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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 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 B – Liquidation Analysis
- Exhibit C – Financial Projections

**NOTICE TO HOLDERS OF CLAIMS
AND DISCLAIMERS**

THIS DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) INCLUDES AND DESCRIBES THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ASTRIA HEALTH AND ITS AFFILIATES, DATED JULY 7, 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 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 WITH CARE.

NO SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT 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.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT AUTHORIZED BY

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 THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF
2 WASHINGTON (THE “**BANKRUPTCY COURT**”)⁴ TO BE USED IN CONNECTION WITH
3 THE PLAN. NO SOLICITATIONS FOR OR AGAINST THE PLAN MAY BE MADE
4 EXCEPT THROUGH THIS DISCLOSURE STATEMENT.

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

19 **THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE**
20 **WITH § 1125 AND BANKRUPTCY RULE 3016(b), AND NOT NECESSARILY IN**
21 **ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-**
22 **BANKRUPTCY LAW. PERSONS OR ENTITIES TRADING IN OR OTHERWISE**
23 **PURCHASING, SELLING, OR TRANSFERRING SECURITIES OF OR CLAIMS**
24 **AGAINST THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT**
25 **AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.**
26 **THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE ADVICE ON**
27 **THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION**
28 **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
ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS
NOT AUTHORIZED.

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

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

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

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

30 **AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER**
31 **ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL**
32 **NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR**
33 **LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS THE PLAN**
34 **PROPONENTS’ STATEMENT OF THE STATUS OF THE RESPECTIVE MATTER.**

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

42 **THE DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. PACIFIC**
43 **DAYLIGHT TIME, SEPTEMBER 10, 2020 (THE “VOTING DEADLINE”), UNLESS**
44 **EXTENDED BY ORDER OF THE BANKRUPTCY COURT. ALL BALLOTS MUST BE**
45 **ACTUALLY RECEIVED BY KURTZMAN CARSON CONSULTANTS, LLC (“KCC” OR**
46 **THE “SOLICITATION AGENT”) NO LATER THAN THE VOTING DEADLINE. DO**
47 **NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT. YOUR VOTE ON**
48 **THE PLAN IS IMPORTANT.**

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**”),⁵ 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 (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 Joint Chapter 11 Plan of Reorganization of Astria Health and Its Affiliates, dated July 7, 2020 (the “**Plan**”), a copy of which is attached hereto as Exhibit A. The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. To the extent that the information provided in this Disclosure Statement and the Plan (including any Plan supplements or amendments) conflict, the terms of the Plan (including any Plan supplements or amendments) will control. Terms not otherwise specifically defined herein will have the meanings attributed to them in the Plan. Each definition in this Disclosure Statement and in the Plan includes both the singular and plural. Headings are for convenience or reference and shall not affect the meaning or interpretation of this Disclosure Statement.

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

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

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

⁵ 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 Exhibit A: The Plan
- 2 Exhibit B: Liquidation Analysis
- 3 Exhibit C: Financial Projections

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

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

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

26 This Disclosure Statement is subject to the Bankruptcy Court’s approval as containing
27 information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable
28 investor typical of each of the Classes whose votes are being solicited to make an informed
29 judgment with respect to the Plan. **THE BANKRUPTCY COURT’S APPROVAL OF THIS
30 DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION WITH
31 RESPECT TO THE MERITS OF THE PLAN. ALL CREDITORS ARE ENCOURAGED
32 TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND
33 IN THEIR ENTIRETY BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE
34 PLAN.**

35 **II.**
36 **EXPLANATION OF CHAPTER 11**

37 **A. Overview of Chapter 11**

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

43 Sections 1101, 1107, and 1108 provide that a debtor may continue to operate its business
44 and remain in possession of its property as a “debtor in possession” unless the bankruptcy court

1 orders the appointment of a trustee. In the Chapter 11 Cases, each Debtor remains in possession
2 of its property and continues to operate its businesses as a debtor in possession. *See* Section I.

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

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

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

21 **B. Plan of Reorganization**

22 The formulation of a plan of reorganization is the principal purpose of a chapter 11 case.
23 The plan sets forth the means for satisfying the holders of claims against and interests in the
24 debtor’s estate. Although referred to as a plan of reorganization, a plan may provide anything
25 from a complex restructuring of a debtor’s business and its related obligations to a simple
26 liquidation of the debtor’s assets. In either event, upon confirmation of the plan, it becomes
27 binding on the debtor and all of its creditors, and the prior obligations owed by the debtor to such
28 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.

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

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

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

Chapter 11 of the Bankruptcy Code does not require that each holder of a claim in a
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.

In addition, classes of claims that are not “impaired” under a plan of reorganization are

1 conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore,
2 classes that are to receive no distribution under the plan are conclusively deemed to have rejected
3 the plan. *See* Section VI.B.3. Accordingly, acceptances of a plan will generally be solicited only
4 from those persons who hold claims in an impaired class. **Except for Class 1 Priority Claims
and Class 2C Other Secured 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.**

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

18 In general, a bankruptcy court also may confirm a plan of reorganization even though
19 fewer than all the classes of impaired claims accept such plan. For a plan of reorganization to be
20 confirmed, despite its rejection by a class of impaired claims, the plan must be accepted by at
21 least one class of impaired claims (determined without counting the vote of insiders) and the
22 proponent of the plan must show, among other things, that the plan does not “discriminate
23 unfairly” and that the plan is “fair and equitable” with respect to each impaired class of claims
24 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.**

17 **III.** **OVERVIEW OF THE PLAN**

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

19 The Plan is built around the following key elements:

- 20 • The Debtors will be deemed consolidated for the sole purpose of treatment of Claims
21 and liabilities under a single Plan, but will otherwise retain the separate corporate
22 structure of individual Debtors (and any other Debtor not included therein shall be
treated under a separate Plan).
- 23 • AH NP 2, a Washington nonprofit corporation and currently a wholly owned
24 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.
- 25 • A newly created nondebtor entity, AH System, a freestanding Washington nonprofit
26 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.
- 27 • The Lapis Parties have agreed to reinstatement of the Senior Secured Bond Debt
28 Claims which will be paid by the Reorganized Debtors over time.

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- 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 Litigation Trust will be created to pursue all Avoidance Actions, other than any Avoidance Action against the vendor which provided revenue cycle, billing and collection services prepetition, to enable recoveries *pro rata* to Holders of Allowed General Unsecured Creditor Claims.
- A Liquidation Trust (together with the Litigation 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. In the event any assets in the Liquidation Trust are liquidated, the proceeds of such liquidation shall be used to fund AH System’s operating cash account up to an amount equal to the lesser of \$10 million or 30 days cash on hand and then to pay debt issued by AH System.
- Holders of Allowed Claims will receive a distribution of Cash or proceeds from the applicable Plan Trust, consistent with the priority provisions of the Bankruptcy Code.
- All Intercompany Claims will be expunged and eliminated through the limited consolidation of the Debtors for purposes of treatment of Claims and distributions under the Plan.
- The Debtors will proceed with the Closure Plan of SHC Medical Center - Yakima, doing business as Astria Regional Medical Center (“**ARMC**” or the “**Medical Center**”) in Yakima, Washington, and dissolve the non-operating Debtors relating thereto.

B. Summary of Distributions Under the Plan

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

1. Unclassified Claims

Certain types of Claims are not placed into voting classes; instead they are unclassified. They are not considered impaired and 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.

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

	<p>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.</p>
<p>Other Administrative Claims</p>	<p>Except for Ordinary Course Administrative Expenses⁶ (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.</p>
<p>Professional Fee Claims</p>	<p>All persons and entities seeking an award by the Court of professional fees on behalf of the Debtors (a) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses no later than forty-five (45) days after the Effective Date, and, (b) upon Court approval of such final application, shall receive, in full satisfaction, settlement, and release of, and in exchange for such Claim, from the Administrative and Priority Claims Reserve, Cash in such amounts as allowed by the Court (i) on the later of (A) the Effective Date (or as soon thereafter as reasonably practicable) and (B) the date that is ten (10) days after the allowance date, or (ii) upon such other terms as may be mutually agreed upon between the holder of such Claim and the Plan Proponents, and consistent with the terms of the Definitive Documents. For the avoidance of doubt, estate Professionals may still receive interim compensation prior to the Effective Date if otherwise able to under existing court orders.</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>

⁶ “**Ordinary Course Administrative Expense**” means Administrative Claims for goods and 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.

2. **Classified Claims**

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS	TREATMENT
1	Priority Claims (priority unsecured claims alleged pursuant to Code §§ 507(a)(4) and (5)) Total Amount = Unknown	Unimpaired	Not Entitled to Vote / Deemed to Accept	Paid in cash in full on later of Effective Date or when Allowed
2A	Senior Secured Bond Debt Claims Total Amount = \$43,194,789.04	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 Claims as of the Effective Date.
2B	Senior Secured Credit Agreement Claims Total Amount = \$13,007,397.26	Impaired	Entitled to Vote	In accordance with the Senior Debt 9019 Settlement, all Senior Secured Credit Agreement Claims shall be Allowed and satisfied, without setoff, reduction, subordination or challenge, by the exchange of all Senior Secured Credit Agreement Claims for Senior Secured Credit Agreement Exchange Debt with the attributes described in the schedule attached to the Plan in Exhibit A in the amount of all Senior Secured Credit Agreement Claims as of the Effective Date.
2C	Other Secured Claims	Unimpaired	Not Entitled to Vote / Deemed	On or as soon as practicable after the

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			to Accept	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.
3	Convenience Class Claims Total Amount = Est. Allowed amount of \$1,611,501, ⁷ assuming all claimants with Claims between \$5,000 and \$10,000 elect Class 3 treatment	Impaired	Entitled to Vote	To be paid 20% of allowed amount of claim up to a maximum of \$1,000, on the Effective Date or as soon as practicable thereafter. There shall be no limitation on the number of Convenience Class members.
4	General Unsecured Claims (Not Otherwise Classified) Total Amount = Approximately \$101,950,399.80 ⁸	Impaired	Entitled to Vote	Allowed General Unsecured Claims shall be satisfied <i>pro rata</i> solely from assets transferred to the Litigation Trust.
4A	Insured Claims	Impaired	Entitled to Vote	Subject to the terms and

⁷ 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.

