Claim based
upon such debt, right, or interest is Allowed pursuant to § 502; or (c) the Holder of such a Claim

1 has accepted the Plan. Any default by the Debtor or its Affiliates with respect to any Claim that
2 existed immediately before or on account of the filing of the Chapter 11 Case shall be deemed
3 cured on the Effective Date. The Confirmation Order shall be a judicial determination of the
4 settlement, compromise, and release of all Claims, subject to the Effective Date occurring.

3. Release of Liens

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

4. Subordinated Claims

11 The allowance, classification, and treatment of all Allowed Claims and the respective
12 distributions and treatments under the Plan take into account and conform to the relative priority
13 and rights of the Claims in each Class in connection with any contractual, legal, and equitable
14 subordination rights relating thereto, whether arising under general principles of equitable
15 subordination, § 510(b), or otherwise. Except with respect to Allowed Claims, pursuant to § 510,
16 the Court shall retain jurisdiction to re-classify, upon proper application, any Claim in accordance
17 with any contractual, legal, or equitable subordination relating thereto.

5. Exculpation

16 The Exculpated Parties²⁹ shall neither have, nor incur any liability to any Entity for any
17 prepetition or postpetition act taken or omitted to be taken in connection with the Chapter 11
18 Cases, or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or
19 implementing the Plan or consummating the Plan, the Disclosure Statement, or any contract,
20 instrument, release, or other agreement or document created or entered into in connection with the

20 ²⁹ As defined in Section 1.71 of the Plan, “Exculpated Parties” means “solely to the extent of the
21 Exculpation, each of the (a) the Debtors, and any of their Related Parties; (b) the Lapis Parties,
22 and any of their respective Related Parties; (c) the Committee, its members, and any of their
23 respective Related Parties; (d) the Board Trustees; (e) the Patient Care Ombudsman, and any of
24 its respective Related Parties; (f) the POC, its members, and any of their respective Related
25 Parties; and (g) the GUC Distribution Trustee and his or her Related Parties; provided, AHM,
26 Inc., the officers of the Debtors, Non-Debtor Affiliates and AHM, Inc, and any Board Trustee
27 acting in the capacity of an officer of any of the foregoing, shall not constitute Exculpated Parties
28 for purposes of this Plan.” As defined in Section 1.131, “Related Parties” means “with respect to
any person or entity, except as otherwise set forth below or in this Plan, any past or present
representative, controlling persons, officer, director, agent, attorney, advisor, Professional,
employee, subsidiary or Affiliate, shareholder, partner (general or limited), executive committee
member, member, managers, equity holder, trustee executor, predecessor in interest, successor or
assign of any such person, provided, AHM, Inc., the officers of the Debtors, Non-Debtor
Affiliates and AHM, Inc, and any Board Trustee acting in the capacity of an officer of any of the
foregoing, shall not constitute Related Parties for purposes of this Plan.”

1 Plan, or any other prepetition or postpetition act taken or omitted to be taken in connection with
2 or in contemplation of the restructuring of the Reorganized Debtors, liquidation of the
3 Liquidating Debtors, or administration of the GUC Distribution Trust. Without limiting the
4 foregoing “Exculpation” provided under Section VII.E of the Plan, the rights of any Holder of a
5 Claim or Interest to enforce rights arising under the Plan shall be preserved, including the right to
6 compel payment of distributions in accordance with the Plan; provided, that the foregoing
7 “Exculpation” shall have no effect on the liability of any Entity for liability solely to the extent
8 resulting from any such act or omission taken after the Effective Date or of any Entity solely to
9 the extent resulting from any act or omission that is determined in a final order to have constituted
10 gross negligence or willful misconduct; provided, further, that, subject to the foregoing
11 exclusions, each Exculpated Party shall be entitled to rely upon the advice of counsel concerning
12 his, her, or its duties pursuant to, or in connection with, the Plan or any other related document,
13 instrument, or agreement. The exculpation of the Lapis Parties is an integral component of the
14 Senior Debt 9019 Settlement.

6. Releases

15 The Plan provides for certain releases, as described more fully below. As used below, and
16 in the Plan, “**Released Parties**” means (a) the Debtors, (b) the Lapis Parties, (c) the Committee
17 and the Committee Members, (d) the PCO, (e) the Board Trustees, and (f) except as otherwise set
18 forth below or in the Plan, each of the foregoing Entities’ respective predecessors, successors and
19 assigns, subsidiaries, Affiliates and their subsidiaries, beneficial owners, managed accounts or
20 funds, current and former officers, directors, principals, shareholders, direct and indirect equity
21 holders, members partners (general and limited), employees, agents, advisory board members,
22 financial advisors, attorneys accountants, investment bankers, consultants, representatives,
23 management companies, fund advisors, Professionals, and other professionals; provided, AHM,
24 Inc., the officers of the Debtors, Non-Debtor Affiliates and AHM, Inc, and any Board Trustee
25 acting in the capacity of an officer of any of the foregoing, shall not constitute Released Parties
26 for purposes of this Plan and provided further, that as a condition to receiving or enforcing any
27 release granted pursuant to Section VII.F.2 of the Plan, each Released Party and its Affiliates
28 shall be deemed to have released the Releasing Parties, the Estate, and the Debtors from any and
all Claims or Causes of Action arising from or related to their relationship with the Debtors or the
Chapter 11 Cases, but not, for the avoidance of doubt, Professional Fee Claims or rights to
enforce the Plan. For the avoidance of doubt, and notwithstanding anything herein to the
contrary, in no event shall an Entity that appropriately marks a Ballot to opt out of the third party
release provided in Section VII.F.2 of the Plan and returns such Ballot in accordance with the
Solicitation Procedures Order be a Released Party, except that a member of the Committee who
either holds a Claim that has opted out of the Third Party Release or represents a Claim that has
opted out of the Third Party Release shall be a Released Party only in his or her capacity as a
member of the Committee. Furthermore, “**Releasing Party**” means (a) the Released Parties; and
(b) all Holders of Claims that (i) vote to accept the Plan, and (ii) do not affirmatively opt out of
the third party release provided by Section VII.F.2 of the Plan pursuant to a duly executed Ballot;
provided, that, notwithstanding anything contained herein to the contrary, in no event shall an
Entity that (x) does not vote to accept or reject the Plan, (y) votes to reject the Plan, or (z)
appropriately marks the Ballot to opt out of the third party release provided in Section VII.F.2 of
the Plan and returns such Ballot in accordance with the Solicitation Procedures Order, be a
Releasing Party.

25 The Plan Proponents assert that these releases are in accordance with applicable law as
26 they are narrow in time and scope, relate to Claims or Causes of Action arising from or related to
27 the Debtors or the Chapter 11 Cases and do not apply to Claims for gross negligence or willful
28 misconduct.

a. Debtors’ Releases

1 The Plan provides for the following releases of the Debtors:

2 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
3 AUTHORIZED BY APPLICABLE LAW, THE RELEASED PARTIES AND THEIR
4 RESPECTIVE PROPERTY WILL BE EXPRESSLY, UNCONDITIONALLY, GENERALLY
5 AND INDIVIDUALLY AND COLLECTIVELY RELEASED, ACQUITTED AND
6 DISCHARGED BY THE DEBTORS ON BEHALF OF THEMSELVES, THEIR ESTATES,
7 THE REORGANIZED DEBTORS, THE GUC DISTRIBUTION TRUST AND THE
8 LIQUIDATION TRUST (SUCH THAT THE REORGANIZED DEBTORS, THE GUC
9 DISTRIBUTION TRUST AND THE LIQUIDATION TRUST WILL NOT HOLD ANY
10 CLAIMS OR CAUSES OF ACTION RELEASED PURSUANT TO THE PLAN), FOR THE
11 GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASED
12 PARTIES, FROM ANY AND ALL ACTIONS, CLAIMS, DEBTS, OBLIGATIONS, RIGHTS,
13 SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES AND LIABILITIES
14 WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED ON BEHALF OF
15 THE DEBTOR, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN,
16 MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW,
17 EQUITY, CONTRACT, TORT OR OTHERWISE, BY STATUTE, VIOLATIONS OF
18 FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, BASED IN WHOLE OR IN
19 PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE OR
20 CIRCUMSTANCES EXISTING OR TAKING PLACE PRIOR TO OR ON THE EFFECTIVE
DATE ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, ANY OF THE
DEBTORS' PRESENT OR FORMER ASSETS, THE RELEASED PARTIES' INTERESTS IN
OR MANAGEMENT OF THE DEBTORS, THE PLAN, THE DISCLOSURE STATEMENT,
THIS CHAPTER 11 CASE, OR ANY RESTRUCTURING OF CLAIMS OR INTERESTS
UNDERTAKEN PRIOR TO THE EFFECTIVE DATE, INCLUDING THOSE THAT THE
DEBTORS, THE REORGANIZED DEBTORS, THE GUC DISTRIBUTION TRUST, OR THE
LIQUIDATION TRUST WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT OR
THAT ANY HOLDER OF A CLAIM AGAINST OR INTEREST IN THE DEBTOR OR ANY
OTHER ENTITY COULD HAVE BEEN LEGALLY ENTITLED TO ASSERT
DERIVATIVELY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES INCLUDING
WITH RESPECT TO THE LAPIS PARTIES ANY CHALLENGE TO CLAIMS AND RIGHTS
OF THE LAPIS PARTIES UNDER THE BOND DOCUMENTS AND CREDIT AGREEMENT
DOCUMENTS; PROVIDED, HOWEVER, THAT THE FOREGOING "DEBTORS'
RELEASES" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR
CAUSES OF ACTION OF THE 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.

21 ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT'S
22 APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTORS'
23 RELEASES, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS
24 AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE
25 THE COURT'S FINDING THAT THE DEBTORS' RELEASES ARE: (1) IN EXCHANGE
26 FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED
27 PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS
RELEASED BY THE DEBTORS' RELEASES; (3) IN THE BEST INTERESTS OF THE
DEBTORS' ESTATES AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR,
EQUITABLE, AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND
OPPORTUNITY FOR HEARING; AND (6) A BAR AGAINST ANY OF THE DEBTORS'
ESTATES, THE REORGANIZED DEBTORS, THE GUC DISTRIBUTION TRUST, OR THE
LIQUIDATION TRUST, ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED
PURSUANT TO THE DEBTORS' RELEASES.

28 THE FOREGOING RELEASE AS TO THE LAPIS PARTIES IS AN INTEGRAL

1 COMPONENT OF THE SENIOR DEBT 9019 SETTLEMENT.

2 **b. Third Party Releases**

3 The Plan further provides for the following nondebtor releases:

4 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
5 AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES SHALL BE DEEMED
6 TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND
7 COLLECTIVELY, RELEASED AND ACQUITTED THE RELEASED PARTIES AND THEIR
8 RESPECTIVE PROPERTY FROM ANY AND ALL ACTIONS, CLAIMS, INTERESTS,
9 OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES AND
10 LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED ON
11 BEHALF OF THE DEBTOR, WHETHER KNOWN OR UNKNOWN, FORESEEN OR
12 UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREAFTER ARISING, IN
13 LAW, EQUITY, CONTRACT, TORT OR OTHERWISE, THAT SUCH HOLDER (WHETHER
14 INDIVIDUALLY OR COLLECTIVELY) EVER HAD, NOW HAS OR HEREAFTER CAN,
15 SHALL OR MAY HAVE, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING
16 FROM OR RELATED IN ANY WAY TO THE DEBTORS, ANY OF THE DEBTORS'
17 PRESENT OR FORMER ASSETS, THE RELEASED PARTIES' INTERESTS IN OR
18 MANAGEMENT OF THE DEBTORS, THE BUSINESS OR CONTRACTUAL
19 ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY, THE
20 PLAN, THE DISCLOSURE STATEMENT, THESE CHAPTER 11 CASES, OR ANY
21 RESTRUCTURING OF CLAIMS OR INTERESTS UNDERTAKEN PRIOR TO THE
22 EFFECTIVE DATE, INCLUDING THOSE THAT THE DEBTORS, THE REORGANIZED
23 DEBTORS, THE GUC DISTRIBUTION TRUST, OR THE LIQUIDATION TRUST WOULD
24 HAVE BEEN LEGALLY ENTITLED TO ASSERT OR THAT ANY HOLDER OF A CLAIM
25 AGAINST OR INTEREST IN THE DEBTORS OR ANY OTHER ENTITY COULD HAVE
26 BEEN LEGALLY ENTITLED TO ASSERT DERIVATIVELY OR ON BEHALF OF THE
27 DEBTORS OR THEIR ESTATES, EXCEPT FOR (I) ANY CLAIMS AND CAUSES OF
28 ACTION FOR ACTUAL FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT
AND (II) THE RIGHT TO RECEIVE DISTRIBUTIONS FROM THE DEBTORS, THE
REORGANIZED DEBTORS, THE GUC DISTRIBUTION TRUST, OR THE LIQUIDATION
TRUST ON ACCOUNT OF AN ALLOWED CLAIM AGAINST THE DEBTORS PURSUANT
TO THE PLAN. FOR THE AVOIDANCE OF DOUBT, THE RELEASING PARTIES SHALL
INCLUDE (A) THE RELEASED PARTIES, AND (B) ALL HOLDERS OF CLAIMS THAT (I)
VOTE TO ACCEPT THE PLAN, AND (II) DO NOT AFFIRMATIVELY OPT OUT OF THE
THIRD PARTY RELEASE PROVIDED BY SECTION VII.F.2 OF THE PLAN PURSUANT
TO A DULY EXECUTED BALLOT. NOTWITHSTANDING ANYTHING TO THE
CONTRARY HEREIN, IN NO EVENT SHALL AN ENTITY THAT (X) DOES NOT VOTE
TO ACCEPT OR REJECT THE PLAN, (Y) VOTES TO REJECT THE PLAN, OR (Z)
APPROPRIATELY MARKS THE BALLOT TO OPT OUT OF THE THIRD PARTY
RELEASE PROVIDED IN SECTION VII.F.2 OF THE PLAN AND RETURNS SUCH
BALLOT IN ACCORDANCE WITH THE SOLICITATION PROCEDURES ORDER, BE A
RELEASING PARTY.

24 ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT'S
25 APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY
26 RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS
27 AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE
28 THE COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE
FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED
PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS
RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE
DEBTORS AND ALL HOLDERS OF CLAIMS; (4) FAIR, EQUITABLE, AND

1 REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR
2 HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY
CLAIM RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

3 NOTWITHSTANDING ANY PROVISION IN THE PLAN, THERE SHALL BE NO
4 RELEASE OR EXCULPATION BY OR INJUNCTION AGAINST ANY COMMITTEE
5 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.

6 THE FOREGOING RELEASE AS TO THE LAPIS PARTIES IS AN INTEGRAL
7 COMPONENT OF THE SENIOR DEBT 9019 SETTLEMENT. PURSUANT TO §
8 1123(B)(3)(A) AND THE SENIOR DEBT 9019 SETTLEMENT, AS OF THE EFFECTIVE
9 DATE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS
10 HEREBY CONFIRMED, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH
11 HOLDER OF ANY CLAIM SHALL BE DEEMED TO FOREVER RELEASE, WAIVE, AND
12 DISCHARGE ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES,
13 DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, AND LIABILITIES WHATSOEVER,
14 AGAINST THE LAPIS PARTIES ARISING FROM OR RELATED TO THE LAPIS PARTIES'
15 PRE AND/OR POSTPETITION ACTIONS, OMISSIONS OR LIABILITIES, TRANSACTION,
16 OCCURRENCE, OR OTHER ACTIVITY OF ANY NATURE EXCEPT FOR AS PROVIDED
17 IN THE PLAN OR THE CONFIRMATION ORDER.

13 **7. Injunction**

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

1 ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH
2 RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, CAUSES OF
3 ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR
4 SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE
5 DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR
6 ESTATES OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON
7 ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH
8 RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, CAUSES OF
9 ACTION, OR LIABILITIES UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH
10 SETOFF OR SUBROGATION RIGHT PRIOR TO CONFIRMATION IN A DOCUMENT
11 FILED WITH THE COURT EXPLICITLY PRESERVING SUCH SETOFF OR
12 SUBROGATION; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY
13 ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE
14 REORGANIZED DEBTORS, THE GUC DISTRIBUTION TRUST, THE LIQUIDATION
15 TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR
16 ESTATE OF THE DEBTOR OR ANY ENTITY SO RELEASED OR EXCULPATED) ON
17 ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH
18 RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, CAUSES OF
19 ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO
20 THE PLAN; PROVIDED THAT NOTHING CONTAINED IN THE PLAN SHALL
21 PRECLUDE AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY
22 PROVIDED TO SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN; PROVIDED,
23 FURTHER, THAT NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO
24 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.

8. Waiver of Statutory Limitations on Releases

15 EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE
16 PLAN (INCLUDING UNDER SECTION VII.H OF THE PLAN) EXPRESSLY
17 ACKNOWLEDGES THAT ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT
18 EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR
19 SUSPECT TO EXIST IN HIS FAVOR, WHICH IF KNOWN BY IT MAY HAVE
20 MATERIALLY AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, THEY
21 HAVE CAREFULLY CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING
22 TO ENTER INTO THE ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH
23 UNKNOWN LOSSES OR CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE
24 FOREGOING, EACH RELEASING PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS
CONFERRED UPON IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT
A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT
KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE
RELEASE, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS
SETTLEMENT WITH THE RELEASED PARTY. THE RELEASES CONTAINED IN
SECTION VII.H OF THE PLAN ARE EFFECTIVE REGARDLESS OF WHETHER THOSE
RELEASED MATTERS ARE PRESENTLY KNOWN, UNKNOWN, SUSPECTED OR
UNSUSPECTED, FORESEEN OR UNFORESEEN.

9. Limitation on Liability of Liquidation Trustee and GUC Distribution Trustee

25 The GUC Distribution Trustee will not be liable for any act it may do or omit to do as
26 GUC Distribution Trustee under the Plan and GUC Distribution Trust Agreement, as applicable,
27 while acting in good faith and in the exercise of his or her reasonable business judgment; nor will
28 the GUC Distribution Trustee be liable in any event except for gross negligence, fraud, or willful
misconduct. The foregoing limitation on liability will also apply to any Person or Entity

1 (including any attorney or other professional) employed by the GUC Distribution Trustee and
2 acting on behalf of the GUC Distribution Trustee in the fulfillment of the GUC Distribution
3 Trustee's duties under the Plan or the GUC Distribution Trust Agreement. Also, the GUC
4 Distribution Trustee and any Person or Entity (including any attorney or other professional)
5 employed by the GUC Distribution Trustee and acting on behalf of the GUC Distribution Trustee
6 shall be entitled to indemnification out of the assets of the GUC Distribution Trust against any
7 losses, liabilities, expenses (including attorneys' fees and disbursements), damages, taxes, suits,
8 or claims that they may incur or sustain by reason of being, having been, or being or having been
9 employed by, the GUC Distribution Trustee, or for performing any function incidental to such
10 service.

11 The Liquidation Trustee will not be liable for any act they may do or omit to do as
12 Liquidation Trustee under the Plan and Liquidation Trust Agreement, as applicable, while acting
13 in good faith and in the exercise of his or her reasonable business judgment; nor will the
14 Liquidation Trustee be liable in any event except for gross negligence, fraud, or willful
15 misconduct. The foregoing limitation on liability will also apply to any Person or Entity
16 (including any attorney or other professional) employed by the Liquidation Trustee and acting on
17 behalf of the Liquidation Trustee in the fulfillment of the Liquidation Trustee's duties under the
18 Plan or the Liquidation Trust Agreement. Also, the Liquidation Trustee and any Person or Entity
19 (including any attorney or other professional) employed by the Liquidation Trustee and acting on
20 behalf of the Liquidation Trustee shall be entitled to indemnification out of the assets of the
21 Liquidation 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 being,
23 having been, or being or having been employed by, the Liquidation Trustee, or for performing
24 any function incidental to such service.

14 **10. Setoffs**

15 Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on
16 and after the Effective Date, the Reorganized Debtors, the GUC Distribution Trustee or the
17 Liquidation Trustee, as applicable, pursuant to the Bankruptcy Code (including §§ 553 and 558),
18 applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, may
19 set off against any Allowed Claim or Interest on account of any Proof of Claim or proof of
20 Interest or other pleading Filed with respect thereto prior to the Confirmation Hearing and the
21 distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest
22 (before any distribution is made on account of such Allowed Claim or Interest), any claims,
23 rights, and Causes of Action of any nature that the Debtor's Estate may hold against the Holder of
24 such Allowed Claim or Interest, to the extent such claims, rights, or Causes of Action against
25 such Holder have not been otherwise compromised or settled on or prior to the Effective Date
26 (whether pursuant to the Plan or otherwise); provided that neither the failure to effect such a
27 setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or
28 release by the Debtors, the Reorganized Debtors, the 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 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.

1 **11. Revesting of Property in the Debtors**

2 Except as provided elsewhere in the Plan or in the Exchange Debt Documents, the
3 Effective Date of the Plan revests the assets of the Estate in the Reorganized Debtors, free and
4 clear of all Claims, liens, encumbrances, and Interests, except as expressly provided in the Plan.
5 From and after the Effective Date, Reorganized Debtors may operate their business and use,
6 acquire and dispose of property without supervision by the Court and free of any restrictions of
7 the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the
8 Plan and the Confirmation Order.

9 **12. Preservation of Restricted Funds for Charitable Purposes**

10 Pursuant to § 1123(b) and all other applicable law and subject to consent of the
11 Washington Attorney General, the Reorganized Debtors shall be vested with and shall retain any
12 and all restricted funds, if any, formerly held by Debtors. All such funds shall be held in
13 charitable trust and may be used only for the restricted purposes permitted under applicable law.
14 The Debtors are not aware of any restricted funds.

15 **13. Modification of Plan**

16 Subject to such notice as the Court may require, the Debtors may, with the prior written
17 consent of the Lapis Parties and the Committee, modify the Plan at any time before Confirmation,
18 if circumstances develop that warrant modification or amendment to the Plan. For the avoidance
19 of doubt, the Debtors will not modify any term of the Plan constituting the Committee Plan
20 Settlement without prior consent of the Committee.

21 However, the Court may require a new disclosure statement and/or re-voting on the Plan if
22 the Debtors materially modify the Plan before Confirmation. The Debtors may also seek to
23 modify the Plan at any time after Confirmation so long as (1) the Plan has not been substantially
24 consummated and (2) if the Court authorizes the proposed modifications after notice and a
25 hearing.

26 **14. Termination of Patient Care Ombudsman**

27 Upon the Effective Date, the responsibilities of the PCO will be terminated and she may
28 dispose of any documents provided to her in the course of her reporting.

29 **15. Post-Confirmation Status Report**

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

36 **16. Quarterly Fees**

37 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of Confirmation shall be
38 paid to the U.S. Trustee on or before the Effective Date of the Plan. Quarterly fees accruing under
39 28 U.S.C. § 1930(a)(6) after Confirmation shall be paid by the Liquidation Trust to the U.S.
40 Trustee in accordance with 28 U.S.C. § 1930(a)(6) and the Liquidation Trust Agreement until
41 entry of a final decree, or entry of an order of dismissal or conversion to chapter 7. If the
42 Liquidation Trust fails to timely pay the quarterly fees that come due after Confirmation, the
43 Reorganized Debtors shall remain obligated to pay the fees and may seek indemnification from

1 the Liquidation Trust.

2 **17. Post-Confirmation Conversion/Dismissal**

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

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

10 **18. Final Decree**

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

13 **VII.**
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

14 The Plan Proponents believe the Plan is in the best interests of the Creditors and should
15 accordingly be accepted and confirmed. If the Plan as proposed, however, is not confirmed, the
16 following three alternatives may be available to the Debtors: (i) a liquidation of the Debtors'
17 Assets pursuant to chapter 7 of the Bankruptcy Code; (ii) an alternative plan of reorganization and
18 liquidation may be proposed and confirmed; or (iii) the Debtors' Chapter 11 Cases may be
19 dismissed.

18 **A. Chapter 7 Liquidation**

19 If a plan pursuant to chapter 11 of the Bankruptcy Code is not confirmed by the
20 Bankruptcy Court, the Debtors' Chapter 11 Cases may be converted to a liquidation case under
21 chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed,
22 pursuant to applicable provisions of chapter 7 of the Bankruptcy Code, to liquidate the Assets of
23 the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code.
24 The Debtors believe that such a liquidation would result in smaller distributions being made to the
25 Debtors' Creditors than those provided for in the Plan because (a) the likelihood that other Assets
26 of the Debtors would have to be sold or otherwise disposed of in a less orderly fashion, (b)
27 additional administrative expenses attendant to the appointment of a trustee and the trustee's
28 employment of attorneys and other professionals, (c) additional expenses and Claims, some of
29 which would be entitled to priority, which would be generated during the liquidation and from the
30 rejection of leases and other executory contracts. The Debtors have determined that confirmation
31 of the Plan will provide each Holder of an Allowed Claim with a recovery that is not less than
32 such Holder would receive pursuant to liquidation of the Debtors under chapter 7 of the
33 Bankruptcy Code.

27 **B. Alternative Plan Pursuant to Chapter 11 of the Bankruptcy Code**

28 If the Plan is not confirmed, the Debtors may propose a different plan, which might
involve an alternative means for the reorganization or liquidation of the Debtors' Assets.

1 However, it is difficult to speculate on or assess the terms and potential treatment of Allowed
2 Claims under any such alternative plan. Furthermore, for the Debtors and/or Creditors to
3 formulate, solicit and confirm any such alternative plan would likely require the Estates to incur
4 additional administrative and other expenses, may substantially delay distributions to Creditors,
5 and may result in lower recoveries to Creditors than the proposed Plan. The Plan Proponents
6 believe that the terms of the Plan provide for an orderly and efficient administration of the
7 Debtors' Assets and will result in the realization of the most value for Holders of Claims against
8 the Debtors' Estates.

9 **C. Dismissal of the Debtors' Chapter 11 Cases**

10 Dismissal of the Debtors' Chapter 11 Cases would have the effect of restoring (or
11 attempting to restore) all parties to the *status quo ante*. Upon dismissal of the Debtors' Chapter
12 11 Cases, the Debtors would lose the protection of the Bankruptcy Code, thereby requiring, at the
13 very least, an extensive and time-consuming process of negotiation with the various creditors of
14 the Debtors, and possibly resulting in costly and protracted litigation in various jurisdictions.
15 Dismissal would also permit unpaid unsecured creditors to obtain and enforce judgments against
16 the Debtors. The Debtors believe that these actions could lead ultimately to the liquidation of the
17 Debtors' Assets under chapter 7 of the Bankruptcy Code. Therefore, the Debtors believe that
18 dismissal of the Chapter 11 Cases is not a preferable alternative to the Plan.

19 **VIII.**

20 **CERTAIN MATERIAL FEDERAL TAX CONSEQUENCES**

21 THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF
22 CERTAIN MATERIAL U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN AND IS
23 NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL.
24 THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT
25 TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND
26 MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES.
27 ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT ITS OWN TAX
28 ADVISOR REGARDING THE APPLICABLE U.S. FEDERAL, STATE, LOCAL, AND NON-
U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

29 **A. General**

30 The following discussion summarizes certain material U.S. federal income tax
31 consequences to the Debtors, the Liquidation Trust, the GUC Distribution Trust, and Holders
32 entitled to vote on the Plan. This discussion is based on current provisions of the IRC, applicable
33 Treasury Regulations, judicial authority and current administrative rulings and pronouncements
34 of the Internal Revenue Service (the "Service"). There can be no assurance that the Service will
35 not take a contrary view, no ruling from the Service has been or will be sought nor will any
36 counsel be asked to provide a legal opinion as to any of the expected tax consequences set forth
37 below.

38 Legislative, judicial or administrative changes or interpretations may be forthcoming that
39 could alter or modify the statements and conclusions set forth herein. Any such changes or
40 interpretations may or may not be retroactive and could affect the tax consequences to Holders of
41 Claims, the Liquidation Trust, the GUC Distribution Trust, or the Debtors. It cannot be predicted
42 at this time whether any tax legislation will be enacted or, if enacted, whether any tax law
43 changes contained therein would affect the tax consequences described herein.

44 The following summary is for general information only. The tax treatment of a Holder
45 may vary depending upon such Holder's particular situation. This summary does not address all
46 of the tax consequences that may be relevant to a Holder, including any consequences of the

1 alternative minimum tax or net investment income tax, and does not address the tax consequences
2 to a Holder that has made an agreement to resolve its claim in a manner not explicitly provided
3 for in the Plan. This summary also does not address the U.S. federal income tax consequences to
4 persons not entitled to vote on the Plan or to Holders subject to special treatment under the U.S.
5 federal income tax laws, such as brokers or dealers in securities or currencies; persons that use the
6 accrual method of accounting and report income on an “applicable financial statement”; certain
7 securities traders; tax-exempt or government entities; persons that have ceased to be U.S. citizens
8 or lawful permanent residents of the United States; financial institutions; insurance companies;
9 partnerships and other pass-through entities; Holders that have a “functional currency” other than
10 the United States dollar; and Holders that have acquired Claims in connection with the
11 performance of services. This summary addresses the tax United States federal tax treatment only
12 of a United States person, defined as a Holder that is, for U.S. federal income tax purposes: (i) an
13 individual citizen or resident of the United States; (ii) a corporation created or organized under
14 the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the
15 income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if
16 either a court within the United States is able to exercise primary supervision over the
17 administration of the trust and one or more U.S. persons have the authority to control all
18 substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust
19 for U.S. federal income tax purposes. The following summary assumes that all Claims
20 denominated as indebtedness are properly treated as debt for U.S. federal income tax purposes.

21 The tax treatment of Holders and the character, amount and timing of income, gain or loss
22 recognized as a consequence of the Plan and the distributions provided for by the Plan may vary,
23 depending upon, among other things: (i) whether the Claim (or portion thereof) constitutes a
24 Claim for principal or interest; (ii) the type of consideration received by the Holder in exchange
25 for the Claim and whether the Holder receives distributions under the Plan in more than one
26 taxable year; (iii) whether the Holder is a citizen or resident of the United States for tax purposes,
27 is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of
28 taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in
29 which the Holder acquired the Claim; (v) the length of time that the Claim has been held;
30 (vi) whether the Claim was acquired at a discount; (vii) whether the Holder has taken a bad debt
31 deduction with respect to the Claim (or any portion thereof) in the current or prior years;
32 (viii) whether the Holder has previously included in income accrued but unpaid interest with
33 respect to the Claim; (ix) the method of tax accounting of the Holder; (x) whether the Claim is an
34 installment obligation for U.S. federal income tax purposes; and (xi) whether the “market
35 discount” rules are applicable to the Holder. Therefore, each Holder should consult its tax
36 advisor for information that may be relevant to its particular situation and circumstances, and the
37 particular tax consequences to such Holder of the transactions contemplated by the Plan.

38 **B. U.S. Federal Income Tax Consequences to the Debtors**

39 **1. In General**

40 The Debtors are not-for-profit corporations that are exempt from federal income taxation
41 under Section 501(c)(3) of the IRC. It is intended that nothing in the Plan shall adversely affect
42 the tax-exempt status of the Debtors. Accordingly, the Debtors do not expect the implementation
43 of the Plan to have any adverse federal income tax consequences on the Debtors before or after
44 the Effective Date. If the tax-exempt status of the Debtors would terminate, the Debtors may be
45 subject to tax on their income, which would reduce the amount of distributions payable to the
46 Holders of Claims. This summary assumes that that the Debtors are and will continue to be
47 exempt from federal income tax under Section 501 of the IRC.

48 Organizations that are otherwise exempt from federal income tax under Section 501 of the
49 IRC are nevertheless subject to tax on their “unrelated business taxable income” (“**UBTI**”).
50 UBTI is generally defined as gross income from any unrelated trade or business regularly carried

1 on by a tax-exempt entity less any deductions attributable thereto. An unrelated trade or business
2 consists of any trade or business the conduct of which is not substantially related to the
organization's exempt purpose or function.

3 UBTI includes unrelated debt-financed income ("**UDFI**"). UDFI includes income derived
4 from debt-financed property during the taxable year and may include income derived from a sale
5 or other disposition of debt-financed property if there was acquisition indebtedness outstanding
6 with respect to such property during the 12-month period ending with the date of sale or other
7 disposition. Acquisition indebtedness generally includes any debt incurred directly or indirectly to
8 purchase such property. Thus, to the extent that a tax-exempt directly or indirectly (including
through an investment in a partnership or other entity (or arrangement) which is treated as a pass-
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.

9 If the Debtors retain their tax-exempt status and any of their assets are regarded as UDFI
10 (which generally would not include property substantially all the use of which is substantially
11 related to the exercise or performance by the Debtors of the purpose or function constituting the
12 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.

11 **2. Gain or Loss on Sale or Exchange**

12 Under the IRC, a taxpayer must recognize and include in gross income gain on the sale or
13 exchange of assets equal to the excess of the amount realized therefrom over the adjusted basis of
14 the assets. The transfer of assets, in payment and discharge of recourse indebtedness is treated as
a sale or exchange of such assets.

15 Each Debtor is exempt from U.S. federal income taxation under section 501(c)(3) of the
16 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.

17 Each Debtor is also subject to tax on UBTI. Gain on the sale of assets other than (a)
18 property subject to depreciation recapture, or (b) property includable in inventory or held
19 primarily for sale to customers in the ordinary course of an unrelated trade or business is excluded
from UBTI under 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.

20 In addition, gain on the sale or exchange of debt-financed property is included in UDFI,
21 and so includable in UBTI, and subject to tax.

22 **3. Cancellation of Debt Income**

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

27 The IRC permits a debtor in bankruptcy to exclude its COD income from gross income if
28 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
apply to exclude any COD income from taxation in these Chapter 11 Cases.

1 The same analysis applies to UBTI and UDFI. Income excluded from gross income under
2 the Bankruptcy Exception or Insolvency Exception for income tax purposes is also excluded from
3 gross income for UBTI and UDFI purposes. Accordingly, either the Bankruptcy Exception or the
4 Insolvency Exception should apply to exclude any UBTI or UDFI from taxation.

5 **C. U.S. Federal Income Tax Treatment with Respect to the Plan Trusts**

6 The Debtors shall file copies of the Plan Trust Agreements at least ten (10) days prior to
7 the Voting Deadline. The Plan Trust Agreements will provide information concerning the U.S.
8 federal income tax treatment of the Plan Trusts in addition to the provisions regarding federal
9 income tax treatment of the GUC Distribution Trust set forth in Sections III.E.1 and III.E.8 of the
10 Plan.

11 **D. U.S. Federal Income Tax Treatment with Respect to Holders of Allowed Claims that
12 Are Beneficiaries of the Plan Trusts**

13 Subject in all respects to the provisions of Sections III.E.1 and III.E.8 of the Plan:

14 Holders of Allowed Claims as of the Effective Date that are Beneficiaries of either Plan
15 Trust should be treated as receiving from the Debtors their respective shares of the applicable
16 assets of the applicable Plan Trust in satisfaction of their Allowed Claims, and simultaneously
17 transferring such assets to the applicable Plan Trust. Accordingly, a Holder of such Claim should
18 generally recognize gain or loss in an amount equal to the amount deemed realized on the
19 Effective Date (as described above) less its adjusted tax basis of its Claim. Additionally, such
20 Holders should generally recognize their allocable share of income, gain, loss and deductions
21 recognized by the applicable Plan Trust on an annual basis.

22 Because a Holder's ultimate share of the assets of the applicable Plan Trust based on its
23 Allowed Claim will not be determinable on the Effective Date due to, among other things, the
24 existence of Disputed Claims and the value of the assets at the time of actual receipt not being
25 ascertainable on the Effective Date, such Holder should recognize additional or offsetting gain or
26 loss if, and to the extent that, the aggregate amount of cash and fair market value of the assets of
27 the applicable Plan Trust ultimately received by such Holder is greater than or less than the
28 amount used in initially determining gain or loss in accordance with the procedures described in
the preceding paragraph. It is unclear when a Holder of an Allowed Claim that is a beneficiary of
a Plan Trust should recognize, as an additional amount received for purposes of computing gain
or loss, an amount attributable to the disallowance of a Disputed Claim.

The character of any gain or loss as capital gain or loss or ordinary income or loss and, in
the case of capital gain or loss, as short-term or long-term, will depend on a number of factors,
including: (i) the nature and origin of the Claim; (ii) the tax status of the Holder of the Claim;
(iii) whether the Claim has been held for more than one year; (iv) the extent to which the Holder
previously claimed a loss or bad debt deduction with respect to the Claim; and (v) whether the
Claim was acquired at a market discount. A Holder that purchased its Claim from a prior Holder
at a market discount may be subject to the market discount rules of the IRC. Under those rules
(subject to a *de minimis* exception), assuming that such Holder has made no election to accrue the
market discount and include it in income on a current basis, any gain recognized on the exchange
of such Claim generally would be characterized as ordinary income to the extent of the accrued
market discount on such Claim as of the date of the exchange.