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

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				conditions set forth in in the Plan, Holders of Allowed Insured Claims in Class 4A shall recover only from the available insurance and Debtors shall be discharged to the extent of any such excess. As of the Effective Date, all Insured Claims are Disputed.
5	Intercompany Claims	N/A	N/A	All intercompany claims shall be expunged and eliminated through the limited consolidation of the Debtors for purposes of treatment of Claims and distributions under the Plan.

Based on an initial review of the Claims filed in the Chapter 11 Cases, the total amount of General Unsecured Claims are approximately \$101,950,399.80. The Debtors, however, believe that this amount will materially reduce following the claims adjudication process. The actual amount distributed to Holders of Class 4 General Unsecured Claims (and the timing any such distributions) will vary based on the Assets that are recovered by the Litigation Trust and the reconciled amount of General Unsecured Claims that are Allowed. Holders of Class 5 Intercompany Claims are eliminated through the limited consolidation of the Debtors for Plan purposes.

**IV.
GENERAL OVERVIEW OF THE DEBTORS⁹**

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

A. Overview of the Debtors

The Astria Health system, headquartered in the heart of Yakima Valley, Washington, is the largest non-profit healthcare system based in Eastern Washington, with annual revenues of approximately \$140 million. Astria is the parent non-profit organization of three hospitals—(1) Sunnyside Community Hospital Association (“**Sunnyside**”), based in Sunnyside, Washington; (2) SHC Medical Center – Yakima (“**SHC–Yakima**”) formerly d/b/a Astria Regional Medical Center, based in Yakima, Washington; and (3) SHC Medical Center – Toppenish d/b/a Astria Toppenish Hospital (“**SHC–Toppenish**,” and collectively with Sunnyside and SHC–Yakima, the “**Hospitals**”), based in Toppenish, Washington—along with outpatient Astria Health Centers (14 medical clinics and 24 specialty clinics), Ambulatory Surgical Center, Astria Hearing and Speech, and Astria Home Health and Hospice with healthcare sites and providers conveniently located in towns and cities throughout the region.

⁹ The Debtors have prepared and are solely responsible for the statements and assumptions reflected in this Section IV.

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

- 2 • SHC Holdco, LLC (“**SHC Holdco**”);
- 3 • Sunnyside Community Hospital Home Medical Supply, LLC (“**Sunnyside Home Medical Supply**”);
- 4 • Sunnyside Home Health d/b/a Astria Home Health (“**Astria Home Health**”);
- 5 • Sunnyside Professional Services, LLC (“**SPS**”);
- 6 • Yakima Home Care Holdings, LLC (“**Yakima Home Care**”);
- 7 • Kitchen and Bath Furnishings, LLC (“**K&B**”);
- 8 • Glacier Canyon, LLC (“**Glacier**”);
- 9 • Oxbow Summit, LLC (“**Oxbow Summit**”); and
- 10 • Yakima HMA Home Health, LLC d/b/a Astria Home Health (“**Yakima HMA Home Health**”).¹⁰

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

12 1. The Health System

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

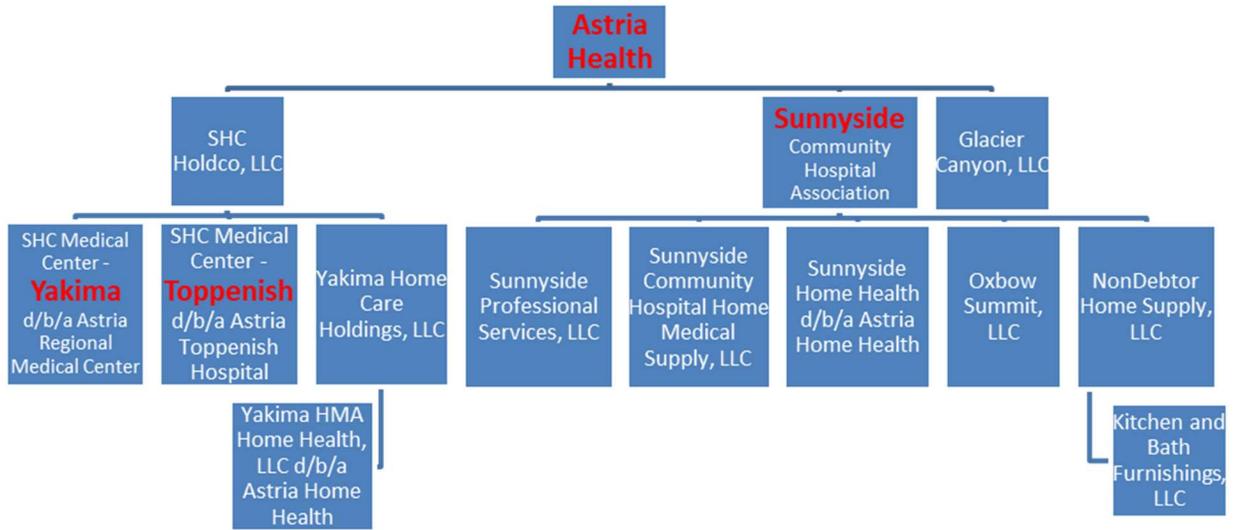
14 Overall, the Health System provides medical treatments to approximately 273,000 patients annually, including approximately 4,253 who spend at least one night in its Hospitals during the year. Sunnyside is the only hospital in Sunnyside, Washington, and SHC–Toppenish is the only hospital in Toppenish, Washington.

15 The Health System employs approximately 890 regular employees (making it one of the largest employers in the Yakima Valley), and approximately 329 doctors have privileges at the Hospitals.

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

17 ¹⁰ 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 The following graphic depicts the prepetition organizational structure of the Debtor
2 entities:



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

16 **a. Astria**

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

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

21 **b. Sunnyside entities**

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

27 Sunnyside has been in the planning stages of constructing a new hospital facility that will
28 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)

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

- 3 • SPS is a wholly owned subsidiary of Sunnyside, and a for-profit limited liability
4 corporation. SPS owns two medical office buildings and manages those buildings for
5 Sunnyside.
- 6 • Astria Home Health is a wholly-owned subsidiary of Sunnyside. It is a nonprofit
7 organization providing home health services in Sunnyside. Astria Home Health is
8 exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended
9 (the “IRC”) from federal income taxes except for unrelated business income.
- 10 • Sunnyside Home Medical Supply is a wholly-owned subsidiary of Sunnyside. It buys
11 and sells inventory and leases medical equipment, such as oxygen tanks,
12 concentrators, transcutaneous electrical nerve stimulation (“TENS”) units and similar
13 equipment. It is a nonprofit organization exempt under Section 501(c)(3) of the IRC
14 from federal income taxes except for unrelated business income.
- 15 • Oxbow Summit is a wholly owned subsidiary of Sunnyside. Oxbow Summit owns 50
16 acres of land in Sunnyside to be developed for the future Sunnyside replacement
17 hospital.
- 18 • K&B is a wholly owned subsidiary of Home Supply, LLC, which is a wholly owned
19 nondebtor subsidiary of Sunnyside. K&B owns approximately 2.5 acres of land on I-
20 84 in Zillah being held for future medical development.

21 **c. Yakima entities**

22 As of the Petition Date, SHC–Yakima was a 214-bed hospital which provided medical
23 services including open-heart surgery, advanced imaging, comprehensive robotics, neurosurgery,
24 and a Commission on Accreditation of Rehabilitation Facilities (CARF) accredited inpatient
25 rehabilitation. The Astria Heart Institute (part of SHC–Yakima) was a Level I Cardiac and Level
26 II Stroke center, with a Level III Trauma designation. SHC–Yakima owns 14 clinics with various
27 specialties. SHC–Yakima was originally established by the Sisters of Province as St. Elizabeth’s
28 Hospital in 1891. On September 1, 2017, the hospital became a part of Astria and began doing
business as ARMC on October 17, 2018. On January 8, 2020, in these Chapter 11 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.

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

d. SHC–Toppenish

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

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d. Benefits

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

3. Management

Astria’s current (a) President and Chief Executive Officer (“**CEO**”) is John M. Gallagher, who has held such position since September 2016; and (b) Chief Financial Officer (“**CFO**”) is Cary Rowan, who has held such position since August 2016. These officers are employed by AHM, Inc. (“**AHM**”), a nondebtor entity that provides management services to the Health System. AHM qualifies as an “insider” under § 101(31), with pass-through compensation over the course of these Chapter 11 Cases as reflected in the monthly operating reports (see section V.B.6 below).

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

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

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

Astria was financially successful when it only owned Sunnyside. However certain issues arose in connection with Astria’s acquisitions of SHC–Yakima and SHC–Toppenish resulting in significant financial setback for Astria. During the acquisition process, the Washington State Department of Health CON Program unexpectedly moved the approval of the CON of a sale from an expedited approval process, as required in regulations and precedent, to a public hearing process. This, in turn, created extended uncertainty, and resulted in a degradation of EBITDA of

1 approximately \$12 million annually. The full impact of this harm did not become apparent until
 2 September 2017.