It is possible that the IRS may assert that any loss should not be recognizable until the
respective Plan Trustee makes its final distribution of the assets of the applicable Plan Trust.
Holders should consult their tax advisors regarding the possibility that the recognition of gain or
loss may be deferred until the final distribution of the assets of the applicable Plan Trust.

1 Although not free from doubt, Holders of Disputed Claims should not recognize any gain
2 or loss on the date that the applicable Plan Trust Assets are transferred to the applicable Plan
3 Trust, but should recognize gain or loss in an amount equal to: (i) the amount of cash and the fair
4 market value of any other property actually distributed to such Holder less (ii) the adjusted tax
5 basis of its Claim. It is possible, however, that such Holders may be required to recognize the fair
6 market value of such Holder's allocable share of the applicable Plan Trust Assets, as an amount
7 received for purposes of computing gain or loss, either on the Effective Date or the date such
8 Holder's Claim becomes an Allowed Claim.

9 Holders of Allowed Claims will be treated as receiving a payment of interest (includible
10 in income in accordance with the Holder's method of accounting for tax purposes) to the extent
11 that any cash or other property received (or deemed received) pursuant to the Plan is attributable
12 to accrued but unpaid interest, if any, on such Allowed Claims. The extent to which the receipt of
13 cash or other property should be attributable to accrued but unpaid interest is unclear. The
14 Debtors and the Plan Trustees intend to take the position, and the Plan provides, that such cash or
15 property distributed pursuant to the Plan will first be allocable to the principal amount of an
16 Allowed Claim and then, to the extent necessary, to any accrued but unpaid interest thereon.
17 Each Holder should consult its tax advisor regarding the determination of the amount of
18 consideration received under the Plan that is attributable to interest (if any). A Holder generally
19 will be entitled to recognize a loss to the extent any accrued interest was previously included in its
20 gross income and is not paid in full.

21 **E. Tax Withholding and Information Reporting**

22 Subject in all respects to Section III.N of the Plan:

23 Distributions to Holders of Allowed Claims are subject to applicable tax withholding.
24 Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under
25 certain circumstances, be subject to "backup withholding" at the then-applicable withholding rate
26 (currently 24%). Backup withholding generally applies if the holder (a) fails to furnish its social
27 security number or other taxpayer identification number, (b) furnishes an incorrect taxpayer
28 identification number, (c) fails properly to report interest or dividends, or (d) under certain
circumstances, fails to provide a certified statement, signed under penalty of perjury, that the tax
identification number provided is its correct number and that it is not subject to backup
withholding. Backup withholding is not an additional tax, and may be refunded to the extent it
results in an overpayment of tax. Certain persons are exempt from backup withholding. Holders
of Allowed Claims are urged to consult their tax advisors regarding the Treasury Regulations
governing backup withholding and the extent to which the transactions contemplated by the Plan
would be subject to these Treasury Regulations.

21 In addition, Treasury Regulations generally require disclosure by a taxpayer on its U.S.
22 federal income tax return of certain types of transactions in which the taxpayer participated,
23 including, among other types of transactions, certain transactions that result in the taxpayer's
24 claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors
25 regarding these Treasury Regulations and whether the transactions contemplated by the Plan
26 would be subject to these Treasury Regulations and require disclosure on the holder's tax returns.

27 **IX.** 28 **RISK FACTORS IN CONNECTION WITH THE PLAN**

29 The Holders of Claims against the Debtors should read and carefully consider the
30 following risk factors, as well as the other information set forth in this Disclosure Statement (and
31 the documents delivered together herewith), before deciding whether to vote to accept or reject
32 the Plan. These risk factors should not, however, be regarded as constituting the only risks
33 associated with the Plan and its implementation.

1 **A. Bankruptcy Considerations**

2 Although the Plan Proponents believe that the Plan will satisfy all requirements necessary
3 for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court
4 will confirm the Plan as proposed. Moreover, there can be no assurance that modifications of the
Plan will not be required for confirmation or that such modifications would not necessitate the re-
solicitation of votes.

5 In addition, the occurrence of the Effective Date is conditioned on the satisfaction of the
6 conditions precedent set forth in the Plan, and there can be no assurance that such conditions will
7 be satisfied. In the event the conditions precedent described in the Plan have not been satisfied as
8 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.

9 Section 1122 provides that a plan may place a claim in a particular class only if such claim
10 or equity interest is substantially similar to the other claims in such class. The Plan Proponents
11 believe that the classification of Claims under the Plan complies with the requirements set forth in
12 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.

13 The liquidation of certain Assets and the prosecution of certain Causes of Action may
14 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.

15 As to each Impaired Class that has not accepted the Plan, the Plan may be confirmed if the
16 Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and
17 equitable" with respect to these Classes. The Plan Proponents believe that the Plan satisfies these
requirements.

18 **B. No Duty to Update Disclosures**

19 The Plan Proponents have no duty to update the information contained in this Disclosure
20 Statement as of the date hereof, unless otherwise specified herein, or unless the Plan Proponents
21 are required to do so pursuant to an order of the Bankruptcy Court. Delivery of the Disclosure
Statement after the date hereof does not imply that the information contained herein has remained
unchanged.

22 **C. Representations Outside this Disclosure Statement**

23 This Disclosure Statement contains representations concerning or related to the Debtors
24 and the Plan that are authorized by the Bankruptcy Code and the Bankruptcy Court. Please be
25 advised that any representations or inducements made outside this Disclosure Statement and any
related documents which are intended to secure your acceptance or rejection of the Plan should
not be relied upon by Holders of Claims that are entitled to vote to accept or reject the Plan.

26 **D. No Admission**

27 The information and representations contained herein shall not be construed to constitute
28 an admission of, or be deemed evidence of, any legal effect of the Plan on the Plan Proponents,
the Plan Trustees, Holders of Claims, or the Committee.

1 **E. Tax and Other Related Considerations**

2 A discussion of potential tax consequences of the Plan is set forth in this Disclosure
3 Statement. However, the content of this Disclosure Statement is not intended and should not be
4 construed as tax, legal, business or other professional advice. Holders of Claims should seek
5 advice from their own independent tax, legal and other professional advisors based on their own
6 individual circumstances.

5 **X.**
6 **RECOMMENDATION AND CONCLUSION**

7 The Plan Proponents believe the Plan provides the best available alternative for
8 maximizing the recoveries that Creditors may receive from the Estates. Therefore, the Plan
9 Proponents recommend that all Creditors that are entitled to vote on the Plan vote to accept the
10 Plan.

11 Dated: November 11, 2020

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14 Counsel to the *Debtors and Debtors In*
15 *Possession*

16 Dated: November 11, 2020

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

In re:

ASTRIA HEALTH, *et al.*,

Debtors and
Debtors in
Possession.¹

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

**SECOND AMENDED JOINT CHAPTER
11 PLAN OF REORGANIZATION OF
ASTRIA HEALTH AND ITS DEBTOR
AFFILIATES**

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), 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 **INTRODUCTION**

2 The Debtors and the Lapis Parties (collectively, the “Plan Proponents”) propose this
3 *Second Amended Joint Plan of Reorganization of Astria Health and its Affiliates*. Capitalized
4 terms used but not otherwise defined shall have the respective meanings ascribed to such terms in
5 Section I.A. Holders of Claims and Interests may refer to the Disclosure Statement for a discussion
6 of the Debtors’ history, businesses, assets, results of operations, historical financial information,
7 and 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 of the Bankruptcy Code.²
9 The Plan shall apply as a joint Plan for all Debtors under which all assets and liabilities shall be
10 consolidated for the limited purposes of Claim treatment and Plan distributions but otherwise, each
11 Debtor, Reorganized Debtor or Liquidating Debtor, as the case may be, shall remain a separate
12 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 Plan Proponents on or before the Effective Date, subject to the Administrative,
26 Professional and Priority Claims Cap, to be funded by the Debtors to the Reorganized Debtors in
27 an amount sufficient to pay in full all accrued but unpaid U.S. Trustee Fees and Administrative,
28 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).

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

26 ² All references to “§” herein are to sections of the United States Bankruptcy Code, 11 U.S.C.
27 §§101-1531, as amended, unless otherwise noted.

1 1.5 **Administrative Claims Bar Date** means the date established by the Administrative
2 Claims Bar Date Order by which requests for payment of Administrative Claims must be Filed,
subject to any exceptions specifically set forth therein.

3 1.6 **Administrative Claims Bar Date Order** means the Order (I) Fixing the First Interim
4 Bar Date for Filing Certain Post-Petition Administrative Expense Claims and (II) Approving the
5 Form of Notice of the Administrative Expense Claims Bar Date [Docket No. 1416].

6 1.7 **Administrative, Professional and Priority Claims Cap** means \$4,624,674, which
7 shall be the maximum amount payable under the Plan for the payment of pre-Effective Date U.S.
8 Trustee Fees and Administrative, Priority Tax, Priority, and Professional Fee Claims on or after
the Effective Date. To be clear, DIP Claims and Ordinary Course Administrative Expenses are
not subject to this Cap.

9 1.8 **Affiliate** shall have the meaning set forth in § 101(2).

10 1.9 **Allowed** means with respect to (I) a Claim: (a) any Claim, a proof of Claim for
11 which was timely Filed by the applicable Claims Bar Date, Supplemental Bar Date or
12 Administrative Claims Bar Date (or a Claim for which a Proof of Claim is not required to be Filed
13 under the Plan, the Bankruptcy Code, or a Final Order of the Court); (b) any Claim that is listed in
14 the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of
15 Claim has been timely Filed; (c) any Claim allowed pursuant to the Plan or Final Order of the
16 Court; provided, that with respect to any Claim described in clause (a) or (b) above, such Claim
17 shall be considered Allowed only if and to the extent that no objection to the allowance of such
18 Claim has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy
19 Code, the Bankruptcy Rules or Court, or if such an objection is so interposed and the Claim shall
20 have been Allowed by a Final Order; provided, further, that the Reorganized Debtors (and with
21 respect to General Unsecured Claims, the GUC Distribution Trustee), as applicable, may, subject
22 to Section V.A, affirmatively determine to allow any Claim described in clause (a) notwithstanding
23 the fact that the period within which an objection may be interposed has not yet expired; 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.

24 1.10 **A/R Collections** means post-confirmation collections of receivables for SHC
25 Medical Center - Yakima accounts.

26 1.11 **Avoidance Actions** means any and all actual or potential claims and causes of action
27 to avoid a transfer of property or an obligation incurred by a Debtor pursuant to any applicable
28 section of the Bankruptcy Code, including §§ 502, 510, 542, 544, 547, 548, 549, 550, 551, 553

1 and 724(a) or under similar or related state or federal statutes and common law, including
2 fraudulent transfer laws.

3 1.12 **Ballot** shall mean a ballot, e-ballot, or master ballot, as applicable, authorized by
4 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.

5 1.13 **Bankruptcy Code** means title 11 of the United States Code, 11 U.S.C. §§ 101, *et*
6 *seq.*, as may be amended.

7 1.14 **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as applicable
8 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.

9 1.15 **Board Trustees** means those persons serving as members of the board of directors
10 of any of the Debtors or Non-Debtor Affiliates.

11 1.16 **Bonds** means, collectively, those certain Washington Health Care Facilities
12 Authority Revenue Bonds, Series 2017A Bonds and the Series 2017B Bonds issued pursuant to
the Bond Indenture.

13 1.17 **Bond Documents** means the Bond Indenture and all other documents evidencing
and otherwise securing the Bonds.

14 1.18 **Bond Indenture** means that certain Bond Indenture dated as of November 1, 2017
15 between the Washington Health Care Facilities Authority and the Bond Trustee.

16 1.19 **Bond Trustee** means UMB Bank, N.A., as the trustee for bondholders under the
17 Bond Indenture.

18 1.20 **Business Day** means any day, other than a Saturday, Sunday, or “legal holiday” (as
19 defined in Bankruptcy Rule 9006(a)), or a day on which banking institutions in Yakima,
Washington are authorized by law or other governmental action to close.

20 1.21 **Cash** means the legal tender of the United States of America and the equivalent
21 thereof.

22 1.22 **Causes of Actions** means any and all claims, actions, causes of action, choses in
23 action, rights, demands, Liens, suits, liabilities, encumbrances, lawsuits, adverse consequences,
24 debts, damages, dues, sums of money, obligations, accounts, reckonings, deficiencies, bonds, bills,
25 disbursements, expenses, losses, specialties, covenants, guaranties, contracts, controversies,
26 agreements, promises, variances, trespasses, powers, judgments, privileges, licenses, franchises,
27 remedies, rights of setoff, rights of recoupment, third-party claims, subrogation claims, defenses,
contribution claims, reimbursement claims, indemnity claims, counterclaims, and cross-claims
28 (including those of the Debtors and/or the Estates), each of any kind or character whatsoever,
whether known or unknown, foreseen or unforeseen, suspected or unsuspected, liquidated or
unliquidated, fixed or contingent, matured or unmatured, secured or unsecured, disputed or
undisputed, and whether held or assertable in a personal or representative capacity, based in law

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

1.23 *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.

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

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

1.26 *Claims and Noticing Agent* means Kurtzman Carson Consultants LLC, the claims,
noticing, and solicitation agent retained by the Debtors pursuant to the Order Granting Debtors'

1 Amended Application and Motion for an Order Appointing Kurtzman Carson Consultants LLC as
2 Noticing Agent Nunc Pro Tunc to May 6, 2019 [Docket No. 292].

3 1.27 **Claims Bar Date** means August 5, 2019, as established by the Claims Bar Date
4 Notice.

5 1.28 **Claims Bar Date Notice** means that certain notice, entered by the Court on May 10,
6 2019 [Docket No. 91], establishing the Claims Bar Date.

7 1.29 **Claims Objection Bar Date** means the first Business Day that is not less than 180
8 days after the Effective Date. The time period for filing objections to Claims shall automatically
9 renew for successive periods of one hundred eighty (180) days each until the earlier of (i) the date
10 upon which all Claims have been Allowed or Disallowed or (ii) the date fixed by the Court upon
11 motion of the Reorganized Debtors, the GUC Distribution Trustee, or a Holder or a Claim.

12 1.30 **Claims Register** means the official register of Claims maintained by the Court and
13 mirrored by the Claims and Noticing Agent.

14 1.31 **Class** means a category of Holders of Claims or Interests as set forth in Section II
15 pursuant to § 1122(a).

16 1.32 **Committee** means the statutory committee of unsecured creditors, appointed in the
17 Chapter 11 Cases pursuant to § 1102 by the U.S. Trustee, pursuant to the Appointment of Official
18 Committee of Unsecured Creditors [Docket No. 135] on May 24, 2019.

19 1.33 **Committee Members** mean, all current and former members of the Committee,
20 including each of the following, solely in their capacity as a member of the Committee, (i)
21 CHSPSC, LLC/Community Health Systems, Inc.; (ii) LocumTenens.com, LLC; (iii) Community
22 Health of Central Washington; (iv) Medtronic USA, Inc.; (v) Morrison Management Specialists,
23 Inc.; (vi) Apogee Physicians; and (vii) Boston Scientific Corporation.

24 1.34 **Committee Plan Settlement** means the settlement of the Committee's objections to
25 the prior version of the Debtors' plan of reorganization as set forth in the Term Sheet.

26 1.35 **Confirmation** means the entry of the Confirmation Order on the docket of the
27 Chapter 11 Cases.

28 1.36 **Confirmation Date** means the date upon which the Court enters the Confirmation
Order on the docket of the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and
9021.

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

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

1.39 **Consummation** means the occurrence of the Effective Date.

1 1.40 **Convenience Class** means the class of General Unsecured Claims that are either (i)
2 less than or equal to five thousand dollars (\$5,000), or (ii) if the Claim amount is greater than five
3 thousand dollars (\$5,000), a General Unsecured Claim with respect to which the claimant has made
a Convenience Class Election.

4 1.41 **Court** means the United States Bankruptcy Court for the Eastern District of
5 Washington having jurisdiction over the Chapter 11 Cases, or any other court of the United States
6 exercising competent jurisdiction over the Chapter 11 Cases or any proceeding any proceeding
therein.

7 1.42 **Credit Agreement** means that certain Credit Agreement dated as of January 18,
8 2019 between certain of the Debtors, Lapis Advisers, LP and others.

9 1.43 **Credit Agreement Documents** means the Credit Agreement and all other
documents executed in connection therewith.

10 1.44 **Cure Payment** means the payment of Cash or the distribution of other property (as
11 the parties may agree or the Court may order), as necessary to cure defaults under an Executory
Contract of Debtors pursuant to § 365(b).

12 1.45 **D&O Causes of Action** means all Causes of Action against the current and former
13 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.

14 1.46 **D&O Policies** means all insurance policies for liability of members, managers, and
15 officers of the Debtors maintained by the Debtors as of the Effective Date.

16 1.47 **Debtor** means any of the Debtors.

17 1.48 **Debtors** means, collectively, (i) Astria Health; (ii) Glacier Canyon, LLC; (iii)
18 Kitchen and Bath Furnishings, LLC; (iv) Oxbow Summit, LLC; (v) SHS Holdco, LLC; (vi) SHC
19 Medical Center - Toppenish; (vii) SHC Medical Center - Yakima; (viii) Sunnyside Community
Hospital Association; (ix) Sunnyside Community Hospital Home Medical Supply, LLC; (x)
20 Sunnyside Home Health; (xi) Sunnyside Professional Services, LLC; (xii) Yakima Home Care
Holdings, LLC; and (xiii) Yakima HMA Home Health, LLC, the debtors and debtors in possession
21 in these Chapter 11 Cases.

22 1.49 **Debtors' Releases** means the releases given on behalf of the Debtors and their
Estates to the Released Parties as set forth in Section VII.F.1 herein.

23 1.50 **Definitive Documents** means the documents (including any related agreements,
24 instruments, schedules, or exhibits and Exchange Debt Documents) that are necessary or desirable
to implement, or otherwise relate to the Plan (including any plan supplements), the Disclosure
25 Statement, any order approving the Disclosure Statement, and any order confirming the Plan, in
each case on terms and conditions consistent with the Plan on terms acceptable to the Plan
26 Proponents.

1 1.51 **DIP Agent** means Lapis, in its capacity as agent to DIP Lenders under the DIP Loan
2 and Security Agreement, including any successor thereto.

3 1.52 **DIP Agent Professional Fees** means, collectively, to the extent not previously paid
4 in connection with the Chapter 11 Cases, all outstanding reasonable and documented fees and
5 expenses of any professionals retained by the DIP Agent, including, without limitation, Cole
6 Schotz P.C., in its capacity as counsel to the DIP Agent.