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

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

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

14 As of the Petition Date, the Debtors collectively had a total of approximately \$71.7
 15 million of outstanding secured debt outstanding, held by Banner Bank, MidCap Financial Trust as
 16 Agent for the MidCap Lenders, UMB Bank, N.A. as the trustee for bondholders, certain entities
 17 affiliated with Lapis Advisers, LP, Lapis Advisers, LP, as agent for certain lenders, and GE HFS
 18 LLC (collectively, the **Prepetition Secured Parties**”), consisting of liens on the following
 19 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 (\$35.4m)/ Lapis Advisers, LP (\$10m)	GE HFS, LLC (\$5m)
Junior Liens	UMB Bank (\$35.4m)/ Lapis Advisers, LP (\$10m)	UMB Bank (\$35.4m)/ Lapis Advisers, LP (\$10m)		

20 **a. Banner Bank Prepetition Debt**

21 Prior to the commencement of the Chapter 11 Cases, Sunnyside entered into various
 22 Business Loan Agreements, dated December 30, 2010, May 19, 2015, March 21, 2016, August 2,
 23 2016, October 6, 2016, March 21, 2017, and May 4, 2018, each between Banner Bank and
 24 Sunnyside (as each such agreement has been amended, modified, or supplemented to date, the
 25 “**Banner Bank Loan Documents**”) providing Sunnyside with financing in the aggregate
 26 principal amount of \$27,006,225. The advances made pursuant to the Banner Bank Loan
 27 Documents were secured by a first priority lien (the “**Banner Senior Sunnyside Liens**”) on
 28

1 personal property and real property of Sunnyside as set forth in the Banner Bank Loan
2 Documents and associated documents (such assets the “**Banner Bank Collateral**”). As of the
3 Petition Date, Sunnyside was indebted to Banner Bank in the approximate principal amount of
\$10.6 million (the “**Outstanding Prepetition Banner Bank Obligations**”).

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

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

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

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

22 **c. Lapis Obligations**

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

Also on November 1, 2017, SHC–Yakima, SHC–Toppenish, SHC Holdco, LLC, and
Astria as co-borrowers (the “**Lapis 2017 Loan Borrowers**”), entered into a Loan and Security

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

21 Prior to the commencement of the Chapter 11 Cases, Astria and Sunnyside, as co-
22 borrowers (the “**Lapis 2019 Loan Borrowers**”), entered into a Credit Agreement dated January
23 18, 2019 (the “**Lapis 2019 Loan Agreement**”) with Lapis Advisers, LP (the “**Lapis Agent**”), as
24 agent for lenders party thereto (the “**Lapis 2019 Loan Lenders**”), whereby the Lapis 2019 Loan
25 Lenders agreed to make advances to the Lapis 2019 Loan Borrowers in the principal amount of
26 up to \$10 million (the “**Lapis 2019 Loan**”). SHC Holdco, LLC, Glacier Canyon, LLC, SHC-
27 Yakima, SHC-Toppenish, Yakima Home Care Holdings, LLC, Yakima HMA Home Health,
28 LLC, as well as certain other non-filing affiliates, as guarantors (the “**Lapis 2019 Loan
29 Guarantors**”), entered into a Continuing Guaranty (the “**Lapis 2019 Loan Guaranty**” and
30 together with the Lapis Sunnyside Loan Agreement, the “**Lapis 2019 Loan Documents**”), dated
31 January 18, 2019, wherein the Lapis 2019 Loan Guarantors agreed to guaranty the obligations of
32 the Lapis 2019 Loan Borrowers under the Lapis 2019 Loan. The advances made pursuant to the
33 Lapis 2019 Loan were secured by (i) a junior lien (the “**Lapis 2019 Sunnyside Liens**” and
34 together with the Lapis 2017 Sunnyside Liens, the “**Lapis Subordinated Sunnyside Liens**”) on
35 the assets of the Lapis 2019 Borrowers subordinate and subject to the Banner Senior Sunnyside
36 Liens, (ii) a junior lien (the “**Lapis 2019 SHC Holdco Liens**” and together with the Lapis 2017
37 SHC Holdco Liens, the “**Lapis Senior Holdco Liens**”) on the assets of the Lapis 2019 Loan
38 Guarantors not subject to the MidCap Senior A/R Liens as set forth in the Lapis 2019 Loan
39 Documents, and (iii) a junior lien (the “**Lapis 2019 A/R Liens**” and together with the Lapis 2017
40 A/R Liens, the “**Lapis Subordinated A/R Liens**”) on the MidCap Priority Collateral (such
41 assets, the “**Lapis 2019 Collateral**” and together with the Lapis SHC Holdco Collateral, the
42 “**Lapis Prepetition Collateral**”).

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

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d. Equipment Loan

On June 12, 2018, GE HFS, LLC (“GE”) entered into a Master Security Agreement with Astria, whereby GE agreed to provide Astria with a \$5 million term loan (the “GE Note”) to 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.

2. The Debtors’ Prepetition Unsecured Debt

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

C. Certain Affiliate Transactions

1. Centralized Cash Management

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

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

2. Corporate Overhead

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

3. Treatment of Intercompany Claims Under the Plan

The 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

1 under the Plan. See Section VI.D.5.e.

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V.
THE CHAPTER 11 CASES¹³

A. Commencement and Joint Administration of the Chapter 11 Cases

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

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

B. Continuation of Business After the Petition Date

1. Postpetition Financing

On May 9, 2019, following a hearing held on May 8, 2019, the Bankruptcy Court entered the Interim Order (I) Authorizing the Debtors to Obtain 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 JMB Capital Partners Lending, LLC; (VI) Authorizing Use of Cash Collateral; (VII) Scheduling a Final Hearing and (VIII) Granting Related Relief [Docket No. 82], authorizing the Debtors to obtain senior secured postpetition financing in an aggregate principal amount of up to \$28 million from JMB Capital Partners Lending, LLC (the "**Initial DIP Lender**"), with the Debtors' request to obtain a total of \$36 million in postpetition financing to be considered at the final hearing (the "**Initial DIP Facility**").

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

On June 18, 2019, following a hearing held on June 13, 2019, the Bankruptcy Court entered the Final Order (I) Authorizing the Debtors to Obtain 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 JMB Capital Partners Lending, LLC; (VI) Authorizing Use of Cash Collateral; (VII) Scheduling a Final Hearing and (VIII) Granting Related Relief [Docket No. 293].

On December 13, 2019, the Debtors filed a motion [Docket No. 818], seeking a new 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; (VII) Scheduling a Final Hearing; and (VIII) Granting Related Relief [Docket No. 841], authorizing the Debtors to obtain from Lapis Advisers, L.P., as agent for the lenders party thereto (collectively, the "**Replacement DIP Lenders**"), additional senior secured postpetition financing in an amount sufficient to pay off and replace the Initial DIP Facility plus \$700,000 of

¹³ The Debtors have prepared and are solely responsible for the statements and assumptions reflected in this Section V.

1 Committed Advances to fund the Debtors' working capital needs, with the Debtors' request to
2 obtain a total of \$43,100,000 in postpetition financing to be considered at the final hearing (the
"Replacement DIP Facility").

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

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

7 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].

8 On April 15, 2020, the Bankruptcy Court held the final hearing and entered the *Final*
9 *Order (I) Authorizing the Debtors to Obtain Replacement Postpetition Financing; (II) Granting*
10 *Security Interests and Superpriority Administrative Expense Status; (III) Granting Adequate*
11 *Protection to Certain Prepetition Secured Credit Parties; (IV) Modifying the Automatic Stay; (V)*
12 *Authorizing the Debtors to Enter Into Agreements with Lapis Advisers, L.P. (VI) Authorizing Use*
13 *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).

13 2. Cash Management

14 As described above, as is typical with most enterprises, as of the Petition Date the Debtors
15 had in place a cash management system for the collection of receipts and the disbursement of
16 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.

17 3. Employee-Related Matters

18 Of particular importance to the Debtors' efforts to stabilize their businesses and continue
19 their operations uninterrupted was their ability to maintain the continued support and cooperation
20 of their employees. Accordingly, on the Petition Date, the Debtors sought and, on May 9, 2019
21 [Docket Nos. 83 and 368], the Bankruptcy Court authorized the Debtors to pay and honor certain
22 prepetition obligations owing to the Debtors' employees, including, but not limited to, (i) paying
23 amounts owed to employees for wages, salaries, and leased employee fees; (b) paying and
24 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.

25 4. Maintenance of Utility Services

26 Prior to the Petition Date, in connection with the operation of their businesses and
27 management of their properties, the Debtors obtained a wide range of utility services
(collectively, the "Utility Services") from certain utility companies (the "Utility Companies"),
28 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.

1 The Bankruptcy Court issued an order on May 9, 2019 [Docket No. 84], (a) prohibiting the Utility
2 Companies from altering, refusing, or discontinuing service to the Debtors, and (b) establishing
procedures for determining adequate assurance of payment for future Utility Services.

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

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

- 6 • Dentons US LLP – Counsel for the Debtor, retained July 8, 2019 *nunc pro tunc* to
the Petition Date [Docket No. 377];
- 7 • Bush Kornfeld KKP – Co-Counsel for the Debtor, retained June 26, 2019 *nunc pro*
8 *tunc* to the Petition Date [Docket No. 337];
- 9 • Piper Sandler Companies¹⁴ – Investment Banker to the Debtors, retained
September 13, 2019 *nunc pro tunc* to July 2, 2019 [Docket No. 606];
- 10 • Cushman & Wakefield U.S., Inc. – Broker to the Debtors, retained April 30, 2020
11 *nunc pro tunc* to March 1, 2020 [Docket No. 1244];
- 12 • Almon Commercial Real Estate – Broker for the Debtors, retained April 30, 2020
13 *nunc pro tunc* to March 1, 2020 [Docket No. 1245];
- 14 • Sills Cummis & Gross P.C. – Co-Counsel to the Committee, retained July 5, 2019
15 *nunc pro tunc* to May 23, 2019 [Docket No. 371];
- 16 • Polsinelli PC – Co-Counsel to the Committee, retained July 5, 2019 *nunc pro tunc*
17 to May 23, 2019 [Docket No. 372];
- 18 • Berkeley Research Group, LLC – Financial Advisor to the Committee, retained
19 July 15, 2019 *nunc pro tunc* to May 29, 2019 [Docket No. 392];
- 20 • Susan N. Goodman – Patient Care Ombudsman, appointed June 17, 2019 [Docket
Nos. 278, 1382];¹⁵
- 21 • Kurtzman Carson Consultants LLC – Noticing Agent, appointed June 19, 2019,
nunc pro tunc to June 6, 2019 [Docket No. 292].

22 On August 6, 2019, the Bankruptcy Court issued an order establishing certain procedures
23 by which all Professionals would be required to comply in seeking compensation for fees and
reimbursement of expenses [Docket No. 453]. During the course of these Chapter 11 Cases, the
24 Debtors' have paid \$2,691,516 to Debtor professionals, \$1,214,283.91 to Committee
25 professionals, \$217,198.65 to the Patient Care Ombudsman, \$0 to Patient Care Ombudsman
professionals, \$653,466.95 to KCC, and \$1,979,577.73 to the U.S. Trustee.

26 In addition, prior to the Petition Date, the Debtors employed and was in the practice of
27 employing certain professionals, in the ordinary course of business, to render services to their
28 Estates (collectively, the “Ordinary Course Professionals”), including legal, tax, and insurance

26 ¹⁴ Effective January 3, 2020, Piper Jaffray & Co. changed its name through merger to Piper
27 Sandler Companies.

28 ¹⁵ The Patient Care Ombudsman has sought authorization to retain Crowe & Dunlevy and
Sussman Shank LLP as counsel. See Docket Nos. 1384-87.

1 services, which were necessary to the day-to-day continuation of the Debtors' operations. On
2 June 21, 2019, and as amended on July 5, 2019, the Bankruptcy Court granted the Debtors the
3 authority to continue to employ and compensate the Ordinary Course Professionals in the
4 ordinary course [Docket Nos. 306 and 370].

5 **6. Reporting and Disclosures**

6 The Debtors have made every effort to comply with their duties under §§ 521, 1106 and
7 1107 and all applicable U.S. Trustee guidelines, including the filing of the Debtors' monthly
8 operating reports with the U.S. Trustee. See Docket Nos. 310, 409, 521, 626, 768, 847, 955,
9 1075, 1174, 1248, 1347, 1455. The Debtors also attended their initial interview with the U.S.
10 Trustee and the meeting of creditors required under § 341(a).

11 **7. Current Financial Information**

12 Following the closure of ARMC, the Debtors were able to stabilize operations and
13 finances prior to the COVID-19 pandemic. On March 13, 2020, the Governor of Washington
14 State issued a moratorium on elective procedures which had a significant impact on net patient
15 revenues generated. The Debtors responded by further reducing operating expenses including
16 management and staff salary reductions along with temporary furloughs. In response to the
17 pandemic, the federal government provided payments to providers based upon their recent
18 historical patient revenues to compensate for the loss of patient revenues. The Debtors received
19 payments approximating \$16 million in aggregate during the months of April through June 2010,
20 resulting in net operating profits during those months. As of June 1, 2020, the Debtors had
21 approximately \$19.4 million in cash in the bank and are meeting postpetition liabilities, including
22 payment of professional fees approved to date. For the six months ending December 31, 2020,
23 the Debtors are projected to generate approximately \$78 million in net revenue and net income
24 and EBIDA (earnings before interest, depreciation and amortization) of \$2.7 million and \$8.6
25 million, respectively. The Debtors are projected to generate positive monthly EBIDA in every
26 month subsequent to confirmation of the Plan sufficient to pay operating expenses in the normal
27 course of business, debt service and capital expenditures ("capex") as needed.

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

1. Formation and Representation of the Committee

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

2. Appointment of the Patient Care Ombudsman

Because the Debtors are a health care business as defined in § 101(27A), on June 10,
2019, the Bankruptcy Court directed the U.S. Trustee to appoint a patient care ombudsman
pursuant to § 333(a)(2) [Docket Nos. 239 and 241]. On June 17, 2019, the U.S. Trustee
appointed Susan Goodman, of Mesch, Clark & Rothschild, as the Patient Care Ombudsman
[Docket No. 278], which the Bankruptcy Court approved on June 12, 2020 [Docket No. 1382].
The Patient Care Ombudsman has filed two interim reports relating to Yakima [Docket Nos. 465,
682], two interim reports relating to Toppenish [Docket Nos. 464, 686], two interim reports
relating to Sunnyside [Docket Nos. 463, 687], three interim consolidated reports [Docket Nos.
855, 1042, 1205], and two interim supplemental reports [Docket Nos. 750, 1356].

1 **D. The Automatic Stay**

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

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

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

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

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

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

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

E. The Preliminary Sale Process

 On November 20, 2019, the Debtors filed a motion (the "**Sale Motion**") for an order,
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].

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

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

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

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

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

26 On January 3, 2020, the Debtors moved on an emergency basis to close ARMC [Docket
27 No. 867] (the “**Closure Motion**”). As set forth in the Bankruptcy Court’s order approving the
28 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
quality patient care could have become problematic” and created “an immediate threat to both
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
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.

On January 16, 2020, after an evidentiary hearing, the Bankruptcy Court denied an

1 emergency motion for reconsideration of the Closure Order filed by the Washington State Nurses
2 Association [Docket Nos. 876, 897].

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

6 In accordance with their agreement with Lapis and the Committee, the Debtors retained
7 Cushman & Wakefield U.S., Inc. and Almon Commercial Real Estate as real estate brokers to
8 market the ARMC facility, as well as other real estate in the Yakima area. See Docket Nos. 1243-
9 44.

10 On May 6, 2020, Debtors filed their (a) *Motion to Authorize And Approve Private Sale of
11 Property (910 S. 10th Avenue, Yakima)* [Docket No. 1255], and (b) *Motion to Authorize And
12 Approve Private Sale of Property (Unit 42, Yakima Professional Center)* [Docket No. 1256], both
13 supported by the *Declaration of William Almon in Support of the Private Sales of These
14 Properties* [Docket No. 1257]. On June 11 and 12, 2020, the Bankruptcy Court approved these
15 two sales, which will result in value to the estates of more than \$230,000. See *id.*; Docket Nos.
16 1368, 1381].

17 Cushman Wakefield is also actively marketing the ARMC building and the adjacent
18 medical office building.

19 **G. COVID-19 PANDEMIC**

20 **1. ARMC Lease Discussions**

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

On April 11, 2020, the State notified the Debtors that it had concluded that the facility was
no longer needed, and, therefore, the Lease would be terminated as of May 11, 2020.
Nonetheless, to date, the Debtors have been paid \$1,596,744 by the State pursuant to the Lease
and expect the State to additionally pay the Debtors approximately \$530,000 plus related costs
under the Lease.

2. Suspension of Elective Procedures

On March 18, 2020, CMS issued a memorandum recommending the immediate
suspension of all elective non-essential surgeries and procedures, including dental procedures.
On March 19, 2020, Washington Governor Jay Inslee ordered a halt to all elective surgeries and
dental procedures for all hospitals, ambulatory surgery centers, dental and orthodontic offices.
The Governor's proclamation did not apply to emergency care or patients with urgent needs.
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

1 trend that has been occurring for decades. This includes joint replacements, most orthopedic
2 surgeries, GI procedures, general surgery and non-emergency cardiac procedures. Inpatient
3 revenue at Sunnyside represents only 24% of revenue volume. Following the ban on elective
4 procedures, nearly all scheduled elective procedures at Sunnyside were cancelled. Total surgical
5 procedures at Sunnyside for the month of March 2020 were down to 228 compared to 319 the
6 prior month and budgeted value of 298, consistent with the prior year, a 29% reduction from the
7 prior month and directly related to the state order halting procedures. Prior to the Governor's
8 proclamation, surgical procedures in March were on target to meet budget. Surgical volume for
9 the month of May was down approximately 27% from budget and prior year, with year-to-date
10 procedures down approximately 20%. Emergency department visits are down approximately
11 60% from January. With a significant percentage of volume dependent on outpatient visits and
12 surgical procedures, net patient revenue for April and May is down approximately 35%, before
13 receipt of CARES funds, from January and February, just prior to the Governor's proclamation.
14 SHC-Toppenish, while much smaller than Sunnyside, had similar results in March, April and
15 May with net revenue down, before receipt of CARES funds, approximately 20% from the
16 beginning of the year. With less revenue generation there will be an overall reduction in A/R and
17 future cash collections as billed claims are being collected but not replaced at the same level prior
18 to the order to halt procedures. Reduced cash collections will not be immediate but deferred
19 approximately 30-60 days (depending on payor) from the date of service. Reimbursement for
20 COVID-19 inpatient admissions along with special funding from CMS will not come close to
21 replacing lost revenue. The long-term impact is unknown, but patients have communicated their
22 concerns and will not return until they are absolutely sure hospitals are safe environments.
23 Utilization and revenue lost overnight will not return quickly but rather slowly over the next
24 several months.