7 1.53 **DIP Agreement** means that certain Senior Secured, Super-Priority Debtor-In-
8 Possession Loan and Security Agreement, dated as of December 26, 2019, by and among Debtors,
9 as borrowers, the other Loan Parties thereto (as defined in the DIP Loan and Security Agreement),
10 the DIP Agent, and the DIP Lenders, as approved by the Final DIP Order, and as the same may be
11 amended, modified, or amended and restated from time to time in accordance with its terms,
12 consisting of a post-petition term loan facility in the principal amount of up to \$43,100,000.

13 1.54 **DIP Claims** means any Claim in respect of any DIP Obligations (as defined in the
14 Final DIP Order) held by, or otherwise owing to, any or all of the DIP Agent and the DIP Lenders.

15 1.55 **DIP Claims Exchange Debt** means Exchange Debt issued to satisfy DIP Claims as
16 more specifically described in the Exchange Debt Documents.

17 1.56 **DIP Lenders** means, collectively, the DIP Agent and the Lenders (as defined in the
18 DIP Loan and Security Agreement).

19 1.57 **Disallowed** means any Claim or Interest, or any portion thereof, that (i) has been
20 disallowed by Final Order or settlement; (ii) is scheduled in the amount of zero dollars (\$0) or as
21 contingent, disputed, or unliquidated on the Schedules and as to which a Claims Bar Date,
22 Supplemental Bar Date or Administrative Claims Bar Date has been established but no Proof of
23 Claim has been timely Filed or deemed timely Filed with the Court pursuant to either the
24 Bankruptcy Code or any Final Order of the Court, including the Claims Bar Date Order,
25 Supplemental Bar Date Order or Administrative Claims Bar Date Order or otherwise deemed
26 timely Filed under applicable law; or (iii) is not scheduled on the Schedules and as to which a
27 Claims Bar Date, Supplemental Bar Date or Administrative Claims Bar Date has been established
28 but no Proof of Claim has been timely Filed or deemed timely Filed with the Court pursuant to
either the Bankruptcy Code or any Final Order of the Court, including the Claims Bar Date Order,
Claims Bar Date Order, Supplemental Bar Date Order or Administrative Claims Bar Date Order
or otherwise deemed timely Filed under applicable law. “Disallow” and “Disallowance” shall have
correlative meanings.

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

 1.59 **Disputed** means, with respect to a Claim or Interest, a Claim that is not yet Allowed
or Disallowed.

1 1.60 **Distribution Date** means a date or dates, as determined by the Reorganized Debtors
2 which the Reorganized Debtors make a distribution, or causes a distribution to be made, of Cash
3 to the Holders of Allowed Claims.

4 1.61 **Distribution Record Date** means the date that is thirty (30) Business Days prior to
5 each Distribution Date.

6 1.62 **Docket** means, unless otherwise specified herein, the docket in the Lead Chapter
7 11 Case.

8 1.63 **Docket No.** means the docket number assigned in the Docket.

9 1.64 **Effective Date** means the date upon which all of the conditions to the effectiveness
10 of the Plan have been satisfied or waived in accordance with its terms.

11 1.65 **Effective Date Distribution** means the distributions required by the Bankruptcy
12 Code or the Plan to be made on the Effective Date, subject to the Administrative, Professional and
13 Priority Claims Cap, on account of: (i) Allowed Administrative Claims, that are not Allowed
14 Professional Fee Claims, DIP Claims, or Ordinary Course Administrative Expenses that have been
15 paid by Debtors or will be paid by Reorganized Debtors in the ordinary course of business, (ii) all
16 Allowed Priority Claims, (iii) 20% of the amount of Allowed Convenience Class Claims up to a
17 maximum of \$1,000; (iv) all Allowed Cure Payments, except those being paid by agreement in
18 installments over time; and (v) the Administrative and Priority Claims Reserve, including amounts
19 for Disputed Cure Payments (in the full amounts claimed by objecting contract counterparties).

20 1.66 **Entity** shall have the meaning set forth in § 101(15).

21 1.67 **Estate** means, as to each Debtor, the estate created for the Debtor in its Chapter 11
22 Case pursuant to § 541.

23 1.68 **Estates** means the Estate of all Debtors.

24 1.69 **Exchange Debt** shall have the meaning set forth in Section III.A.

25 1.70 **Exchange Debt Documents** means the credit agreements, guaranties, security
26 agreements, forbearance instruments and other documents evidencing or otherwise securing
27 Exchange Debt on the terms and in the forms included in the Plan Supplement, in each case on
28 terms and conditions consistent with the Plan on terms acceptable to the Plan Proponents.

 1.71 **Exculpated Parties** means, solely to the extent of the 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 respective Related Parties, (d)
the Board Trustees; (e) the Patient Care Ombudsman, and any of its respective Related Parties; (f)
the POC, its members, and any of their respective Related Parties; and (g) the GUC Distribution
Trustee and his or her Related Parties; provided, AHM, Inc., the officers of the Debtors, Non-
Debtor Affiliates and AHM, Inc, and any Board Trustee acting in the capacity of an officer of any
of the foregoing, shall not constitute Exculpated Parties for purposes of this Plan.

1 1.72 **Exculpation** means the exculpation provisions set forth in Section VII.E.

2 1.73 **Executory Contract** means a contract or lease to which one or more Debtors is a
3 party that is subject to assumption or rejection under §§ 365 or 1123.

4 1.74 **File, Filed, or Filing** means file, filed, or filing in the Chapter 11 Cases with the
5 Court or, with respect to the filing of a Proof of Claim or proof of Interest, with the Claims and
6 Noticing Agent.

7 1.75 **Final DIP Order** means the Final Order (I) Authorizing the Debtors to Obtain
8 Replacement Financing; (II) Granting Security Interests and Superpriority Administrative Expense
9 Status; (III) Granting Adequate Protection to Certain Prepetition Secured Credit Parties; (IV)
10 Modifying the Automatic Stay; (V) Authorizing the Debtors to Enter Into Agreements with Lapis
11 Advisers, L.P.; (VI) Authorizing Use of Cash Collateral; and (VII) Granting Related Relief
12 [Docket No. 1201].

13 1.76 **Final GUC Distribution Date** means the date on which a distribution is made from
14 the GUC Distribution Trust that finally and fully exhausts the distributable assets of the GUC
15 Distribution Trust.

16 1.77 **Final Order** means, as applicable, an order or judgment of the Court or other court
17 of competent jurisdiction with respect to the relevant subject matter, which has not been reversed,
18 stayed, modified, or amended, including any order subject to appeal but for which no stay of such
19 order has been entered, any order as to which the time to appeal or seek certiorari has expired and
20 no appeal or petition for certiorari has been timely taken, or any order as to which any appeal that
21 has been taken or any petition for certiorari that has been or may be Filed has been resolved by the
22 highest court to which the order or judgment was appealed or from which certiorari was sought;
23 provided, that, the possibility that a request for relief under Rule 60 of the Federal Rules of Civil
24 Procedure, or any analogous rule under the Bankruptcy Rules, the local rules of the Court or
25 applicable non-bankruptcy law, may be Filed relating to such order shall not prevent such order
26 from being a Final Order.

27 1.78 **General Unsecured Claim** means a Claim against one or more of the Debtors that
28 is not a (i) Senior Secured Bond Debt Claim, (ii) Senior Secured Credit Agreement Claim, (iii)
DIP Claim, (iv) Administrative Claim, (v) Professional Fee Claim, (vi) Priority Claim; (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.

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

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

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

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

1 1.83 **GUC Distribution Date** means (i) initially, the first Business Day that is thirty (30)
2 days after the Effective Date or as soon thereafter as practicable; (ii) thereafter, any interim date(s)
3 that the GUC Distribution Trustee deems appropriate based upon, among other things, the amount
4 of Cash or Cash proceeds on hand in the GUC Distribution Trust, whether there remain any other
5 unpaid obligations of the GUC Distribution Trust under the Plan, the time and status of pending
6 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
7 further distributions from the GUC Distribution Trust Assets; and (iii) the Final GUC Distribution
8 Date.

9 1.84 **GUC Distribution Trust** means the trust to be established on the Effective Date in
10 accordance with Section III.E.1 of this Plan for the purposes of reconciling General Unsecured
11 Claims, pursuing the GUC Avoidance Actions, and making distributions to Holders of Allowed
12 General Unsecured Claims consistent with the terms of this Plan.

13 1.85 **GUC Distribution Trust Agreement** means the agreement governing, among other
14 things, the retention and duties of the GUC Distribution Trustee as described in Section III.E.1 of
15 this Plan, which shall be in form and substance materially consistent with the Plan and included as
16 an exhibit to the Plan Supplement.

17 1.86 **GUC Distribution Trust Assets** means (i) the Initial GUC Distribution Amount, (ii)
18 the Second GUC Distribution Amount, (iii) GUC Avoidance Actions, and (iv) the GUC Vendor
19 Recovery.

20 1.87 **GUC Distribution Trust Beneficiaries** means Holders of Allowed General
21 Unsecured Claims in Class 4.

22 1.88 **GUC Distribution Trustee** means the Person designated as the trustee of the GUC
23 Distribution Trust by the Committee after consultation with the Plan Proponents.

24 1.89 **GUC Post-Effective Date Expenses** means, except as otherwise provided herein,
25 all voluntary and involuntary costs, expenses, charges, obligations, or liabilities of any kind or
26 nature, whether unmatured, contingent, or unliquidated incurred by the GUC Distribution Trust
27 after the Effective Date until the GUC Distribution Trust is dissolved, including, but not limited
28 to, those expenses described in Section III.E.5 of the Plan.

1 1.90 **GUC Vendor Cash Recovery** means fifty percent (50%) of any and all net Cash
2 proceeds of the Vendor Claims, which shall be transferred by the Debtors to the GUC Distribution
3 Trust within thirty (30) days after the Debtors' receipt of such net Cash proceeds.

4 1.91 **GUC Vendor Credit Recovery** means the Cash equivalent of fifty percent (50%) of
5 any and all non-Cash value realized by the Debtors as a result of the Vendor Claims, which will
6 be paid by the Debtors (or Reorganized Debtors, as applicable) to the GUC Distribution Trust
7 quarterly as that value (in the form of cost savings or otherwise) is realized by the Debtors (or
8 Reorganized Debtors, as applicable). For the purpose of calculating the Cash equivalent of any
9 non-Cash value realized by the Debtors (or Reorganized Debtors, as applicable) as a result of any
10 Vendor Claims, the amount shall be calculated as set forth in the Term Sheet.

1 1.92 **GUC Vendor Recovery** means the GUC Vendor Cash Recovery plus the GUC
2 Vendor Credit Recovery. The aggregate total sum of the GUC Vendor Recovery, the Initial GUC
3 Distribution Amount, and Second GUC Distribution Amount, shall not exceed the GUC Cap.

4 1.93 **Holder** means an Entity holding a Claim or an Interest, as applicable, each solely
5 in its capacity as such.

6 1.94 **Hospitals** means SHC Medical Center-Yakima, SHC Medical Center - Toppenish,
7 and Sunnyside Community Hospital Association and related facilities operated by the Debtors.

8 1.95 **Indemnification Provisions** means each of the Debtors' indemnification provisions
9 currently in existence whether existing in a Debtor's bylaws, incorporation document, other
10 formation documents, board or executive committee resolutions or employment contracts for
11 current and former Board Trustees, managers, officers, employees, attorneys, individual
12 consultants, other professionals and agents of the Debtors, and all of their respective Affiliates.

13 1.96 **Initial GUC Distribution Amount** means Cash in the amount of five million dollars
14 (\$5,000,000), which will be funded by the Debtors to the GUC Distribution Trust on or before the
15 Effective Date.

16 1.97 **Insurance Policy** means any insurance policy maintained by or for the benefit of
17 the Debtors (including the D&O Policies) set forth in a schedule to the Plan Supplement.

18 1.98 **Insured Claims** means General Unsecured Claims arising prior to the Confirmation
19 Date involving personal injury, medical malpractice, or wrongful death (including slip-and-fall
20 and medical malpractice Claims) that are covered by the terms of Debtors' various insurance
21 policies (including the Insurance Policies), or any other General Unsecured Claim against a Debtor
22 for which the Debtor is entitled to indemnification, reimbursement, contribution or other payment
23 under a policy of insurance (including the Insurance Policies) under which the Debtor is an insured
24 or beneficiary of the coverage provided under the applicable policy. All Insured Claims are
25 Disputed Claims. Some of the Insured Claims are fully insured, and no deductible amount would
26 be payable by Debtors under the terms of the applicable Insurance Policy. As to other Insured
27 Claims, Debtors may owe deductible amounts. For the avoidance of doubt, the Reorganized
28 Debtors shall not be responsible for any deductible or self-insured retention obligations, and all
claims for such deductibles and self-insured retention obligations shall be treated as Class 4
General Unsecured Claims to the extent Allowed. Further, no insurance carrier shall, or shall be
entitled to, deny coverage under any insurance policy (including any Insurance Policy) based upon
(i) any failure by the Debtors or Reorganized Debtors to pay any deductible or self-insured
retention in full or (ii) the treatment of any claim for a deductible or self-insured retention
obligation as a Class 4 General Unsecured Claim. Insured Claims are classified as a subclass (Class
4A) of Class 4, General Unsecured Claims (not otherwise classified). See Section III.N below for
further information about issues relating to Insured Claims.

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

1.100 **Lapis** means Lapis Advisers, LP.

1 1.101 **Lapis Parties** means the DIP Agent, DIP Lenders, UMB Bank, N.A. as indenture
2 trustee for the Senior Secured Bond Debt Claims, and Holders of the Senior Secured Bond Debt
3 Claims and the Senior Secured Credit Agreement Claims, and any fund managed by or affiliated
with any of the foregoing.

4 1.102 **Law** means any statute, law, ordinance, ruling, consent decree, permit, policy, rule
5 or regulation of, issued by or entered into by any Governmental Unit and all judicial or
administrative interpretations thereof and any common law doctrine.

6 1.103 **Lead Chapter 11 Case** means Chapter 11 Case Number 19-01189-11, currently
7 pending the Court.

8 1.104 **Lien** shall have the meaning set forth in § 101(37).

9 1.105 **Liquidating Debtors** means any Debtor not reorganizing, including SHC Medical
10 Center - Yakima.

11 1.106 **Liquidation Trust** means the trust to be established on the Effective Date in
accordance with Section III.G.

12 1.107 **Liquidation Trust Agreement** means the agreement governing, among other things,
13 the retention and duties of the Liquidating Trustee as described in Section III.G hereof, which shall
14 be in form and substance materially consistent with the Plan and included as an exhibit to the Plan
Supplement.

15 1.108 **Liquidation Trust Assets** means all assets of the Debtors not necessary for the
16 operation of the core health care businesses of the Debtors or constituting GUC Distribution Trust
17 Assets under this Plan, including, but not be limited to the (i) if unsold as of the Effective Date,
18 Yakima Medical Office Building (excluding the operations within); (ii) if unsold as of the
19 Effective Date, SHC Medical Center-Yakima; (iii) any other unused buildings or real property
20 currently owned by the Debtors other than Sunnyside Community Hospital Association; (iv) A/R
Collections of SHC Medical Center-Yakima; (v) all 180 day and older days aged accounts
receivable of Sunnyside Community Hospital Association and SHC – Medical Center Toppenish;
(vi) any Causes of Action held by the Debtors, including the Vendor Claims, not expressly
assigned to the GUC Distribution Trust; and (vii) the Liquidation Trust Vendor Recovery.

21 1.109 **Liquidation Trust Vendor Recovery** all portions of the Vendor Recovery other than
22 the GUC Vendor Recovery.

23 1.110 **Liquidation Trustee** means the Person designated as the trustee of the Liquidation
Trust by the Lapis Parties.

24 1.111 **Net GUC Distribution Trust Assets** means the GUC Distribution Trust Assets and
25 all proceeds thereof minus the costs of administering the GUC Distribution Trust (including, but
26 not limited to, all fees and expenses of the GUC Distribution Trustee and any professionals retained
27 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 1.112 **Next Payment Date** means, with respect to any particular Disputed Claim, the first
2 Business Day of the calendar quarter after such Claim has been Allowed by Final Order.

3 1.113 **Non-Debtor Affiliates** means, individually or collectively, Astria Health Clinically
4 Integrated Network, LLC, Bridal Dreams, LLC, Depot Plus, LLC, Home Supply, LLC, Kitchen
5 Appliance, LLC, Northwest Health, LLC, Pacific Northwest ASC Management, LLC, Sunnyside
6 Hospital Service Corp., Sunnyside Medical Center, LC, and Wedded Bliss, LLC.

7 1.114 **Order** means any judgment, order, injunction, decree, writ or license issue or
8 entered by or with any Governmental Unit or any arbitrator, whether preliminary, interlocutory or
9 final, including any order entered by the Court in the Chapter 11 Cases.

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

15 1.116 **Other Secured Claim** means any Secured Claim against any of the Debtors that is
16 not (a) a DIP Claim; (b) a Senior Secured Bond Debt Claim; or (c) a Senior Secured Credit
17 Agreement Claim.

18 1.117 **Person** shall have the meaning set forth in § 101(41).

19 1.118 **Petition Date** means May 6, 2019, which is the date that each Debtor filed a
20 voluntary chapter 11 petition and commenced its respective Chapter 11 Case.

21 1.119 **Plan** means this *Second Amended Joint Chapter 11 Plan of Reorganization of*
22 *Astria Health and its Debtor Affiliates*, as further amended, supplemented or otherwise modified
23 from time to time, including all exhibits attached hereto or with the Plan Supplement, which is
24 incorporated in the Plan by reference and made part of the Plan as if set forth in the Plan.

25 1.120 **Plan Proponents** shall have the meaning set forth in the preamble to this Plan.

26 1.121 **Plan Supplement** means a supplemental appendix to this Plan, as may be amended
27 from time to time on or prior to the Voting Deadline, which will contain the following items:

- 28
- (a) the Schedule of Assumed Agreements;
 - (b) the schedule of Insurance Policies;
 - (c) the list of directors for Reorganized Debtors;
 - (d) the Exchange Debt Documents
 - (e) GUC Distribution Trust Agreement;
 - (f) Liquidation Trust Agreement;

- 1 (g) The Term Sheet (under seal);
2 (h) Any updated Financial Projections and/or Liquidation Analysis;
3 (i) Any amendments to the treatment of Intercompany Claims under the Plan;
4 and
5 (j) the D&O Cause of Action Agreement (as defined in Section III.H).