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

26 Sunnyside is a critical access hospital ("CAH") and therefore reimbursed for the cost of
27 rendering all care for the entire year with payments made on an interim basis. Cost is determined
28 based on filing an annual cost report. As a CAH, Sunnyside is reimbursed for Medicare and
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

1 over-payments.

2 SHC-Toppenish is reimbursed on a prospective payment basis system and accordingly,
3 claims are reimbursement for medical/surgical cases on a claim basis based on diagnostic related
4 groups for inpatient Medicare and Medicaid claims and fee schedules for outpatient services.
5 Behavior claims are paid on a per diem basis. Individual claims at both hospitals go through a
6 complex process of charge capture, coding, audit and claims review prior to being submitted to
7 the third-party payor. Claims that don't meet criteria within SHC-Toppenish's systems are
8 rejected internally until a "clean" claim can be submitted. After going through a complex internal
9 process, claims rejected by third party payors are *de minimis*.

10 **I. The Adversary Proceedings**

11 **1. Washington State Nurses Association**

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

28 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 13, 2020, WSNA filed, on behalf of the parties, a Joint Status Report and
Discovery Plan [Adv. Docket No. 10], under which the parties may conduct discovery until May
15, 2020, and briefing will occur in June 2020. The Debtors advised the Bankruptcy Court of
their position that discovery should be stayed pending resolution of the WSNA-AP MTD. On
March 18, 2020, the Bankruptcy Court conducted a scheduling conference in which it addressed,
among other things, the permissible scope of discovery pending resolution of 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 1, 2020, the Defendants, on behalf of the parties, filed a Stipulated Protective
Order [Adv. Pro. Docket No. 14] and a Jointly Proposed Scheduling Order [Adv. Pro. Docket No.
16]. On that same day, this Court entered an order setting the scheduled April 15, 2020 hearing on
the WSNA-AP MTD to be conducted telephonically. On April 3, 2020, the Defendants
responded to WSNA's permissible discovery requests. On April 10, 2020, this Court entered the
Jointly Proposed Scheduling Order, with modification [Adv. Pro. Docket No. 18].

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

1 administrative and prepetition priority PTO balances [Adv. Pro. Docket No. 23].

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

9 On May 5, 2020, WSNA filed its Answer to the Complaint [Adv. Pro. Docket No. 31].
10 Discovery has been scheduled to continue until August. *See* Adv. Pro. Docket No. 29.

11 2. Small Business Administration

12 On May 15, 2020, the Debtors filed a complaint [Docket No. 1278; Adv. Docket No. 1]
13 (the “**SBA Complaint**”) against the U.S. Small Business Administration (“**SBA**”) and Jovita
14 Carranza (in her capacity as Administrator for the SBA, “**SBA Administrator**,” and together
15 with the SBA, “**SBA Defendants**”), commencing an adversary proceeding, Adv. Pro. Case No.
16 20-80016-WLH (the “**SBA Adversary Proceeding**”). The Complaint alleges improper and
17 unlawful administration of the Paycheck Protection Program (“**PPP**”), on account of Banner
18 Bank’s denial, at the direction of the SBA acting through the Administrator, of two of the
19 Debtors’ applications for loans under the PPP because the applicants are debtors in bankruptcy.
20 The first count seeks an order enjoining: (a) the SBA, the SBA Administrator, any of their agents,
21 servants, employees, and any parties acting in concert with any of the foregoing, or any
22 commercial lender (collectively, the “**Restrained Parties**”) from denying an application under
23 PPP funds on the basis that the applicant is a debtor in bankruptcy or because of the words
24 “presently involved in any bankruptcy” on the PPP Application; and (b) the SBA and the SBA
25 Administrator from issuing loan guaranties or approving PPP Applications in an amount that
26 would leave insufficient funds for the Debtors’ funding pursuant to the Applications (or any
27 amended applications). The second through seventh counts further seek determinations,
28 declaratory judgments, and/or writ of mandamus in connection with the SBA and SBA
Administrator’s implementation of PPP, including that it violates § 525(a) and the Administrative
Procedure Act, 5 U.S.C. § 701 *et seq.*, and is not consistent with the Coronavirus Aid, Relief, and
Economic Security Act (the “**CARES Act**”), Public Law 116-136. The third, sixth, and seventh
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.

29 On May 15, 2020, the Debtors also filed a motion for a temporary restraining order [Adv.
30 Docket No. 2] (the “**TRO Motion**”), which, among other things, sought to ensure that the SBA
31 Defendants would reserve sufficient funds or guaranty authority pending resolution of the issues
32 raised in the SBA Complaint. The Debtors and the SBA Defendants agreed to a briefing schedule
33 on the TRO Motion, during which the SBA agreed to maintain sufficient funds to make the
34 requested loan if the Bankruptcy Court held for the Debtors, and to have a hearing on the TRO
35 Motion as if it were seeking a preliminary injunction. The SBA Defendants opposed the TRO
36 Motion on May 26, 2020 [Adv. Docket Nos. 14-15], and the Debtors filed their reply on June 1,
37 2020 [Adv. Docket No. 16].

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

41 On June 10, 2020, the Bankruptcy Court entered an order granting the Debtors’ request
42 for a preliminary injunction. *See* Adv. Docket No. 10. The order, among other things: (a)
43 authorizes the Debtors to submit modified PPP applications; (b) enjoining the Restrained Parties

1 from conditioning approval of or otherwise refusing to guaranty a PPP loan sought by the Debtors
2 on the basis of their status as debtors in these Chapter 11 Cases; and (c) enjoining the Restrained
3 Parties from continuing to provide PPP loans without reserving sufficient funds or guaranty
4 authority to provide the Debtors with access to PPP funds should they be eligible. The
5 Bankruptcy Court denied the SBA's oral motion for stay pending appeal, and certified its order
6 for direct appeal to the Ninth Circuit. *Id.*

7 The Debtors received confirmation that their resubmitted PPP applications were approved
8 and will be funded. *See* Adv. Docket No. 33. In fact, the Debtors have now received
9 approximately \$2.7 million in PPP loans.

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

16 3. Yakima HMA

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

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

29 J. 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
39 entered the *Notice of Chapter 11 Bankruptcy Case* [Docket No. 91], which fixed August 5, 2019
40 as the last day for the filing of proofs of claim in this case for all Claims against the Debtors
41 arising prior to the Petition Date (including any claims arising under § 503(b)(9)) (the "**General
42 Bar Date**"), except for claims by Governmental Units. The bar date for Governmental Claims
43 was November 4, 2019 (the "**Governmental Bar Date**," and together with the General Bar Date,
44 the "**Bar Dates**"). On June 17, 2020, the Bankruptcy Court entered an order [Docket No. 1417]
45 setting a second general bar date of July 22, 2020, for those certain potential prepetition claimants

1 who did not receive notice of the General Bar Date before August 5, 2019.

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

6 (B) *Bar Date for Rejection Damage Claims.* The Debtors currently have until August
7 30, 2020, subject to further extension prior to Confirmation, to assume or reject their unexpired
8 leases of nonresidential real property pursuant to § 365(d) [Docket No. 1466].

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

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

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

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

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

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

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

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

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

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

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

6 **VI.**
7 **THE CHAPTER 11 PLAN**

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

11 The Claims against the Debtors are divided into Classes according to their seniority and
12 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.

13 **A. Introduction**

14 The Plan provides for the reorganization of the Debtors, with the sole exception of SHC-
15 Yakima, which will proceed along its Closure Plan and be dissolved. As a result of the chapter
16 11 process and through the Plan, the Debtors expect that creditors will obtain a substantially
greater recovery from the Estates than the recovery that would be available if the Debtors' assets
had been liquidated under chapter 7 of the Bankruptcy Code.

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

18 **1. Ballots and Voting Deadlines**

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

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24 Dentons US LLP
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26 New York, New York 10020-1089
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(212) 768-6734

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

28 It is important for all Creditors that are entitled to vote on the Plan to exercise their right

1 to vote to accept or reject the Plan. Even if you do not vote to accept the Plan, you may be bound
2 by the Plan if it is accepted by the requisite Holders of Claims and confirmed by the Bankruptcy
Court.

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

4 Pursuant to the provisions of the Bankruptcy Code, only Holders of Allowed Claims in
5 Classes of Claims that are “impaired” (see subsection below) and not deemed to have rejected the
6 Plan are entitled to vote to accept or reject the Plan. In addition, any Claim to which an objection
7 has been filed is not entitled to vote unless the Bankruptcy Court, upon application of the Holder
8 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.

9 **3. Definition of Impairment**

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

- 11 1) leaves unaltered the legal, equitable, and contractual rights of the holder of
12 the claim or equity interest; or
- 13 2) notwithstanding any contractual provision or applicable law that entitles
14 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:
 - 15 (A) cures any such default that occurred before or after the
16 commencement of the case under the Bankruptcy Code, other than
a default of a kind specified in § 365(b)(2);
 - 17 (B) reinstates the maturity of such claim or interest as it existed before
18 such default;
 - 19 (C) compensates the holder of such claim or interest for any damages
20 incurred as a result of any reasonable reliance on such contractual
provision or such applicable law;
 - 21 (D) if such claim arises from any failure to perform a nonmonetary
22 obligation, other than a default arising from failure to operate a
nonresidential real property lease subject to § 365(b)(1)(A),
23 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
 - 24 (E) does not otherwise alter the legal, equitable or contractual rights to
25 which such claim or interest entitles the Holder of such claim or
interest.

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

- 28 • Class 2A (Senior Secured Bond Debt Claims)

- 1 • Class 2B (Senior Secured Credit Agreement Claims)
- 2 • Class 3 (Convenience Class Claims)
- 3 • Class 4 (General Unsecured Claims)
- 4 • Class 4A (Insured Claims).

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

7 **C. Confirmation Procedure**

8 **1. Confirmation Hearing**

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

13 **2. Procedure for Objections**

14 Any objection to confirmation of the Plan must be made in writing and specify in detail
15 the name and address of the objector, all grounds for the objection and the amount of the Claim
16 held by the objector. Any such objection must be filed with the Bankruptcy Court and served on
17 counsel for the Plan Proponents, counsel for the Committee, the U.S. Trustee, and all parties who
18 have filed a notice of appearance by 4:00 p.m. Pacific Daylight Time on September 10, 2020.
19 Unless an objection is timely filed and served, it may not be considered by the Bankruptcy Court.

17 **3. Requirements for Confirmation**

18 The Bankruptcy Court will confirm the Plan only if it meets all the requirements of §
19 1129. Among the requirements for confirmation are that the Plan be: (a) accepted by all impaired
20 classes of Claims that are entitled to vote or, if rejected by an impaired Class, that the Plan “does
21 not discriminate unfairly” against and is “fair and equitable” with respect to such Class; (b)
22 feasible; and (c) in the “best interests” of Creditors impaired under the Plan that have not voted to
23 accept the Plan. The Bankruptcy Court also must find that:

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

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

26 As a condition to confirmation of the Plan, the Bankruptcy Code requires each Class of
27 “impaired” Claims entitled to vote on the Plan to vote to accept the Plan. The Bankruptcy Code
28 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

1 rejecting the Plan. A vote, moreover, may be disregarded if the Bankruptcy Court determines,
2 after notice and a hearing, that it was not made or solicited in good faith.

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

5 **5. Best Interests Test**

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

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

14 **6. The Feasibility Test**

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

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

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

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

23 If any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still
24 confirm the Plan despite such non-acceptance under the “cram down” provisions set forth in
25 § 1129(b). To obtain a confirmation under those circumstances, the Plan Proponents must show,
26 among other things, that the Plan “does not discriminate unfairly” against and is “fair and
27 equitable” with respect to each impaired Class of Claims that has rejected the plan.

26 Under § 1129(b), a plan is “fair and equitable” to a class of claims or equity interests if,
27 among other things, the plan provides: (i) with respect to secured claims, that each holder of a
28 claim included in the rejecting class will receive or retain on account of its claim property that has
a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (ii)
with respect to unsecured claims and equity interest, that the holder of any claim or equity interest
that is junior to the claims or equity interest of such class will not receive or retain on account of

1 such junior claim or equity interest any property at all unless the senior class is paid in full. A
2 plan does not discriminate unfairly if the legal rights of a dissenting class are treated in a manner
3 consistent with the treatment of other classes whose legal rights are similar to those of the
4 dissenting class and if no class receives more than it is entitled to receive on account of its claim
5 or interest.

6 AS THE HOLDERS OF INTERCOMPANY CLAIMS (CLASS 5) ARE ELIMINATED
7 AND DEEMED TO REJECT THE PLAN, THE PLAN PROPONENTS WILL SEEK
8 CONFIRMATION OF THE PLAN UNDER THE “CRAM DOWN” PROVISIONS OF
9 § 1129(b).

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

11 The Plan Proponents believe that the Plan meets all the other technical requirements of
12 § 1129, including that the Plan has been proposed in good faith.

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

14 **1. General Overview**

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

19 **2. Limited Consolidation**

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

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

30 The Plan classifies Claims—except for Administrative Claims, Priority Tax Claims,
31 Professional Fee Claims, and DIP Claims which are not classified—for all purposes, including
32 voting, Confirmation, and distribution under the Plan. A Claim is classified in a particular Class
33 only to the extent that the Claim falls within the Class description. To the extent that part of the
34 Claim falls within a different Class description, the Claim is classified in that different Class. The

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

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

5	6	7	8
CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS
1	Priority Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
2A	Senior Secured Bond Debt Claims	Impaired	Entitled to Vote
2B	Senior Secured Credit Agreement Claims	Impaired	Entitled to Vote
2C	Other Secured Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
3	Convenience Class Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
4A	Insured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Eliminated Through Consolidation of Debtors for Plan Purposes	N/A

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

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

23 4. Unclassified Claims

24 Pursuant to § 1123(a)(1), Claims of a kind specified in § 507(a)(2) or (8) are not to be
25 designated in a class. Thus, Claims for fees, costs or expenses of administering the Debtors'
26 Chapter 11 Cases that are allowed under § 503(b)—including Administrative Claims, DIP
27 Claims, Professional Fee Claims requesting professional compensation pursuant to §§ 330 and
28 331, and Priority Tax Claims for unsecured income, employment and other taxes described by
§ 507(a)(8),¹⁶ as well as statutory fees under 28 U.S.C. § 1930—are treated separately under the

¹⁶ 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.

1 Plan as unclassified Claims. They do not vote on the Plan because they are automatically entitled
2 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.

3 **a. Administrative Claims**

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

5 The following types of Claims are entitled to administrative priority under the Plan:
6 Administrative Claims (including Ordinary Course Administrative Expense Claims), DIP Claims,
7 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.

8 **ii. 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 serve a request for payment of such Administrative Claims and those that did not File and
11 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
12 Administrative Claims shall be deemed discharged as of the Effective Date, except as provided in
the Plan.

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

14 Holders of Administrative Claims based upon liabilities incurred by the Debtors in the
15 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
16 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
17 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.

18 **iv. Treatment of Administrative Claims**

19 **1) DIP Claims.** In accordance with the Senior Debt 2019 Settlement, all DIP
20 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
21 schedule attached to the Plan in 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 2019 Settlement.

22 **2) Other Administrative Claims.** The Plan provides that, except for
23 Ordinary Course Administrative Expenses (which will be paid in the ordinary course of business)
and DIP Claims, all Administrative Claims, including Cure Payments, 503(b)(9) Claims, and U.S.
24 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
25 between the Holder of such Claim and the Plan Proponents, and consistent with the terms of the
Definitive Documents.
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b. Treatment of Professional Fee Claims.

The Plan provides that all persons and entities seeking an award by the Bankruptcy Court of professional fees on behalf of the Debtors (a) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses no later than forty-five (45) days after the Effective Date, and, (b) upon Bankruptcy 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 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) 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.

c. Treatment of Priority Tax Claims.

The Plan provides that 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.

5. Classified Claims

Section 1122 requires the Plan to place a Claim in a particular Class only if such Claim is 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 requirements of § 1122.

The Plan classifies Claims into five (5) Classes, some with subclasses: Class 1 consisting 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 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 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 (Classes 1, 2B, and 2C) or Impaired (Classes 2A, 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 under the Plan are summarized and described below. **After Confirmation, and upon the occurrence of the Effective Date, the Plan binds the Debtors and all Creditors, whether or not those Creditors have accepted the Plan.**

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

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

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

1 to accept deferred Cash payments of a value, as of the Effective Date, equal to the allowed
2 amount of such Claims.

3 Excluded from this Class are (a) wage claims (including severance pay) in excess of the
4 statutory limit of \$13,650, and (b) PTO Claims in excess of the statutory limit of \$13,650 for
benefits. Such Claims will be treated as General Unsecured Claims in Class 4.¹⁷

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

7 CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
8 1	9 Priority 10 unsecured claims 11 alleged pursuant 12 to Code §§ 13 507(a)(4) and (5) 14 15 Total Amount = 16 Unknown	No	No	17 Paid in cash in full on 18 later of Effective 19 Date or when 20 Allowed

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

22 Classes 2A, 2B, and 2C consist of Secured Claims against Debtors. Secured Claims are
23 claims secured by liens on property of the Estate. The treatment of Senior Secured Bond Debt
24 Claims and Senior Secured Credit Agreement Claims is an integral component of the Senior Debt
25 9019 Settlement.

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

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

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

Class 2C consists of all Other Secured Claims that are not Senior Secured Bond Debt
Claims or Senior Secured Credit Agreement Claims. On or as soon as practicable after the
Effective Date, each Holder of an allowed Other Secured Claim against the Debtors will receive

¹⁷ Under Debtors' human resources policies, employees may have accumulated paid time off
("PTO") that the employees were able to roll forward from year to year, or cash out at retirement
or departure. Reorganized Debtors will assume the PTO Claims for retained employees of the
Hospital, and PTO will be allowed to be used on the same terms and conditions as before Petition
Date.

1 from the assets of the Debtors, at the discretion of the Debtors (i) cash equal to the full amount of
 2 its Claim, (ii) a reinstated note on the same payment and collateral terms as its prior Claim, (iii) a
 3 return of collateral securing the Claim against the Debtor, with any deficiency to result in a
 4 General Unsecured Claim, or (iv) such less favorable treatment to which the Holder otherwise
 5 agrees.

6 Class 2C Claims are not Impaired. Holders of Class 2C Other Secured Claims, therefore,
 7 are conclusively presumed to have accepted the Plan pursuant to § 1126(f) and are not entitled to
 8 vote to accept or reject the Plan.

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
2A	Senior Secured Bond Debt Claims Total Amount = \$43,194,789.04	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 Amount = \$13,007,397.26	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 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.
2C	Other Secured Claims	No	No	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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c. Class 3 – Convenience Class Claims

Class 3 consists of Convenience Class Claims, meaning those General Unsecured Claims that are either less than or equal to \$5,000, or if the claim amount is greater, the claimant elects to reduce its Claim to \$5,000 pursuant to the Convenience Class Election, and thus accept a maximum of \$1,000 as payment in full. As used in the Plan and herein, “**Convenience Class Election**” means the timely election by a Holder of an General Unsecured Claim in the amount of \$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.

Holders of Class 3 Convenience Class Claims shall be entitled to receive 20% of the 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, ¹⁸ 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.