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

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

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

- 11 a. the right to object to, challenge or otherwise contest any claims, whether or not any
12 such claim is the subject of a proof of claim;
- 13 b. 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 c. any claim pursuant to § 362;
- 16 d. any claim or defense including fraud, mistake, duress, and usury, and any other
17 defenses set forth in § 558;
- 18 e. 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 f. the Vendor Claims;
- 27 g. claims under any Insurance Policies applicable to the Debtors;
- 28 h. 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;

- 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 a claim in these
3 cases, unless expressly and in writing released or waived during the Chapter 11
4 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
8 federal 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 under state law
11 based 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 1.124 **Priority Claim** means a Claim entitled to priority against the Estates under §§
19 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7). Priority Claims do not include any Claims incurred
20 after Petition Date.

21 1.125 **Priority Tax Claim** means a Claim entitled to priority against the Estate under §
22 507(a)(8). Priority Tax Claims do not include any Claims incurred after Petition Date.

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

28 1.127 **Professional** means any Entity retained in the Chapter 11 Cases in accordance with
§§ 327, 328 or 1103.

1.128 **Professional Fee Claim** means a Claim for accrued fees and expenses (including
success fees) for services rendered and expenses incurred by a Professional for the Petition Date
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 1.129 **Proof of Claim** means a proof of Claim Filed against any of the Debtors in the
2 Chapter 11 Cases.

3 1.130 **PTO Claims** mean Claims asserted by Debtors' employees that are based upon
4 accrued hours arising under Debtors' nonworking day and paid time off policies.

5 1.131 **Related Parties** means, with respect to any person or entity, except as otherwise set
6 forth below or in this Plan, any past or present representative, controlling persons, officer, director,
7 agent, attorney, advisor, Professional, employee, subsidiary or Affiliate, shareholder, partner
8 (general or limited), executive committee member, member, managers, equity holder, trustee
9 executor, predecessor in interest, successor or assign of any such person, provided, AHM, Inc., the
10 officers of the Debtors, Non-Debtor Affiliates and AHM, Inc, and any Board Trustee acting in the
11 capacity of an officer of any of the foregoing, shall not constitute Related Parties for purposes of
12 this Plan.

13 1.132 **Released Parties** means (a) the Debtors, (b) the Lapis Parties, (c) the Committee
14 and the Committee Members, (d) the PCO, (e) the Board Trustees, and (f) except as otherwise set
15 forth below or in the this Plan, each of the foregoing Entities' respective predecessors, successors
16 and assigns, subsidiaries, Affiliates and their subsidiaries, beneficial owners, managed accounts or
17 funds, current and former officers, directors, principals, shareholders, direct and indirect equity
18 holders, members partners (general and limited), employees, agents, advisory board members,
19 financial advisors, attorneys accountants, investment bankers, consultants, representatives,
20 management companies, fund advisors, Professionals, and other professionals; provided, AHM,
21 Inc., the officers of the Debtors, Non-Debtor Affiliates and AHM, Inc, and any Board Trustee
22 acting in the capacity of an officer of any of the foregoing, shall not constitute Released Parties for
23 purposes of this Plan and provided further, that as a condition to receiving or enforcing any release
24 granted pursuant to Section VII.F.2 hereof, each Released Party and its Affiliates shall be deemed
25 to have released the Releasing Parties, the Estate, and the Debtors from any and all Claims or
26 Causes of Action arising from or related to their relationship with the Debtors or the Chapter 11
27 Cases, but not, for the avoidance of doubt, Professional Fee Claims or rights to enforce this Plan.
28 For the avoidance of doubt, and notwithstanding anything herein to the contrary, in no event shall
an Entity that appropriately marks a Ballot to opt out of the third party release provided in Section
VII.F.2 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.

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

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

1 1.135 **Reorganized Debtor Insurance Policies** means any insurance policies of the
2 Debtor (including, without limitation, the D&O Policies).

3 1.136 **Schedules** means, collectively, the schedules of assets and liabilities, schedules of
4 Executory Contracts, and statements of financial affairs Filed by the Debtors, pursuant to § 521
5 and in substantial accordance with the Official Bankruptcy Forms, as the same may have been
6 amended, modified, or supplemented from time to time.

7 1.137 **Second GUC Distribution Amount** means Cash in the amount of two million three
8 hundred thousand dollars (\$2,300,000) minus the amount of any GUC Vendor Recovery, which
9 shall be paid by the Debtors (or Reorganized Debtors, as applicable) to the GUC Distribution Trust
10 within thirty (30) days after the determination of the total value of the GUC Vendor Recovery.
11 For the avoidance of doubt, the Second GUC Distribution Amount will be an unconditional
12 obligation of the Debtors (or Reorganized Debtors, as applicable) to the GUC Distribution Trust.

13 1.138 **Secured** means, when referring to a Claim, a Claim secured by a Lien on property
14 in which the applicable Estate has an interest, which Lien is valid, perfected, and enforceable
15 pursuant to applicable law or by a Final Order, or that is subject to setoff pursuant to § 553, to the
16 extent of the value of the applicable creditor's interest in such Estate's interest in such property or
17 to the extent of the amount subject to setoff, as applicable, in each case, as determined pursuant to
18 § 506(a).

19 1.139 **Senior Debt 9019 Settlement** shall have the meaning ascribed to such term in
20 Section III.A hereof.

21 1.140 **Senior Secured Bond Debt Claims** means all amounts due under the Bond
22 Documents, including principal, interest including interest at any applicable default rate,
23 prepayment penalties, make wholes and similar amounts, and expenses including but not limited
24 to attorneys and other professional fees.

25 1.141 **Senior Secured Credit Agreement Claims** means all amounts due under the Credit
26 Agreement, including principal, interest including interest at any applicable default rate,
27 prepayment penalties, make wholes and similar amounts, and expenses including but not limited
28 to attorneys and other professional fees.

 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.

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

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

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

1 1.146 *Supplemental Bar Date Order* means the Order (I) Fixing a Bar Date for Filing
2 Certain Prepetition Claimants' Claims and (II) Approving the Form of Notice of Those Prepetition
3 Claimants' Claims Bar Date [Docket No. 1417].

4 1.147 *Term Sheet* means that certain Plan Settlement Term Sheet between the Debtors
5 and the Committee setting forth the Committee Plan Settlement, the terms of which are
6 incorporated herein. A copy of the Term Sheet, updated as necessary by the Plan Proponents and
7 the Committee to provide definitional clarity with respect to Term Sheet provisions incorporated
8 herein by reference, shall be Filed under seal as part of the Plan Supplement.

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

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

13 1.150 *Vendor* means Cerner Corporation and all of its subsidiaries and affiliates.

14 1.151 *Vendor Avoidance Actions* means any Avoidance Actions against the Vendor.

15 1.152 *Vendor Claims* means any and all actual or potential claims and causes of action
16 of the Debtors against the Vendor, including any and all Vendor Avoidance Actions.

17 1.153 *Vendor Recovery* means any Cash and non-Cash value realized by the Debtors as
18 a result of the Vendor Claims, which shall be allocated between the Liquidation Trust and the GUC
19 Distribution Trust as provided in this Plan.

20 1.154 *Voting Deadline* means 4:00 p.m. (prevailing Eastern Time) on December 4, 2020,
21 as specifically set forth in the Disclosure Statement Order, which is the deadline for submitting
22 Ballots to accept or reject the Plan in accordance with § 1126.

23 **B. Rules of Interpretation.**

24 For purposes herein: (i) in the appropriate context, each term, whether stated in the singular
25 or the plural, shall include both the singular and the plural, and pronouns stated in the masculine,
26 feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) except
27 as otherwise provided herein, any reference herein to a contract, lease, instrument, release,
28 indenture, or other agreement or document being in a particular form or on particular terms and
conditions means that the referenced document shall be substantially in that form or substantially
on those terms and conditions; (iii) except as otherwise provided, any reference herein to an
existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit,
as it may thereafter be amended, restated, supplemented, or otherwise modified in accordance with
the Plan; (iv) unless otherwise specified herein, all references herein to "Sections" are references
to Sections of the Plan or hereto; (v) unless otherwise stated herein, the words "herein," "hereof,"
and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (vi)
captions and headings to Sections are inserted for convenience of reference only and are not
intended to be a part of or to affect the interpretation hereof; (vii) the words "include" and
"including," and variations thereof, shall not be deemed to be terms of limitation, and shall be

1 deemed to be followed by the words “without limitation”; (viii) unless otherwise specified, the
2 rules of construction set forth in § 102 shall apply to the Plan; (ix) any term used in capitalized
3 form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy
4 Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy
5 Rules, as the case may be; (x) any docket number references in the Plan shall refer to the docket
6 number of any document Filed with the Court in the Chapter 11 Cases; (xi) any immaterial
7 effectuating provisions may be interpreted in such a manner that is consistent with the overall
8 purpose and intent of the Plan all without further notice to or action, order, or approval of the Court
9 or any other Entity; (xii) except as otherwise provided, any references to the Effective Date shall
10 mean the Effective Date or as soon as reasonably practicable thereafter; and (xiii) all exhibits and
11 supplements to the Plan are incorporated herein, regardless of when those exhibits and
12 supplements are filed.

8 **C. Computation of Time**

9
10 Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a)
11 shall apply in computing any period of time prescribed or allowed herein. If the date on which a
12 transaction may occur pursuant to the Plan shall occur on a day that is not a Business Day, then
13 such transaction shall instead occur on the next Business Day. Whenever a distribution of property
14 is required to be made on a particular date, the distribution shall be made on such date or as soon
15 as practicable thereafter.

14 **D. Governing Law**

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

21 **E. Reference to Monetary Figures**

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

24 **F. Controlling Document**

25 In the event of an inconsistency between the Plan and the Disclosure Statement, the terms
26 of the Plan shall control in all respects. In the event of an inconsistency between the Plan and the
27 Plan Supplement, the terms of the relevant document in the Plan Supplement shall control (unless
28 stated otherwise in such Plan Supplement document or in the Confirmation Order). In the event of
an inconsistency between the Confirmation Order and the Plan, the Disclosure Statement or the
Plan Supplement, the Confirmation Order shall control.

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

2 **A. General Overview**

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

6 **B. Limited Consolidation**

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

18 **C. Summary and Classification of Claims and Interests**

19 This Section classifies Claims and Interests – except for Administrative Claims, Priority
20 Tax Claims, Professional Fee Claims, and DIP Claims, which are not classified – for all purposes,
21 including voting, Confirmation, and distribution under the Plan. A Claim or Interest is classified
22 in a particular Class only to the extent that the Claim or Interest falls within the Class description.
23 To the extent that part of the Claim or Interest falls within a different Class description, the Claim
24 or Interest is classified in that different Class. The classification of Senior Secured Bond Debt
25 Claims and Senior Secured Credit Agreement Claims is an integral component of the Senior Debt
26 9019 Settlement.

27 The following table summarizes the Classes of Claims and Interests under the Plan that are
28 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	Impaired	Entitled to Vote
3	Convenience Class Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
4A	Insured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Eliminated Through Consolidation of Debtors	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 OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR INTEREST.

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

D. Unclassified Claims

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

1 **1. Administrative Claims**

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

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

8 **b. Administrative Claims Bar Date**

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

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

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

25 Notwithstanding the foregoing, the following entities that hold Administrative Expense
26 Claims do not need to assert an Administrative Expense Claim (collectively, the “Excluded
27 Claims”):

28 a) Administrative Expense Claims based upon liabilities that the Debtors (other than
SHC Medical Center - Yakima) incurred in the ordinary course of their business to providers of
goods and services. To be clear, Administrative Expense Claims held by vendors of goods and
services to ARMC are not Excluded Claims and such vendors must file an Administrative Expense
Claim;

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

1 c) Any entity that has already properly filed a motion requesting allowance of an
2 administrative expense claim pursuant to § 503(b);

3 d) A holder of an Administrative Expense Claim that previously has been allowed by
4 order of the Court;

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

7 f) Any claims held by the Lapis Parties.

8 **d. Treatment of Administrative Claims**

9 **(i) Treatment of DIP Claims**

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

15 **(ii) Treatment of Other Administrative Claims**

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

22 **2. Treatment of Professional Fee Claims**

23 All persons and entities seeking an award by the Court of professional fees on behalf of the
24 Debtors (a) shall file their respective final applications for allowance of compensation for services
25 rendered and reimbursement of expenses no later than forty-five (45) days after the Effective Date,
26 and, (b) upon Court approval of such final application, shall receive, in full satisfaction, settlement,
27 and release of, and in exchange for such Claim, from the Administrative and Priority Claims
28 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.

29 **3. Priority Tax Claims**

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

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

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

8 **4. Administrative and Priority Claims Reserve**

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

13 **E. Classified Claims**

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

15 Class 1 consists of Priority Claims against Debtors, other than Priority Tax Claims. These
16 Priority Claims are entitled to priority treatment in that each Holder of such a Claim is entitled to
17 receive Cash from the Administrative and Priority Claims Reserve on the Effective Date (or as
18 soon as practicable thereafter) equal to the allowed amount of such Claim, unless the Class votes
19 to accept deferred Cash payments of a value, as of the Effective Date, equal to the allowed amount
20 of such Claims.

21 Excluded from this Class are (a) wage claims (including severance pay) in excess of the
22 statutory limit of \$13,650, and (b) PTO Claims in excess of the statutory limit of \$13,650 for
23 benefits. Such Claims will be treated as General Unsecured Claims in Class 4.³

24 ³ Employees may have accumulated paid time off (“PTO”) that the employees were able to roll forward
25 from year to year, or cash out at retirement or departure. With limited exception regarding certain
26 employees who were employed by SHC Medical Center - Yakima, separated after January 1, 2020 and then
27 rehired by another Debtor and who were paid on account of unused PTO earned while at SHC Medical
28 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.

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

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	Senior Secured Bond Debt Claims Total 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.	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 Total Estimated Amount = \$13,162,397.26 Actual amount subject to per diem adjustment.	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 hereto in Exhibit A in the amount of all Senior Secured Credit Agreement Claims as of the Effective Date.
2C	Other Secured Claims	No	Yes	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 five thousand dollars (\$5,000), or (ii) if the Claim amount is greater than five thousand dollars (\$5,000), a General Unsecured Claim with respect to which the Holder has made a Convenience Class Election and thus accepted a maximum of one thousand dollars (\$1,000) as payment of such Holder's Claim in full. As used herein, "Convenience Class Election" means the timely election by a Holder of a 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, ⁴ 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
---------	-------------	---------------	----------------	-----------

⁴This amount is based on General Unsecured Claims filed. The Debtors believe that this amount will materially reduce following the claims adjudication process.

4	General Unsecured Claims (Not Otherwise Classified) Total Amount = Approximately \$101,950,399.80 ⁵	No	Yes	Holders of Allowed General Unsecured Claims shall receive, on one or more GUC Distribution Dates, a <i>Pro Rata</i> share of the Net GUC Distribution Trust Assets.
4A	Insured Claims	No	Yes	Subject to the terms and conditions set forth in <u>Section III.N</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 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.

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

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

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

14 **B. The Committee Plan Settlement**

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

23 **C. Vendor Claims**

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

28 Prior to the Effective Date, the Debtors (with the prior consent of the Lapis Parties) shall
have the right to settle any and all Vendor Claims in their sole and absolute discretion after

1 consultation with the Committee, and the Committee shall not have the right to object to any such
2 settlement.

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

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

9 **D. Corporate Actions**

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

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

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

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

27 From the filing of this Plan in the Chapter 11 Cases through the Effective Date (the
28 "Performance Period"), each Board Trustee of the Debtors shall direct the Debtors' officers and
others to (a) afford to AH System and 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
organizations and its respective relationships with physicians, suppliers, customers and others
having business relationships with the Debtors, provided that this provision does not prevent the

1 Debtors from assuming or rejecting executory contracts or unexpired leases or otherwise
2 terminating such relationships in the ordinary course of business pursuant to such applicable
3 provisions as are set forth in the Plan; and (ii) satisfy the conditions precedent to the occurrence of
4 the Effective Date. Each Board Trustee shall otherwise direct the Debtors' officers and employees
5 to reasonably and promptly cooperate with AH System and its authorized representatives and
6 attorneys in AH System's efforts to satisfy the conditions precedent to the occurrence of the
7 Effective Date.

8 **E. The GUC Distribution Trust**

9 **1. Establishment of GUC Distribution Trust**

10 On the Effective Date, all GUC Distribution Trust Assets shall be contributed and
11 transferred to the GUC Distribution Trust for the benefit of the GUC Distribution Trust
12 Beneficiaries. The GUC Distribution Trust Assets shall pass to the GUC Distribution Trust free
13 and clear of all Claims and interests in accordance with § 1141. The Confirmation Order shall
14 constitute a determination that the transfer of the GUC Distribution Trust Assets to the GUC
15 Distribution Trust is legal, valid, and consistent with the laws of the State of Washington. The
16 transfer of the GUC Distribution Trust Assets to the GUC Distribution Trust on the Effective Date
17 shall include the transfer and assignment of any and all GUC Distribution Trust Avoidance Actions.
18 The GUC Distribution Trustee shall have exclusive standing to waive, commence, prosecute, or
19 settle any GUC Distribution Trust Avoidance Actions in the GUC Distribution Trustee's discretion.

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

27 The GUC Distribution Trust will be governed in accordance with the terms of a GUC
28 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.

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

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

23 The GUC Distribution Trustee, in his or her sole discretion, shall have the authority to
24 allocate and reallocate GUC Distribution Trust Assets (including Cash, and including any reserves
25 necessary to effectuate the terms of this Plan) as necessary to effectuate the Plan without further
26 application to, or approval of, the Court, to the extent such allocation or reallocation would not be
27 inconsistent with the terms of this Plan. In the event that the GUC Distribution Trustee determines
28 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 under the Plan), the GUC Distribution Trustee shall have the authority to make such
allocation or reallocation with approval of the Court upon application to the Court.

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

22 The GUC Distribution Trustee shall serve without bond and shall receive compensation for
23 serving as GUC Distribution Trustee as set forth in the GUC Distribution Trust Agreement. At
24 any time after the Effective Date and without further application to or Order of the Court, the GUC
25 Distribution Trustee may employ and compensate Persons or Entities, including professionals
26 (which may, but need not, include Professionals previously or currently employed in the Chapter
27 11 Cases) reasonably necessary to assist the GUC Distribution Trustee in the performance of his
28 or her duties under the GUC Distribution Trust Agreement and this Plan. Such Persons or Entities
shall be compensated and reimbursed by the GUC Distribution Trustee for their reasonable and
necessary fees and out of pocket expenses on a monthly basis in arrears, subject to the Reorganized
Debtors’ approval of professional fees as described in Section E.6. below.