¹⁸ 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
2 **d. Classes 4 and 4A – General Unsecured Claims Not Otherwise**
3 **Classified and Insured General Unsecured Claims**

4 Class 4 consists of General Unsecured Claims. Class 4A is a subclass consisting
5 of Class 4 General Unsecured Claims that are also Insured Claims. Class 4 and 4A Claims do not
6 include claims arising under any assumed contracts and leases, which shall be treated as
7 Administrative Claims and paid or otherwise satisfied according to the terms of the assumed
8 contract or lease and any order of the Court authorizing its assumption. To the extent any Class 4
9 or 4A Claim is paid in the ordinary course of business by any party that has reached a prior
10 agreement with Debtors, such Claim will be deemed satisfied and shall not receive a distribution
11 under the Plan. Otherwise, Holders of Allowed Class 4 General Unsecured Claims shall be
12 satisfied *pro rata* solely from assets transferred to the Litigation Trust; and Holders of Class 4A
13 Allowed Insured Claims shall, subject to the terms and conditions set forth in the Plan, recover
14 only from the available insurance and Debtors shall be discharged to the extent of any such
15 excess. As of the Effective Date, all Insured Claims are Disputed.

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

18 CLASS #	19 DESCRIPTION	20 INSIDER (Y/N)	21 IMPAIRED (Y/N)	22 TREATMENT
23 4	24 General Unsecured Claims (Not Otherwise Classified) 25 Total Amount = Approximately \$101,950,399.80 ¹⁹	26 No	27 Yes	28 Allowed General Unsecured Claims shall be satisfied <i>pro rata</i> solely from assets transferred to the Litigation Trust.
29 4A	30 Insured Claims	31 No	32 Yes	33 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. 34 As of the Effective Date, all Insured Claims are Disputed.

35 **e. Class 5 – Intercompany Claims**

36 All Intercompany Claims shall be expunged and eliminated through the limited
37 consolidation of the Debtors for purposes of treatment of Claims and distributions under the Plan.

38 ¹⁹ 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 Class 5 is not entitled to receive or retain any property under the Plan. Holders of Class 5
2 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.

3 **E. Means of Implementing the Plan**

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

5 The Plan is centered around the settlement of all rights and claims associated with the DIP
6 Claims, Senior Secured Bond Debt Claims, and Senior Secured Credit Agreement Claims (the
7 “Senior Debt 9019 Settlement”). The Senior Debt 9019 Settlement comprises (i) the
8 classification and treatment of the DIP Claims, Senior Secured Bond Debt Claims, and Senior
9 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.

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

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

21 **2. Corporate Actions**

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

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

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

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

5 **3. Establishment of Litigation Trust; Appointment of Litigation Trustee;
6 Transferring Causes of Action and Claims to the Litigation Trust**

7 On the Effective Date, the following Assets (the “**Litigation Trust Assets**”) shall be
8 contributed to the Litigation Trust for the benefit of the Holders of General Unsecured Claims in
9 Class 4 (the “**Litigation Trust Beneficiaries**”) subject to a Litigation Trust Agreement
10 acceptable to the Committee, the Lapis Parties, and the Debtors and the appointment of a
11 Litigation Trustee acceptable to the Lapis Parties in their sole discretion:

12 all Avoidance Actions²⁰ other than any Avoidance Action against the
13 vendor which provided revenue cycle, billing, and collection services
14 prepetition.

15 **4. Establishment of Liquidation Trust; Appointment of Liquidation Trustee;
16 Transferring Assets and Claims to the Liquidation Trust**

17 On the Effective Date, the following Assets (the “**Liquidation Trust Assets**” and,
18 together with the Litigation Trust Assets, “**Plan Trust Assets**”) shall be contributed to the
19 Liquidation Trust subject to a Liquidation Trust Agreement (together with the Litigation Trust
20 Agreement, the “**Plan Trust Agreements**,” and each individually a “**Plan Trust Agreement**”)
21 acceptable to the Debtors and the Lapis Parties and the appointment of a Liquidation Trustee
22 acceptable to the Lapis Parties in their sole discretion:

23 All assets of the Debtors not necessary for the operation of the core health
24 care businesses of the Debtors including, but not be limited to the (i)
25 Yakima Medical Office Building (excluding the operations within); (ii)
26 SHC–Yakima; (iii) any other unused buildings currently owned by the
27 Debtors; (iv) A/R Collections of SHC–Yakima; (v) all 180 day and older
28 days aged accounts receivable of Sunnyside and SHC–Toppenish; and (vi)
any Causes of Action²¹ held by the Debtors, including the Vendor

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

21 The Plan defines Causes of Action as any action, claim, cause of action, controversy, demand,
right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account,
defense, offset, power, privilege, license, and franchise of any kind or character whatsoever,
whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or
unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable
directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort,
in law, or in equity or pursuant to any other theory of law. For the avoidance of doubt, “Cause of
Action” includes (i) 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; (ii) the right to object to Claims; (iii)

1 Litigation, not expressly assigned to the Litigation Trust.

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

6 **5. Post-Confirmation Management**

7 Reorganized Debtors, controlled by AH System as the sole member, will provide the
8 management for the Hospitals after the Effective Date. It is anticipated that Mr. Gallagher will
9 continue to serve in his capacity as CEO with the Debtors through Confirmation and with the
10 Reorganized Debtors as of the Effective Date. See Section 5. Cary Rowan currently serves as
11 CFO of the Debtors but is anticipated to retire as CFO before the Effective Date. Mr. Rowan's
12 successor has been identified but has not yet started in the position. Maxwell Owens is currently
13 a Senior Vice President of Finance, and then will be promoted to the role of CFO upon Mr.
14 Rowan's departure. If required by the Court, Mr. Gallagher's compensation and Mr. Owen's
15 future compensation will be disclosed under seal.

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

22 **6. Creation of Administrative and Priority Claims Reserve**

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

29 **F. Objections to Claims**

30 Prior to the Effective Date, Debtors will seek to resolve as many disputes or objections to

31 any Claim pursuant to § 362; (iv) any claim or defense including fraud, mistake, duress, and
32 usury; and any other defenses set forth in § 558; and (v) any Avoidance Actions.

1 Claims as possible. After the Effective Date, Reorganized Debtors will have the authority and
2 obligation to review, compromise, and object to any Claims other than Allowed Claims.
3 Reorganized Debtors will: (i) have the authority, without Court approval, to compromise, release
4 or settle any Claim where the Claim has an asserted face value of \$25,000 or less and (ii) be
5 required to seek an order of the Court approving the compromise, release or settlement of any
6 Claim that has an asserted value of greater than \$500,000, with notice and opportunity for hearing
7 required with respect to such compromise, release or settlement. If the Debtors seek to
8 compromise, release or settle any Claim where the Claim has an asserted face value of between
9 \$25,000 and \$500,000, the Debtors will provide at least five (5) days' advance notice of the same
10 to the Lapis Parties and the Committee and the opportunity to object within such notice period. If
11 the Lapis Parties or the Committee objects and the objection is not resolved consensually, the
12 Debtors may seek approval of the compromise, release or settlement by the Court on an expedited
13 basis.

8 **G. Special Issues Regarding Insured Claims**

9 Under the terms of Debtors' various insurance policies, Debtors may owe deductible
10 amounts on account of Insured Claims for personal injury and medical malpractice. After the
11 Effective Date of the Plan (unless an order modifying the automatic stay has been entered at an
12 earlier date), Holders of Insured Claims may proceed with litigation in appropriate nonbankruptcy
13 forums to liquidate the Insured Claims, but they shall be enjoined by the injunction established by
14 the Confirmation Order from commencing or continuing any enforcement action to collect such
15 Claim against the Estate except in conformity with the Bankruptcy Code's claim adjudication
16 procedures.

17 Subject to the foregoing, distributions under the Plan to each Holder of an Allowed
18 Insured Claim shall be recoverable only from the available insurance and Debtors shall be
19 discharged to the extent of any such excess. Further, the Plan shall not expand the scope of, or
20 alter in any other way, the rights and obligations of Debtors' insurers under their policies, and
21 Debtors' insurers shall retain any and all defenses to coverage that such insurers may have,
22 including the right to contest and/or litigate with any party, including Debtors, the existence,
23 primacy and/or scope of available coverage under any alleged applicable policy. The Plan shall
24 not operate as a waiver of any other Claims that Debtors' insurers have asserted or may assert in
25 any proof of Claim or Debtors' rights and defenses to such proofs of Claim.

18 **H. Distributions of Property Under the Plan**

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

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

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

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

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

6 **3. Record Date for Distribution**

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

10 **4. Delivery of Distributions**

11 The Distributing Party shall make distributions to each Holder of an Allowed Claim by
12 mail as follows: (a) at the address set forth on the proof of Claim filed by such Holder of an
13 Allowed Claim; (b) at the address set forth in any written notice of address change delivered to
14 the Distributing Party after the date of any related proof of Claim; (c) at the address reflected in
15 the Schedules if no proof of Claim is filed and the Distributing Party has not received a written
16 notice of a change of address; and (d) with respect to the Lapis Parties, as directed by the Lapis
17 Parties.

15 **5. Undeliverable and Unclaimed Distributions**

16 If the distribution to the Holder of any Allowed Claim is returned as undeliverable, no
17 further distribution shall be made to such Holder unless and until the Distributing Party is notified
18 in writing of such Holder's then current address. Subject to the other provisions of the Plan,
19 undeliverable distributions shall remain in the possession of the Distributing Party pursuant to
20 Section III.M of the Plan until such time as a distribution becomes deliverable. All undeliverable
21 Cash distributions will be held in unsegregated, interest-bearing bank accounts for the benefit of
22 the Entities entitled to the distributions. These Entities will be entitled to any interest actually
23 earned on account of the undeliverable distributions. The bank account will be maintained in the
24 name of the Distributing Party, but it will be accounted for separately.