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

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

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

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

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

26 **6. Post-Effective Date Expenses Relating to Claims Reconciliation and
27 Vendor Claims**

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

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

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

12 **7. GUC Distribution Reserve**

13 Prior to making a distribution to any Holders of Allowed General Unsecured Claims under
14 the Plan, the GUC Distribution Trustee may place in reserve and/or in a separate account any funds
15 that may be needed to pay General Unsecured Claims that are Disputed and General Unsecured
16 Claims that have otherwise not been Allowed in the event that all or a portion of such Claims
17 become Allowed. When a General Unsecured Claim is Allowed or Disallowed (and thus becomes
18 an Allowed Claim or a Disallowed Claim, in whole or in part), the funds set aside on account of
19 such Claim may be released from the reserve and shall be available for distribution in accordance
20 with the terms of this Plan to either (i) the Holder of the General Unsecured Claim that has become
21 an Allowed Claim, or (ii) if Disallowed, the Holders of Allowed General Unsecured Claims. The
22 GUC Distribution Trustee, in his or her sole discretion, on and after the Effective Date, shall have
23 authority to increase or decrease such as reasonably necessary and appropriate, and upon
24 satisfaction of all Allowed General Unsecured Claims required to be paid from the reserve, to
25 transfer amounts held therein for distribution pursuant to the Plan.

21 **8. GUC Distribution Trust Income Tax Status**

22 For federal income tax purposes, all parties (including, without limitation, the Debtors, the
23 GUC Distribution Trustee, and the beneficiaries of the GUC Distribution Trust) shall treat the
24 GUC Distribution Trust as a liquidating trust within the meaning of Treasury Income Tax
25 Regulation section 301.7701-4(d) and IRS Revenue Procedure 94-45, 1994-2 C.B. 124. For
26 federal income tax purposes, the transfer of Assets to the GUC Distribution Trust under the Plan
27 shall be treated as a deemed transfer to the beneficiaries of the GUC Distribution Trust in
28 satisfaction of their Claims 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

1 sections 671-677 (a non-taxable pass-through tax entity) owned by the beneficiaries. The GUC
2 Distribution Trust will file federal income tax returns as a grantor trust under IRC section 671 and
3 Treasury Income Tax Regulation section 1.671-4 and report, but not pay tax on, the GUC
4 Distribution Trust's tax items of income, gain, loss deductions, and credits ("Tax Items"). The
5 beneficiaries will report such Tax Items on their federal income tax returns and pay any resulting
6 federal income tax liability. All parties will use consistent valuations of the assets transferred to
7 the GUC Distribution Trust for all federal income tax purposes. The assets shall be valued based
8 on the GUC Distribution Trustee's good faith determination of their fair market value.

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

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

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

16 **G. Establishment of Liquidation Trust**

17 On the Effective Date, except as otherwise provided in the D&O Cause of Action
18 Agreement consistent with Section III.H below, all Liquidation Trust Assets shall be contributed
19 to the Liquidation Trust subject to a Liquidation Trust Agreement acceptable to the Debtors and
20 the Lapis Parties and the appointment of a Liquidation Trustee acceptable to the Lapis Parties in
21 their sole discretion.

22 In the event any Liquidation Trust Assets are liquidated, the proceeds of such liquidation
23 shall be used to fund AH System's operating cash account up to an amount equal to the lesser of
24 \$10 million or 30 days cash on hand and then to pay the Exchange Debt in accordance with the
25 Exchange Debt Documents.

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

25 The D&O Causes of Action shall be preserved for the benefit of the Debtors' Estates and
26 their creditors. The mechanism for (a) the vesting, re-vesting, and/or transfer of the D&O Causes
27 of Action and any related insurance policies (including the D&O Insurance Policies), (b) the
28 prosecution and/or settlement or other resolution of the D&O Causes of Action (including the
funding of the fees and costs attendant to such prosecution and/or settlement or other resolution),
and (c) the sharing of any proceeds of the D&O Causes of Action shall be subject to further

1 agreement between the Lapis Parties and the Committee (the “D&O Cause of Action Agreement”),
2 which shall be filed as part of the Plan Supplement.

3 **I. Post-Confirmation Management**

4 Reorganized Debtors, controlled by AH System as the sole member, will provide the
5 management for the Hospitals after the Effective Date. The Debtors’ Executive Services
6 Agreement with AHM, Inc. (“AHM”) will be rejected as of the earlier of the date ordered by the
7 Court on a motion to reject the agreement, the Effective Date, or such other date as may be
8 specified in the Confirmation Order. It is currently expected that all AHM employees currently
9 serving as officers or employees of the Debtors will be offered employment by AH System,
10 effective on the Effective Date.

11 To the extent necessary to implement the Plan, AH System, will govern pursuant to
12 amended and restated bylaws and other corporate documents. The new directors for the
13 Reorganized Debtors will be set forth in the Plan Supplement and whose composition is subject to
14 (a) applicable law and (b) the consent of the Lapis Parties. The new directors will also obtain
15 management on terms acceptable to AH System.

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

17 On the Effective Date, the Committee shall be deemed dissolved, the retention and
18 employment of the Committee’s Professionals shall be deemed terminated, and the members of
19 the Committee shall be deemed released and discharged of and from all further authority, duties,
20 responsibilities, and obligations related to and arising from and in connection with the Chapter 11
21 Cases, other than for purposes of filing and/or objecting to final fee applications filed in the
22 Chapter 11 Cases. The Professionals retained by the Committee shall not be entitled to
23 compensation or reimbursement of expenses for any services rendered or expenses incurred after
24 the Effective Date in their capacities as Professionals of the Committee, except for services
25 rendered and expenses incurred in connection with (i) any applications by such Professionals for
26 allowance of compensation and reimbursement of expenses pending on the Effective Date or
27 timely Filed after the Effective Date as provided in the Plan, as approved by the Court, and (ii) any
28 services necessary to effectuate the provisions of the Plan.

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

K. Creation of Administrative and Priority Claims Reserve

On the Effective Date or as soon as reasonably practicable thereafter, the Debtors shall
fund, and the Reorganized Debtors shall establish and thereafter maintain, the Administrative and

1 Priority Claims Reserve with the Administrative and Priority Claims Reserve Amount, subject to
2 the Administrative, Professional and Priority Claims Cap, in an authorized depository in the state
3 of Washington, which funds shall vest in the Reorganized Debtors free and clear of all Liens,
4 Claims, encumbrances, charges, and other interests, except as otherwise specifically provided in
5 the Plan or in the Confirmation Order. Funds in the Administrative and Priority Claims Reserve
6 shall be used by the Reorganized Debtors only for the payment of U.S. Trustee Fees and
7 Administrative Claims, Priority Claims, and Professional Fee Claims Allowed after the Effective
8 Date to the extent that such Allowed Claims have not been paid in full on or prior to the Effective
9 Date. To the extent not otherwise provided herein or ordered by the Court, the Reorganized
10 Debtors shall estimate appropriate reserves of Cash to be set aside in order to pay or reserve for
11 Disputed Administrative Claims, Priority Claims, and Professional Fee Claims. Any amounts set
12 aside to pay or reserve for Disputed Administrative Claims, Priority Claims, and Professional Fee
13 Claims shall include the amounts needed to fund the ongoing costs and expenses of such reserve,
14 including, without limitation, taxes in respect of Disputed Administrative Claims, Priority Claims,
15 and Professional Fee Claims, if any. Any amounts remaining in the Administrative and Priority
16 Claims Reserve after payment of all Allowed Administrative Claims, Priority Claims, and
17 Professional Fee Claims and the U.S. Trustee Fees shall be transferred to the Reorganized Debtors
18 and thereafter be subject to the terms of the Exchange Debt Documents.

12 **L. Objections to Claims**

13 After the Effective Date, the Reorganized Debtors (and with respect to General Unsecured
14 Claims, the GUC Distribution Trustee) will have the authority and obligation to review,
15 compromise, and object to any Claims other than Allowed Claims consistent with Section V hereof.
16 The Reorganized Debtors (and with respect to General Unsecured Claims, the GUC Distribution
17 Trustee) will: (i) have the authority, without Court approval or approval by the GUC Distribution
18 Trustee or any other person or entity, to compromise, release or settle any Claim where the Claim
19 has an asserted face value of \$25,000 or less and (ii) be required to seek an order of the Court
20 approving the compromise, release or settlement of any Claim that has an asserted value of greater
21 than \$500,000, with notice and opportunity for hearing required with respect to such compromise,
22 release or settlement. If the Reorganized Debtors (and with respect to General Unsecured Claims,
23 the GUC Distribution Trustee) seek to compromise, release or settle any Claim where the Claim
24 has an asserted face value of between \$25,000 and \$500,000, the Reorganized Debtors (and with
25 respect to General Unsecured Claims, the GUC Distribution Trustee) will provide at least five (5)
26 Business Days' advance notice of the same to the Lapis Parties, the GUC Distribution Trustee, and
27 the Reorganized Debtors, as applicable, and the opportunity to object within such notice period.
28 If the Lapis Parties, the GUC Distribution Trustee, or the Reorganized Debtors, as applicable,
object and the objection is not resolved consensually, the Reorganized Debtors (and with respect
to General Unsecured Claims, the GUC Distribution Trustee) may seek approval of the
compromise, release or settlement by the Court on an expedited basis.

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

26 Subject to the terms of Section III.N below regarding Class 4A Insured Claims, Claims
27 paid and/or payable by third parties, irrespective of classification, shall be treated as follows:
28

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

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

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

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

14 **N. Special Issues Regarding Insured Claims**

15 Under the terms of Debtors' various insurance policies, Debtors may owe deductible
16 amounts on account of Insured Claims for personal injury and medical malpractice. After the
17 Effective Date of the Plan (unless an order modifying the automatic stay has been entered at an
18 earlier date), Holders of Insured Claims shall be enjoined by the injunction established by the
Confirmation Order from commencing or continuing any enforcement action to collect such Claim
against the Estate.

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

25 **O. Distributions of Property Under the Plan**

26 The following procedures set forth in the Plan apply to distributions made pursuant to the
27 Plan whether by (i) Debtors as to the Effective Date Distributions, or (ii) the Reorganized Debtors
28 or GUC Distribution Trustee as to all post-Effective Date Distributions (each of Reorganized
Debtors, the GUC Distribution Trustee, or the Debtors, a "Distributing Party"). In connection with

1 the Plan, to the extent applicable, the applicable Distributing Party shall comply with all tax
2 withholding and reporting requirements imposed on it by any Governmental Unit, and all
distributions pursuant to the Plan shall be subject to such withholding and reporting requirements.

3 **Notwithstanding any other provision of this Plan (i) each Holder of an Allowed**
4 **Unsecured Claim that is to receive a distribution pursuant to this Plan shall have sole and**
5 **exclusive responsibility for the satisfaction and payment of any tax obligations imposed by**
6 **any Governmental Unit, including income, withholding, and other tax obligations, on**
7 **account of such distribution, and (b) no distribution shall be made to or on behalf of such**
8 **Holder pursuant to the Plan unless and until such Holder has made arrangements**
9 **satisfactory to the Distributing Party for the payment and satisfaction of such income,**
10 **withholding, and other tax obligations or such tax obligation that would be imposed upon**
11 **any disbursing agent in connection with such distribution. Any property distributed**
12 **pursuant to the Plan shall, pending the implementation of such arrangements, be treated as**
13 **an undeliverable distribution under the Plan.**

14 **P. Manner of Cash Payments Under the Plan**

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

20 **Q. No Distributions With Respect to Disputed Claims**

21 No payments of Cash or distributions of other property or other consideration of any kind
22 shall be made on account of any Disputed Claim unless and until such Claim becomes an Allowed
23 Claim or is deemed to be such for purposes of distribution, and then only to the extent that the
24 Claim becomes, or is deemed to be for distribution purposes, an Allowed Claim. Unless otherwise
25 provided herein, any Holder of a Claim that becomes an Allowed Claim after the Effective Date
26 will receive any unpaid distribution that otherwise would have been payable under the Plan on the
27 Next Payment Date after the date that such Claim becomes an Allowed Claim or as soon thereafter
28 as practicable.

R. Record Date for Distribution

On the Distribution Record Date, 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 of this Plan.

S. Delivery of Distributions

The Distributing Party shall make distributions to each Holder of an Allowed Claim by
mail as applicable as follows: (a) at the address set forth on the proof of Claim filed by such Holder
of an Allowed Claim; (b) at the address set forth in any written notice of address change Filed with

1 the Court, delivered to the Distributing Party, and reflected on the Claims Register after the date
2 of any related proof of Claim; (c) at the address reflected in the Schedules if no proof of Claim is
3 filed and no written notice of address change has been Filed with the Court, delivered to the
4 Distributing Party, and reflected on the Claims Register; and (d) with respect to the Lapis Parties,
5 as directed by the Lapis Parties.

6 **T. Undeliverable and Unclaimed Distributions**

7 Subject to the terms of any settlement agreement, if the distribution to the Holder of any
8 Allowed Claim is returned as undeliverable, no further distribution shall be made to such Holder
9 unless and until the Distributing Party is notified in writing of such Holder's then current address.
10 Subject to the other provisions of the Plan, undeliverable distributions shall remain in the
11 possession of the Distributing Party pursuant to this Section until such time as a distribution
12 becomes deliverable. Undeliverable Cash distributions shall not be entitled to any interest,
13 dividends, or other accruals of any kind. Any check that is not cashed or otherwise deposited
14 within three months after the check's date shall be deemed an undeliverable distribution under this
15 Plan.

16 Any Holder of an Allowed Claim who does not assert a Claim in writing for an
17 undeliverable distribution within one year after the date such distribution was due shall no longer
18 have any Claim to or interest in such undeliverable distribution, and shall be forever barred from
19 receiving any distributions under this Plan, or from asserting a Claim against the Debtors or their
20 property, or the GUC Distribution Trust and its assets, and the Claim giving rise to the
21 undeliverable distribution will be discharged.

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

24 **U. Estimation of Disputed Claims for Distribution Purposes**

25 On and after the Effective Date, the Reorganized Debtors (and with respect to General
26 Unsecured Claims, the GUC Distribution Trustee), may move for a Court order estimating any
27 Disputed Claim. The estimated amount of any Disputed Claim so determined by the Court shall
28 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

29 **V. Minimum Distributions**

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

1 **W. Rounding**

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

5 **X. Full Satisfaction**

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

8 **Y. Distributions Free and Clear**

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

13 **Z. Conditions Precedent to Plan Confirmation**

14 The conditions precedent to confirmation of the Plan shall include: (a) a final order, finding
15 that the Disclosure Statement contains adequate information pursuant to § 1125, shall have been
16 entered by the Court; (b) the proposed Confirmation Order will be in form and substance
17 satisfactory to the Lapis Parties and the Committee; (c) the Plan, including any amendments,
18 modifications or supplements thereto, and all documentation contemplated by the Plan and the
19 terms set forth in any Plan Supplement and the Definitive Documentation, shall be in form and
20 substance satisfactory to the Lapis Parties (and, with respect to any portion of the Plan Supplement
21 relating to the Committee Plan Settlement, including, *inter alia*, the GUC Distribution Trust, the
22 Committee); (e) and any order authorizing the DIP Agreement shall be in full force and effect,
23 shall not have been terminated and there shall be no ongoing event of default; and (f) the Exchange
24 Debt Documents shall be in a form acceptable to the Plan Proponents.

25 **AA. Conditions to Effectiveness**

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

1. Conditions

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

1 (c) The actual and anticipated Allowed Administrative, Professional
2 and Priority Claims do not exceed the Allowed Administrative, Professional and Priority Claims
3 Cap;

4 (d) There has been compliance with the terms specified in Section III.D
5 of this Plan;

6 (e) The bylaws of AH System, AH NP2, the Debtors and their affiliates
7 shall be acceptable to the Lapis Parties; and

8 (f) All such other actions, documents, and agreements the Debtors,
9 Lapis Parties, and the Committee determine are necessary to implement the Plan shall have been
10 effected or executed.

11 The Debtors shall file and serve a “Notice of Occurrence of Effective Date” to all Holders
12 of record of Claims and Interests as of the date of entry of the Confirmation Order.

13 **2. Waiver of Conditions**

14 Except as otherwise specified herein, the requirement that the conditions to the occurrence
15 of the Effective Date be satisfied may be waived in whole or in part, and the time within which
16 any such conditions must be satisfied may be extended, by the Debtors with the prior written
17 consent of the Lapis Parties and the Committee. The failure to timely satisfy or waive any of such
18 conditions may be asserted regardless of the circumstances giving rise to the failure of such
19 condition to be satisfied, including any action or inaction by the Debtors. The failure of the Debtors
20 to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each
21 such right shall be deemed ongoing and subject to assertion at any time.

22 **BB. Authorization of Entity Action**

23 Each of the matters provided for under this Plan involving the Entity structure of Debtors
24 or Entity action to be taken by or required of Debtors shall, as of the Effective Date, be deemed to
25 have occurred and be effective as provided herein, and shall be authorized, approved and, to the
26 extent taken prior to the Effective Date, ratified in all respects without any requirement of further
27 action by creditors or Board Trustees of the Debtors.

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

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

SECTION IV. TREATMENT OF MISCELLANEOUS ITEMS

A. Assumption of Executory Contracts

1. Assumptions

1 On or before the Voting Deadline, AH System will File the “Schedule of Assumed
2 Agreements” and serve it on the parties to agreements listed on the schedule. AH System reserves
3 the right to amend the Schedule of Assumed Agreements at any time prior to the Voting Deadline
4 to: (a) delete any Executory Contract from the Schedule of Assumed Agreements and provide for
5 its rejection under the Plan or (b) add any Executory Contract and provide for its assumption under
6 the Plan or otherwise, subject to the right of the counterparty to object to such transfer within ten
7 (10) Business Days after notice with a right to a hearing thereon, and subject to the requirement
8 that Debtor must reserve amounts for Disputed Cure Payments in the full amounts claimed by
9 objecting contract counterparties. On the Effective Date, Debtors will assume all Executory
10 Contracts set forth on the Schedule of Assumed Agreements. The Confirmation Order will
11 constitute a Court order approving the assumption, as of the Effective Date, of the Executory
12 Contracts not rejected under the Plan, subject to the requirement that Debtors must reserve amounts
13 for Disputed Cure Payments in the full amounts claimed by objecting contract counterparties to
14 contracts to be assumed.

10 **2. Cure Payments**

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

22 **3. Objections to Assumption**

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

1 In the absence of a timely objection by an Entity who is a party to an Executory Contract,
2 the Confirmation Order shall constitute a conclusive determination as to the amount of any cure
3 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 **4. Resolution of Claims Relating to Assumed Agreements**

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

12 **B. Rejection of Executory Contracts**

13 **1. Rejected Agreements**

14 Immediately prior to the Effective Date, all Executory Contracts of the Debtors will be
15 deemed rejected in accordance with the provisions and requirements of §§ 365 and 1123 except
16 those Executory Contracts that (i) have been assumed by order of the Court, (ii) are subject to a
17 motion to assume pending on the Effective Date, or (iii) have been identified on a list of assumed
18 contracts to be filed with the Court prior to the Voting Deadline, which shall be a date prior to the
19 Effective Date of the Plan. The Confirmation Order will constitute a Court order approving such
20 rejections of Executory Contracts as of the Effective Date pursuant to §§ 365 and 1123.

21 **2. Bar Date for Rejection Damage Claims**

22 Any Claim for damages arising from the rejection under the Plan of an Executory Contract
23 must be Filed and served upon counsel to the Debtors within 30 days after the entry of an order
24 (including the Confirmation Order) approving such rejection. Any such Claims that are not timely
25 Filed and served will be forever barred and unenforceable against Debtors, the Estate, Reorganized
26 Debtors, the GUC Distribution Trust, and their respective property, and Entities holding these
27 Claims will be barred from receiving any distribution under the Plan on account of such untimely
28 claims.

29 **3. Post-Petition Contracts and Leases**

30 Except as set forth in the Schedule of Assumed Agreements or as otherwise expressly
31 provided in the Plan or the Confirmation Order, all contracts, leases, and other agreements that
32 Debtors entered into after Petition Date will be rejected by Reorganized Debtors.

33 **C. Indemnification Obligations**

34 Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the
35 Effective Date to indemnify, defend, reimburse, or limit the liability of employees, attorneys, other
36 professionals and agents of the Debtors, and such current and former employees', attorneys', other
37

1 professionals' and agents' of the Debtors, and such current respective Affiliates, respectively,
2 against any Claims or Causes of Action under the Indemnification Provisions or applicable law,
3 shall survive Confirmation, shall be assumed by the Debtors and assigned to the Reorganized
4 Debtors and will remain in effect after the Effective Date if such indemnification, defense,
5 reimbursement, or limitation is owed in connection with an event occurring before the Effective
6 Date; provided, however, that, notwithstanding anything herein to the contrary, the obligation of
7 the Reorganized Debtors to fund such Indemnification Provisions shall be limited to the extent of
8 coverage available under any Reorganized Debtor Insurance Policies.

6 **D. Lapis Parties Fees and Expenses**

7 As an integral component of the Senior Debt 9019 Settlement, to the extent not previously
8 paid prior to the Effective Date or in connection with this Plan, the fees and expenses of each of
9 the Lapis Parties shall be deemed Allowed Administrative Claims and shall be paid in Cash on the
10 Effective Date.

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

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

12 **SECTION V. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED, 13 AND DISPUTED CLAIMS AND INTERESTS**

14 **A. Joint Pursuit of Reconciliation, Objections to, and/or Settlement of Asserted 15 General Unsecured Claims**

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

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

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

25 **B. Resolution of Disputed Claims**

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

27 On and after the Effective Date, the Reorganized Debtors (and with respect to General
28 Unsecured Claims, the GUC Distribution Trustee), shall have and shall retain any and all rights

1 and defenses that the Debtors had with respect to any Claim or Interest, except with respect to any
2 Claim or Interest deemed Allowed as of the Effective Date. Except as expressly provided in the
3 Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the
4 Confirmation Order), no Claim or Interest shall become an Allowed Claim or Interest unless and
5 until such Claim or Interest is deemed Allowed under the Plan or the Bankruptcy Code or the Court
6 has entered a Final Order, including the Confirmation Order, in the Chapter 11 Cases allowing
7 such Claim.

8 **2. Prosecution of Objections to Claims**

9 On or after the Effective Date, the Reorganized Debtors (and with respect to General
10 Unsecured Claims, the GUC Distribution Trustee), shall have the authority to File objections to
11 Claims, and the exclusive authority, subject to Section V.A of this Plan, to settle, compromise,
12 withdraw, or litigate to judgment objections on behalf of the Debtors' Estates to any and all Claims,
13 except with respect to any Claim or Interest deemed Allowed as of the Effective Date. From and
14 after the Effective Date, the Reorganized Debtors (and with respect to General Unsecured Claims,
15 the GUC Distribution Trustee) shall have the sole authority, subject to Section V.A of this Plan, to
16 administer and adjust the Claims Register with respect to Claims to reflect any such settlements or
17 compromises and no further notice to or action, order, or approval of the Court with respect to
18 such settlements or compromises shall be required.

19 **3. Claims Estimation**

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

Notwithstanding any provision otherwise in the Plan to the contrary, a Claim that has been
expunged from the Claims Register but that is subject to appeal or has not been the subject of a
Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Court.
In the event that the Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim,
that estimated amount shall constitute either the Allowed amount of such Claim or a maximum
limitation on such Claim for all purposes under the Plan, including for purposes of distributions,
and the Reorganized Debtors (or the GUC Distribution Trustee, as applicable) may elect to pursue
additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes
a maximum limitation on such Claim, the Reorganized Debtors (or the GUC Distribution Trustee,
as applicable) may elect to pursue any supplemental proceedings to object to any ultimate
distribution on account of such Claim. Notwithstanding § 502(j), in no event shall any Holder of
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

1 seek such reconsideration on or before 21 days after the date on which such Claim is estimated.
2 All of the aforementioned Claims and objection, estimation, and resolution procedures are
3 cumulative and not exclusive of one another. Claims may be estimated and subsequently
4 compromised, settled, withdrawn, or resolved by any mechanism approved by the Court.

4 **4. Expungement or Adjustment to Claims Without Objection**

5 Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims
6 Register by the Reorganized Debtors (and with respect to General Unsecured Claims, the GUC
7 Distribution Trustee) or the Claims and Noticing Agent at the Reorganized Debtors' (and with
8 respect to General Unsecured Claims, the GUC Distribution Trustee's) direction, and any Claim
9 that has been amended may be adjusted thereon by the Reorganized Debtors (and with respect to
10 General Unsecured Claims, by the GUC Distribution Trustee) without a Claims objection having
11 to be Filed and without any further notice to or action, order, or approval of the Court.

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

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

12 **C. Disallowance of Claims**

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

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

22 **D. Disallowance of Untimely Claims**

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

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

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

9 E. Amendments to Claims

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

14 F. No Interest

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

20 SECTION VI. RETENTION OF JURISDICTION

21 Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective
22 Date, on and after the Effective Date, the Court shall retain jurisdiction over the Chapter 11 Cases
23 and all matters arising out of, or related to, the Chapter 11 Cases and the Plan, including jurisdiction
24 to:

25 1. Allow, Disallow, determine, liquidate, classify, estimate, or establish the priority,
26 Secured or unsecured status, or amount of any Claim, including the resolution of any request for
27 payment of any Administrative Claim and the resolution of any and all objections to the Secured
28 or unsecured status, priority, amount, or Allowance of 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;

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

3 3. resolve any matters related to (i) the assumption or assumption and assignment of
4 any Executory Contract to which a Debtor is a party or with respect to which a Debtor may be
5 liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising
6 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;

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

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

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

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

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

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

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

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

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

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

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

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

3 16. adjudicate, decide, or resolve any motions, adversary proceedings, contested or
4 litigated matters, and any other matters, and grant or deny any applications involving a Debtor that
5 may be pending on the Effective date, including *Washington State Nurses Association v. SHC*
6 *Medical Center - Yakima and Astria Health*, Adv. Pro. No. 20-80005 (Bankr. E.D. Wa.); *Astria*
7 *Health, et al. v. United States Small Business Administration and Jovita Carranza*, Adv. Pro. No.
8 20-80016 (Bankr. E.D. Wa.); and *Yakima HMA, LLC and Yakima HMA Physician Management,*
9 *LLC v. SHC Medical Center - Yakima and SHC Medical Center - Toppenish*, Adv. Pro. No. 20-
10 80018 (Bankr. E.D. Wa.);

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

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

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

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

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

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

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

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

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

27 **SECTION VII. EFFECT OF CONFIRMATION OF PLAN**

28 **A. Discharge**

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

1 Except as otherwise provided in the Plan or the Confirmation Order or in any Executory
2 Contract assumed by Debtors during the Chapter 11 Cases (including, without limitation, the
3 Debtors' indemnification obligations thereunder), the Plan and Confirmation Order shall: (a) on
4 the Effective Date, discharge and release the Debtors, the Estate, the Reorganized Debtors, and
5 their property to the fullest extent permitted by §§ 524 and 1141 from all Claims, including all
6 debts, obligations, demands, liabilities, and Claims that arose before the Effective Date, and all
7 debts of the kind specified in §§ 502(g), 502(h), or 502(i), regardless of whether or not (i) a proof
8 of Claim based on such debt is Filed or deemed Filed, (ii) a Claim based on such debt is allowed
9 pursuant to § 502, or (iii) the Holder of a Claim based on such debt or Interest has or has not
10 accepted the Plan; (b) void any judgment underlying a Claim discharged hereunder; and (c)
11 preclude all Entities from asserting against the Debtors, the Estate, the Reorganized Debtors, or
12 their respective property any Claims based upon any act or omission, transaction, or other activity
13 of any kind or nature that occurred prior to the Effective Date. To the extent any Claim is paid
14 other than under the Plan, Debtors will be deemed discharged and released with respect to such
15 Claim and such Claim and shall not receive a distribution under the Plan.

16 Except as otherwise provided in the Plan or the Confirmation Order, or as provided in
17 contracts assumed during the Case and Debtor's indemnification obligations thereunder, on and
18 after the Effective Date, all Entities who have held, currently hold, or may hold a debt or Claim
19 against the Debtors, the Estate, the Reorganized Debtors, or their respective property that is based
20 upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to
21 the Effective Date, that otherwise arose or accrued prior to the Effective Date, or that is otherwise
22 discharged pursuant to the Plan, shall be permanently enjoined from taking any of the following
23 actions on account of any such discharged debt, Claim, or Interest (the "Permanent Injunction"): (a)
24 commencing or continuing in any manner any action or other proceeding against the Debtors,
25 the Estates, the Reorganized Debtors, or their respective property that is inconsistent with the Plan
26 or the Confirmation Order; (b) enforcing, attaching, collecting, or recovering in any manner any
27 judgment, award, decree, or order against the Debtors, the Estate, the Reorganized Debtors, or
28 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.

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

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other
benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan
or in any contract, instrument, or other agreement or document created pursuant to the Plan, the
distributions, rights, and treatment that are provided in the Plan shall be in complete settlement,
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,

1 regardless of whether any property shall have been distributed or retained pursuant to the Plan on
2 account of such Claims and Interests, including demands, liabilities, and Causes of Action that
3 arose before the Effective Date, any liability to the extent such Claims or Interests relate to services
4 performed by employees of the Debtor before the Effective Date and that arise from a termination
5 of employment, any contingent or non-contingent liability on account of representations or
6 warranties issued on or before the Effective Date, and all debts of the kind specified in §§ 502(g),
7 502(h), or 502(i), in each case whether or not: (a) a Proof of Claim or proof of Interest based upon
8 such debt, right, or Interest is Filed or deemed Filed pursuant to § 501; (b) a Claim or Interest
9 based upon such debt, right, or Interest is Allowed pursuant to § 502; or (c) the Holder of such a
10 Claim or Interest has accepted the Plan. Any default by the Debtor or its Affiliates with respect to
11 any Claim or Interest that existed immediately before or on account of the filing of the Chapter 11
12 Case shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial
13 determination of the settlement, compromise, and release of all Claims and Interests, subject to the
14 Effective Date occurring.

10 **C. Release of Liens**

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

18 **D. Subordinated Claims**

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

24 **E. Exculpation**

25 The Exculpated Parties shall neither have, nor incur any liability to any Entity for any
26 prepetition or postpetition act taken or omitted to be taken in connection with the Chapter 11 Cases,
27 or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or
28 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

1 Plan, or any other prepetition or postpetition act taken or omitted to be taken in connection with
2 or in contemplation of the restructuring of the Reorganized Debtors, liquidation of the Liquidating
3 Debtors, or administration of the GUC Distribution Trust. Without limiting the foregoing
4 “Exculpation” provided under this Section, the rights of any Holder of a Claim or Interest to
5 enforce rights arising under the Plan shall be preserved, including the right to compel payment of
6 distributions in accordance with the Plan; provided, that the foregoing “Exculpation” shall have
7 no effect on the liability of any Entity for liability solely to the extent resulting from any such act
8 or omission taken after the Effective Date or of any Entity solely to the extent resulting from any
9 act or omission that is determined in a final order to have constituted gross negligence or willful
10 misconduct; provided, further, that, subject to the foregoing exclusions, each Exculpated Party
11 shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or
12 in connection with, the Plan or any other related document, instrument, or agreement. The
13 exculpation of the Lapis Parties is an integral component of the Senior Debt 9019 Settlement.

9 **F. Releases**

10 **1. Debtors’ Releases**

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

1 ANY CHALLENGE TO CLAIMS AND RIGHTS OF THE LAPIS PARTIES UNDER THE
2 BOND DOCUMENTS AND CREDIT AGREEMENT DOCUMENTS; *PROVIDED, HOWEVER,*
3 THAT THE FOREGOING “DEBTORS’ RELEASES” SHALL NOT OPERATE TO WAIVE OR
4 RELEASE ANY CLAIMS OR CAUSES OF ACTION OF THE DEBTORS OR THEIR
5 ESTATES AGAINST A RELEASED PARTY ARISING UNDER ANY CONTRACTUAL
6 OBLIGATION OWED TO THE DEBTORS THAT IS ENTERED INTO OR ASSUMED
7 PURSUANT TO THE PLAN.

8 ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT’S
9 APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTORS’ RELEASES,
10 WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND
11 DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE
12 COURT’S FINDING THAT THE DEBTORS’ RELEASES ARE: (1) IN EXCHANGE FOR THE
13 GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES;
14 (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY
15 THE DEBTORS’ RELEASES; (3) IN THE BEST INTERESTS OF THE DEBTORS’ ESTATES
16 AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE, AND
17 REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR
18 HEARING; AND (6) A BAR AGAINST ANY OF THE DEBTORS’ ESTATES, THE
19 REORGANIZED DEBTORS, THE GUC DISTRIBUTION TRUST, OR THE LIQUIDATION
20 TRUST, ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO
21 THE DEBTORS’ RELEASES.

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

24 **2. Third Party Releases**

25 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
26 AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES SHALL BE DEEMED
27 TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND
28 COLLECTIVELY, RELEASED AND ACQUITTED THE RELEASED PARTIES AND THEIR
RESPECTIVE PROPERTY 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

1 DEBTORS, THE GUC DISTRIBUTION TRUST, OR THE LIQUIDATION TRUST WOULD
2 HAVE BEEN LEGALLY ENTITLED TO ASSERT OR THAT ANY HOLDER OF A CLAIM
3 AGAINST OR INTEREST IN THE DEBTORS OR ANY OTHER ENTITY COULD HAVE
4 BEEN LEGALLY ENTITLED TO ASSERT DERIVATIVELY OR ON BEHALF OF THE
5 DEBTORS OR THEIR ESTATES, EXCEPT FOR (I) ANY CLAIMS AND CAUSES OF
6 ACTION FOR ACTUAL FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT
7 AND (II) THE RIGHT TO RECEIVE DISTRIBUTIONS FROM THE DEBTORS, THE
8 REORGANIZED DEBTORS, THE GUC DISTRIBUTION TRUST, OR THE LIQUIDATION
9 TRUST ON ACCOUNT OF AN ALLOWED CLAIM AGAINST THE DEBTORS PURSUANT
10 TO THE PLAN. FOR THE AVOIDANCE OF DOUBT, THE RELEASING PARTIES SHALL
11 INCLUDE (A) THE RELEASED PARTIES, AND (B) ALL HOLDERS OF CLAIMS THAT (I)
12 VOTE TO ACCEPT THE PLAN, AND (II) DO NOT AFFIRMATIVELY OPT OUT OF THE
13 THIRD PARTY RELEASE PROVIDED BY THIS SECTION PURSUANT TO A DULY
14 EXECUTED BALLOT. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN,
15 IN NO EVENT SHALL AN ENTITY THAT (X) DOES NOT VOTE TO ACCEPT OR REJECT
16 THE PLAN, (Y) VOTES TO REJECT THE PLAN, OR (Z) APPROPRIATELY MARKS THE
17 BALLOT TO OPT OUT OF THE THIRD PARTY RELEASE PROVIDED IN THIS SECTION
18 AND RETURNS SUCH BALLOT IN ACCORDANCE WITH THE SOLICITATION
19 PROCEDURES ORDER, BE A RELEASING PARTY.

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

1 AGAINST THE LAPIS PARTIES ARISING FROM OR RELATED TO THE LAPIS PARTIES'
2 PRE- AND/OR POST-PETITION ACTIONS, OMISSIONS OR LIABILITIES, TRANSACTION,
3 OCCURRENCE, OR OTHER ACTIVITY OF ANY NATURE EXCEPT FOR AS PROVIDED
4 IN THIS PLAN OR THE CONFIRMATION ORDER.

4 **G. Injunction**

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

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

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

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

21 **I. Limitation on Liability of Liquidation Trustee and GUC Distribution 22 Trustee**

23 The GUC Distribution Trustee will not be liable for any act it may do or omit to do as GUC
24 Distribution Trustee under the Plan and GUC Distribution Trust Agreement, as applicable, while
25 acting in good faith and in the exercise of his or her reasonable business judgment; nor will the
26 GUC Distribution Trustee be liable in any event except for gross negligence, fraud, or willful
27 misconduct. The foregoing limitation on liability will also apply to any Person or Entity (including
28 any attorney or other professional) employed by the GUC Distribution Trustee and acting on behalf
of the GUC Distribution Trustee in the fulfillment of the GUC Distribution Trustee's duties under
the Plan or the GUC Distribution Trust Agreement. Also, the GUC Distribution Trustee and any

1 Person or Entity (including any attorney or other professional) employed by the GUC Distribution
2 Trustee and acting on behalf of the GUC Distribution Trust shall be entitled to indemnification
3 out of the assets of the GUC Distribution Trust against any losses, liabilities, expenses (including
4 attorneys' fees and disbursements), damages, taxes, suits, or claims that they may incur or sustain
by reason of being, having been, or being or having been employed by, the GUC Distribution
Trustee, or for performing any function incidental to such service.

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

13 **J. Setoffs**

14 Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on
15 and after the Effective Date, the Reorganized Debtors, the GUC Distribution Trustee or the
16 Liquidation Trustee, as applicable, pursuant to the Bankruptcy Code (including §§ 553 and 558),
17 applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, may
18 set off against any Allowed Claim or Interest on account of any Proof of Claim or proof of Interest
19 or other pleading Filed with respect thereto prior to the Confirmation Hearing and the distributions
20 to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any
21 distribution is made on account of such Allowed Claim or Interest), any claims, rights, and Causes
22 of Action of any nature that the Debtor's Estate may hold against the Holder of such Allowed
23 Claim or Interest, to the extent such claims, rights, or Causes of Action against such Holder have
24 not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to
25 the Plan or otherwise); provided that neither the failure to effect such a setoff nor the allowance of
26 any Claim or Interest pursuant to the Plan shall constitute a waiver or release by the Debtors, the
27 Reorganized Debtors, the 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 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.

1 **K. Revesting of Property in Debtors**

2 Except as provided elsewhere in the Plan or in the Exchange Debt Documents, the Effective
3 Date of the Plan revests the assets of the Estate in the Reorganized Debtors, free and clear of all
4 Claims, liens, encumbrances, and Interests, except as expressly provided in the Plan. From and
5 after the Effective Date, Reorganized Debtors may operate their business and use, acquire and
6 dispose of property without supervision by the Court and free of any restrictions of the Bankruptcy
7 Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the
8 Confirmation Order.

9 **L. 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, Reorganized Debtors shall be vested with and shall retain any and all restricted
12 funds, if any, formerly held by Debtors. All such funds shall be held in charitable trust and may be
13 used only for the restricted purposes permitted under applicable law. Debtors are not aware of any
14 restricted funds.

15 **M. Modification of Plan**

16 Subject to such notice as the Court may require, the Debtors may, with the prior written
17 consent of the Lapis Parties and the Committee, modify the Plan at any time before Confirmation,
18 if circumstances develop that warrant modification or amendment to the Plan. For the avoidance
19 of doubt, the Debtors will not modify any term of the Plan constituting the Committee Plan
20 Settlement without the prior consent of the Committee

21 However, the Court may require a new disclosure statement and/or re-voting on the Plan if
22 the Debtors materially modify the Plan before Confirmation. The Debtors may also seek to modify
23 the Plan at any time after Confirmation so long as (1) the Plan has not been substantially
24 consummated and (2) if the Court authorizes the proposed modifications after notice and a hearing.

25 **N. Termination of the Patient Care Ombudsman**

26 Upon the Effective Date, the responsibilities of the PCO will be terminated and she may
27 dispose of any documents provided to her in the course of her reporting.

28 **O. Post-Confirmation Status Report**

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

1 **P. Quarterly Fees**

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

9 **Q. Post-Confirmation Conversion/Dismissal**

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

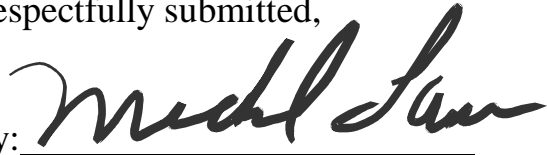
17 The Confirmation Order may also be revoked under very limited circumstances. The Court
18 may revoke the order if the Confirmation Order was procured by fraud and if the party in interest
19 brings an adversary proceeding to revoke Confirmation within 180 days after the entry of the
20 Confirmation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

21 **R. Final Decree**

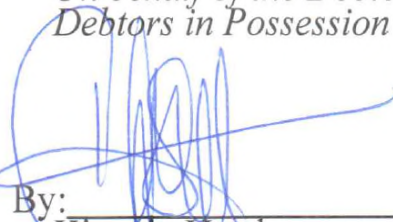
22 Once the Estates have been fully administered as referred to in Bankruptcy Rule 3022,
23 Reorganized Debtors, or such other party as the Court shall designate in the Confirmation Order,
24 shall file a motion with the Court to obtain a final decree to close the Chapter 11 Cases.
25
26
27
28

1 Dated: November 11, 2020

Respectfully submitted,

2
3 By: 
4 Michael Lane
Chief Restructuring Officer

5
6 *On behalf of the Debtors and
Debtors in Possession*

7
8 
9 By: _____
10 Kjerstin Hatch
11 Managing Member of GP
12 *On behalf of the Lapis Parties*

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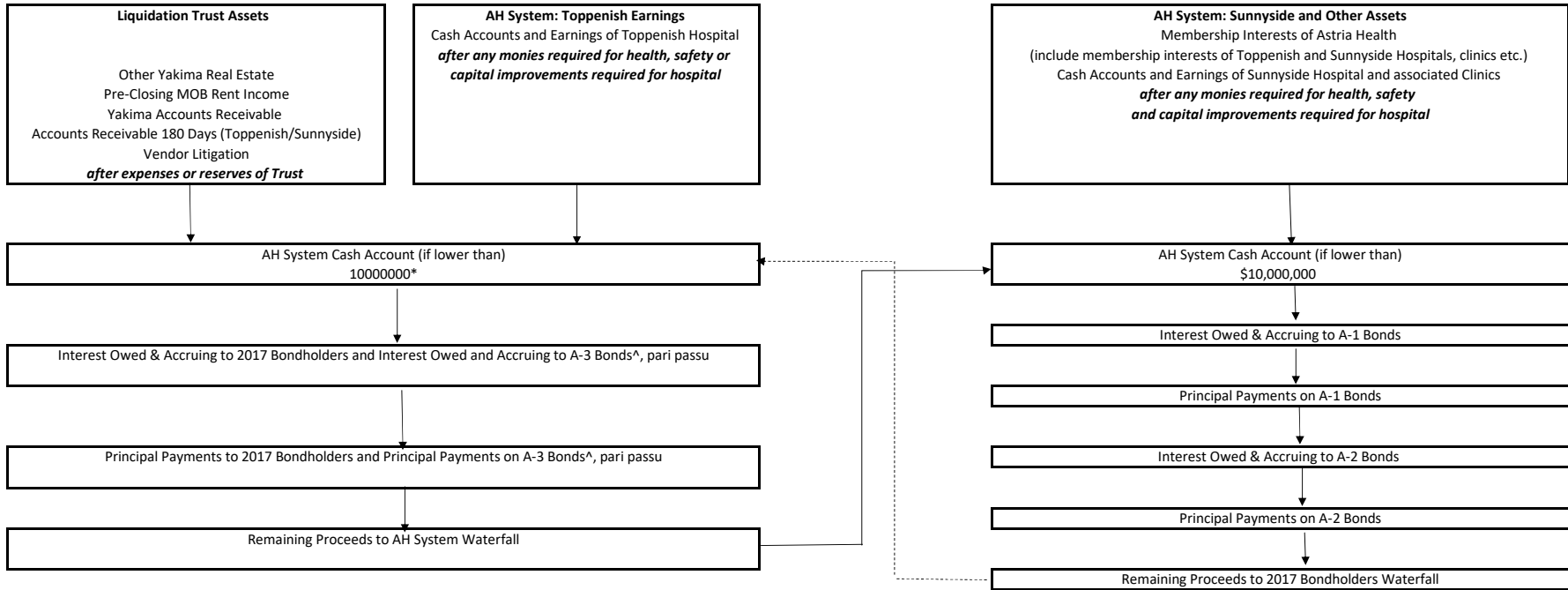
EXHIBIT A

Schedule A

Debt Series	Issuance Amount	Interest Rate	Collateral
2020 Series A-1	Up to [\$38,907,483.15] as an exchange of the DIP Loan and any amounts owing on the DIP Loan at the time of Emergence from the Chapter 11 Bankruptcy Case plus any fees or expenses of the DIP Lenders and amounts provided to AH System to facilitate the Acquisition	12% Current Pay	First Priority Perfected Lien against Sunnyside Hospital, First Priority Perfected Lien against all Accounts Receivable and Cash Accounts of the Debtors
2020 Series A-2	Up to \$[13,007,397.26]* as an exchange for the Working Capital Loan provided to Sunnyside Hospital	13.5% Accrued Rate compounded and payable pursuant to the Waterfall, provided the coupon steps down to 8% if the instrument is paid current	Second Priority Perfected Lien against Sunnyside Hospital, Second Lien on Toppenish Hospital, a Second Lien on Accounts Receivable of Sunnyside and Toppenish Hospital
2020 Series A-3	The amount of 2017 Bonds, as advised by bond counsel as necessary to comply with the "change in use" rules that apply to the sale of Yakima Hospital and the Medical Office Building, currently estimated as \$[12,000,000].*	10% Accrued Rate compounded and payable pursuant to the Waterfall.	First Priority Perfected Lien against the Liquidation Estate and Toppenish Hospital, Third Lien against Sunnyside Hospital
2017 Bonds	The remaining principal balance of the 2017 Bonds that are allocable to assets financed by such issue other than Yakima Hospital and the Medical Office Building, currently estimated as \$[12,000,000].*	10% Accrued Rate compounded and payable pursuant to the Waterfall.	First Priority Perfected Lien against the Liquidation Estate and Toppenish Hospital, Third Lien against Sunnyside Hospital

* Amounts to be updated. The principal amounts of the 2020 Series A-3 Bonds and the 2017 Bonds assume (i) consummation of the anticipated MOB/Yakima Hospital transaction on or about November 15, 2020, (ii) net proceeds available therefrom of \$19,000,000 used first to pay accrued interest on the 2017 Bonds and second to pay principal thereof, and (iii) that \$12,000,000 of such bonds are allocable to assets financed by such issue other than the MOB/Yakima Hospital facility (an assumption that is an estimate only and is subject to review and approval by bond counsel).

Schedule B



*This tier bypassed for proceeds of bond-financed assets in the Liquidation Trust

^for funds that are proceeds of bond-financed assets in the Liquidation Trust, all proceeds would be allocated to 2017 Bondholders.

EXHIBIT B

Liquidation Analysis				
In \$000's	Notes	Book Value	%	Amount
Assets				
Cash	1	\$ 18,945.40	100%	\$ 18,945.40
Patient Accounts Receivable, net	2	\$ 42,772.94	45%	\$ 19,247.82
Other Accounts Receivable (intercompany)	3	\$ 32,897.80	0%	\$ -
Avoidance Actions, net	4	\$ 5,000.00	70%	\$ 3,500.00
Inventory, net	5	\$ 2,000.00	10%	\$ 200.00
Prepays & other current assets		\$ 11,677.36	25%	\$ 2,919.34
Plant, Property, Equipment, net		\$ 76,455.39	25%	\$ 19,113.85
Other Long Term Assets	6	\$ 4,909.14	0%	\$ -
Total current assets		\$ 194,658.04	33%	\$ 63,926.42
Expenses				
OUST Fees (\$420/Quarter)				\$ (420.00)
Employee Expenses (salaries and Benefits)	7	\$ (1,967.50)	100%	\$ (1,967.50)
Chapter 11 or 7 Trustee	8	3%	100%	\$ (1,917.79)
Chapter 11 or 7 Pro Fees and Expenses		\$ (250.00)	100%	\$ (250.00)
Shutdown costs		\$ (5,000.00)	100%	\$ (5,000.00)
Total Expenses				\$ (9,555.29)
Net proceeds Available for Secured Creditors				\$ 54,371.12
Secured Claims		\$ (100,000.00)		\$ (100,000.00)
Funds Available for Remaining Admin and Unsecured creditors				\$ (45,628.88)
Assumes Shut Down of Facilities				
As of May 30, 2020 Financial Results				
Cash estimate at time of confirmation may vary	1			
Patient AR collections decrease with closure	2			
Other AR is inter-company; No Recovery	3			
Preferences (est.) on contingency basis	4			
Estimate of Inventory on hand at confirmation	5			
Unamortized Loan Costs	6			
Estimate assuming 5/30/20 AP balance remains	7			
3% of Total Current Assets @ Liquidation	8			

EXHIBIT C

**Astria Health - Consolidated
Income Statement**

P&L						
<i>In \$000's</i>	Forecast FY20	Forecast FY21	Forecast FY22	Forecast FY23	Forecast FY24	Forecast FY25
Net revenue						
Inpatient revenue	142,926	148,918	149,192	151,524	153,898	156,315
Outpatient revenue	304,910	349,522	362,536	368,949	375,483	382,140
Clinic revenue	25,007	29,535	30,876	31,494	32,124	32,766
Other revenue	19,563	501	501	501	501	501
Gross revenue	492,406	528,477	543,105	552,468	562,006	571,723
Revenue deductions						
Contractual deductions	(312,391)	(345,716)	(355,574)	(361,757)	(368,056)	(374,472)
Provision for bad debt	(9,394)	(7,936)	(7,994)	(8,123)	(8,255)	(8,388)
Charity	(5,828)	(7,338)	(7,417)	(7,541)	(7,667)	(7,795)
Revenue deductions	(327,614)	(360,990)	(370,985)	(377,421)	(383,977)	(390,656)
Net revenue	164,792	167,487	172,121	175,047	178,029	181,067
Operating expenses						
Salaries and wages	50,269	57,268	58,669	59,629	60,724	61,720
Benefits	9,943	12,388	12,712	12,929	13,178	13,403
Purchased services	32,532	39,918	41,042	41,726	42,423	43,132
Supplies	21,268	23,574	24,327	24,788	25,258	25,737
Utilities	1,896	2,222	2,286	2,330	2,375	2,421
Rent	2,213	2,179	2,179	2,179	2,179	2,179
Contract labor	2,965	2,205	2,205	2,205	2,205	2,205
Physician fees	2,853	2,755	2,755	2,755	2,755	2,755
Legal and other professional fees	397	300	300	300	300	300
Property taxes and ins	1,305	1,337	1,337	1,337	1,337	1,337
Repairs and maintenance	673	691	691	691	691	691
Other operating expenses	3,665	3,839	3,927	3,984	4,042	4,101
Operating expenses	129,980	148,675	152,430	154,853	157,466	159,981
Other expense (income)						
Depreciation and amortization	4,244	4,279	4,279	4,279	4,279	4,279
Interest expense, net	4,558	7,276	6,002	4,642	3,452	2,122
Miscellaneous expense (income), including Trustee	10,635	57	57	57	57	57
Other expense (income)	19,437	11,612	10,338	8,978	7,788	6,458
Net income	15,375	7,200	9,353	11,217	12,775	14,627

**Astria Health - Consolidated
Balance Sheet**

<i>In \$000's</i>	Forecast FY20	Forecast FY21	Forecast FY22	Forecast FY23	Forecast FY24	Forecast FY25
Assets						
Cash	10,000	10,000	10,000	10,000	10,000	10,000
Reserve Balance	-	-	-	-	-	-
Accounts receivable, net	37,339	31,236	28,294	28,775	29,265	29,764
Inventory	2,676	2,676	2,676	2,676	2,676	2,676
Other receivables	2,000	2,000	2,000	2,000	2,000	2,000
Prepays & other current assets	1,530	1,530	1,530	1,530	1,530	1,530
Total current assets	53,545	47,442	44,500	44,981	45,472	45,971
PP&E, net	42,083	43,245	44,744	46,583	48,764	51,289
Liquidating Trust	1,639	1,639	1,639	1,639	1,639	1,639
Other assets	3,556	3,556	3,556	3,556	3,556	3,556
Total assets	100,824	95,883	94,440	96,759	99,430	102,455
Liabilities and equity						
Accounts payable	6,296	7,793	7,880	8,001	8,124	8,250
Accrued Expenses: Employee Comp & Other	6,558	7,692	7,765	7,893	8,039	8,172
Current Portion of Long-Term Debt	-	-	-	-	-	-
Other Current Liabilities	1,350	270	270	270	270	270
Total current liabilities	14,204	15,755	15,915	16,164	16,434	16,692
Long-term debt	71,909	51,697	40,741	31,595	21,222	9,361
Intercompany Accounts / other	-	-	-	-	-	-
Total liabilities	86,113	67,452	56,656	47,759	37,655	26,053
Net Assets	14,711	28,431	37,784	49,000	61,775	76,403
Total liabilities and Net Assets	100,824	95,883	94,440	96,760	99,431	102,456

Source: Internal financials provided by Management

**Astria Health - Consolidated
Cash Flow**

<i>In \$000's</i>	Note	Forecast FY20	Forecast FY21	Forecast FY22	Forecast FY23	Forecast FY24	Forecast FY25
Cash Flow from Operating Activities							
Net Income		15,375	7,200	9,353	11,217	12,775	14,627
Depreciation & Amortization		4,244	4,279	4,279	4,279	4,279	4,279
Changes in A/R		5,482	6,103	2,942	(481)	(490)	(499)
Changes in Inventory		(267)	-	-	-	-	-
Changes in Other Receivables	1	32,337	-	-	-	-	-
Changes in Prepaids & other current / LT assets		(24)	-	-	-	-	-
Changes in Reserve Balances		-	-	-	-	-	-
Changes in A/P	2	(11,169)	1,497	87	121	123	126
Changes in Accrued Expenses		640	1,134	73	128	146	133
Changes in Other current liabilities		(8,782)	(1,080)	-	-	-	-
Changes in Intercompany Accounts	1	(12,481)	-	-	-	-	-
Cash Flow from Operating Activities		25,355	19,133	16,733	15,264	16,833	18,665
Cash Flow from Investing Activities							
Net Proceeds from Sale of Assets		10,500	6,520	-	-	-	-
Capex		(3,723)	(5,441)	(5,778)	(6,117)	(6,460)	(6,804)
Total Cash Flow from Investing Activities		6,777	1,079	(5,778)	(6,117)	(6,460)	(6,804)
Cash Flow from Financing Activities							
Liquidating Trust		(1,639)	-	-	-	-	-
Non-Cash Component of Restructuring Adj.		(71,837)	-	-	-	-	-
Issuance of Debt		95,110	-	-	-	-	-
Debt Issuance / Cash Restructuring Costs		-	-	-	-	-	-
Retirement of Debt		(24,414)	-	-	-	-	-
Amortization / Change in LT Debt (incl. PIK)		(23,201)	(20,212)	(10,955)	(9,146)	(10,374)	(11,861)
Total Cash Flow from Financing Activities		(25,981)	(20,212)	(10,955)	(9,146)	(10,374)	(11,861)
Change in Cash		6,150	(0)	-	(0)	-	(0)
Beginning Cash		3,850	10,000	10,000	10,000	10,000	10,000
Ending Cash		10,000	10,000	10,000	10,000	10,000	10,000

1. Elimination of inter-company receivables and payables from the Balance Sheet, at confirmation; these are non-cash entries.

2. Reduction in Accounts Payable is a combination of claims paid at confirmation and non-cash reduction in liabilities; remaining balance is current, post-petition balance owing.