21 Any Holder of an Allowed Claim who does not assert a Claim in writing for an
22 undeliverable distribution within one year after the date such distribution was due shall no longer
23 have any Claim to or interest in such undeliverable distribution, and shall be forever barred from
24 receiving any distributions under the Plan, or from asserting a Claim against the Debtors or their
25 property and the Claim giving rise to the undeliverable distribution will be discharged.

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

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

27 Debtors (on or before the Effective Date) or the Reorganized Debtors may move for a
28 Court order estimating any Disputed Claim. The estimated amount of any Disputed Claim so
determined by the Court shall constitute the maximum recovery that the Holder thereof may
recover after the ultimate liquidation of its Disputed Claim, irrespective of the actual amount

1 ultimately Allowed.

2 **I. Full Satisfaction**

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

5 **J. Conditions Precedent to Plan Confirmation**

6 The conditions precedent to confirmation of the Plan shall include: (a) a final order,
7 finding that this Disclosure Statement contains adequate information pursuant to § 1125, shall
8 have been entered by the Court; (b) the proposed Confirmation Order will be in form and
9 substance satisfactory to the Lapis Parties in their sole discretion; (c) the Plan, including any
10 amendments, modifications or supplements thereto, and all documentation contemplated by the
11 Plan and the terms set forth in any Plan Supplement and the Definitive Documentation, shall be in
12 form and substance satisfactory to the Lapis Parties in their sole discretion; (e) and any order
13 authorizing the DIP Agreement shall be in full force and effect, shall not have been terminated
14 and there shall be no ongoing event of default; and (f) the Exchange Debt Documents shall be in a
15 form acceptable to the Plan Proponents.

16 **K. Conditions to Effectiveness**

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

21 **1. Conditions**

- 22 a) The Confirmation Order shall have become a Final Order;
- 23 b) Execution of the Definitive Documents, including the Exchange Debt
24 Documents;
- 25 c) The actual and anticipated Allowed Administrative, Professional and
26 Priority Claims does not exceed the Allowed Administrative, Professional and Priority
27 Claims Cap;
- 28 d) The bylaws of AH System, AH NP2, the Debtors and their affiliates shall
be acceptable to the Lapis Parties; and
- e) All such other actions, documents, and agreements the Debtors and the
Lapis Parties determine are necessary to implement the Plan shall have been effected or
executed.

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

2. Waiver of Conditions

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

1 condition to be satisfied, including any action or inaction by Debtors. The failure of Debtors to
2 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.

3 **L. Authorization of Entity Action**

4 Each of the matters provided for under the Plan involving the Entity structure of Debtors
5 or Entity action to be taken by or required of Debtors shall, as of the Effective Date, be deemed to
6 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 directors of Debtors.

7 **M. Limited Consolidation**

8 The Plan provides for the limited—or “deemed” substantive—consolidation of the
9 Debtors. This Disclosure Statement sets forth (i) the legal requirements to establish deemed
10 substantive consolidation, and (ii) the factual bases supporting the Debtors’ request for deemed
11 substantive consolidation. As set forth in the Plan, this Disclosure Statement and the Plan shall
12 be deemed a motion requesting that the Bankruptcy Court approve the deemed substantive
13 consolidation contemplated by the Plan at the Confirmation Hearing, unless otherwise separately
14 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
15 with respect to such objections, including, but not limited to, the right to further supplement the
16 facts and legal analysis in support of deemed substantive consolidation as set forth in this
17 Disclosure Statement or the Plan.

18 If the Bankruptcy Court determines that deemed substantive consolidation of any given
19 Debtor is not appropriate, then the Plan Proponents may request that the Bankruptcy Court
20 otherwise confirm the Plan and approve the treatment of, and distributions to, the different
21 Classes under the Plan on an adjusted, Debtor-by-Debtor basis. Furthermore, the Plan Proponents
22 reserve their rights (i) to seek confirmation of the Plan without implementing deemed substantive
23 consolidation of any given Debtor, and, in the Plan Proponents’ reasonable discretion, to request
24 that the Bankruptcy Court approve the treatment of, and distributions to, any given Class under
25 the Plan on an adjusted, Debtor-by-Debtor basis; and (ii) to seek to substantively consolidate all
26 Debtors into Astria if all Impaired Classes entitled to vote on the Plan vote to accept the Plan.

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

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

2 “Deemed consolidation” merely treats the assets and liabilities as if they were pooled
3 without actually merging the debtor entities. *In re Owens Corning*, 419 F.3d 195, 202 (3d Cir.
4 2005) (deemed consolidation will “not result in the merger of or the transfer or commingling of
5 any assets of the Debtors . . . [which] will continue to be owned by the respective Debtors”).

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

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

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

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

6 **i. The Debtors Obtained Secured Financing as a Single Economic**
7 **Unit**

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

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

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

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

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

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

 After Astria’s acquisitions of SHC–Yakima and SHC–Toppenish, major contracts and
 agreements were negotiated or entered-into on a system-wide basis, such that counterparties dealt
 with the Astria Health System as a single economic unit. The Debtors received benefits by
 negotiating collectively, such as better terms or pricing, which resulted from the greater
 economies 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

1 • other contracts.

2 The Debtors also have centralized management in place which allows the Debtors to
3 operate as one integrated health system—the Astria Health System. The Debtors contract with
4 AHM which provides information technology, management and other services system-wide.

5 In light of these facts, separate-entity plans would likely be contrary to the expectations of
6 creditors that viewed their agreements with the Debtors as backed by the Astria Health System.

7 **b. The Debtors’ Affairs Are So Entangled That Consolidation Will
8 Benefit All Creditors**

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

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

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

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

- Professional fees must also be allocated among the Debtors if the Debtors cases are
not consolidated. This task would require, for each time entry, an analysis of which
Debtor, 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 recent 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

1 Obligations and Outstanding Prepetition MidCap Obligations. The Debtors also
2 continue to accrue unpaid interest on postpetition financing incurred.

3 Moreover, different asset valuation or liability allocation assumptions will lead to
4 different results in both asset allocations among Debtors and balances available for distributions
5 to creditors. Given that the analysis necessarily requires substantial judgment, these assumptions
6 would present a basis for objection and conjecture from creditors attacking the Debtors' separate
7 plans. Preserving funds in the Estates and avoiding litigation costs maximizes value and weighs
8 in favor of substantive consolidation under the circumstances in these Chapter 11 Cases.

9 **N. Reservation of Fair and Equitable (Cram Down) Power**

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

13 **O. Treatment of Executory Contracts and Unexpired Leases**

14 **1. Assumption of Executory Contracts**

15 **a. Assumptions**

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

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

36 **b. Cure Payments**

37 Any monetary amounts by which each Executory Contract to be assumed is in default
38 shall be satisfied, pursuant to § 365(b)(1), by payment from the Administrative and Priority
39 Claims Reserve, of the default amount (as set forth in the Debtors' books and records), a schedule
40 of which will be Filed and served by the Voting Deadline, in full in Cash on the later of the
41 Effective Date or when such Cure Claim is Allowed, or on such other terms as the parties to each
42 such Executory Contract may otherwise agree. In these Chapter 11 Cases, prior to Confirmation
43 of the Plan, some known Cure Payments will have already been paid or resolved by stipulation or
44 agreement. In the event of a dispute regarding (a) the amount of any Cure Payments, (b) the
45 ability of Reorganized Debtors to provide "adequate assurance of future performance" (within the

1 meaning of § 365) under the contract or lease to be assumed, or (c) any other matter pertaining to
2 assumption, the cure payments required by § 365(b)(1) shall be made following the entry of a
3 Final Order resolving the dispute and approving the assumption. Pending the Court's ruling on
4 such motion, the Executory Contract at issue shall be deemed assumed by Reorganized Debtors
5 as of the Effective Date, unless otherwise ordered by the Court, and the Debtors will reserve
6 amounts for Disputed Cure Payments in the full amounts claimed by objecting contract
7 counterparties.

8 **c. Objections to Assumption**

9 Any Entity who is a party to an Executory Contract that will be assumed under the Plan
10 must File with the Court and serve upon interested parties a written statement and supporting
11 declaration stating the basis for any objection to assumption by no later than seven (7) days after
12 the filing of the Schedule of Assumed Agreements (“**Assumption Objections**”). Any Entity that
13 fails to timely File and serve such a statement and declaration will be deemed to waive any and
14 all objections to the proposed assumption of its contract or lease. Debtors must file and serve its
15 reply with respect to any Assumption Objections by no later than five (5) days after the filing of
16 an Assumption Objection. A hearing on the Assumption Objections will take place at the
17 Confirmation Hearing, or as soon thereafter as the Court is available.

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

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

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

29 **2. Rejection of Executory Contracts**

30 **a. Rejected Agreements**

31 Immediately prior to the Effective Date, all Executory Contracts of the Debtors will be
32 deemed rejected in accordance with the provisions and requirements of §§ 365 and 1123 except
33 those Executory Contracts that (i) have been assumed by order of the Bankruptcy Court, (ii) are
34 subject to a motion to assume pending on the Effective Date, or (iii) have been identified on a list
35 of assumed contracts to be filed with the Bankruptcy Court prior to the Voting Deadline, which
36 shall be a date prior to the Effective Date of the Plan. The Confirmation Order will constitute a
37 Court order approving such rejections of Executory Contracts as of the Effective Date pursuant to
38 §§ 365 and 1123.

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

40 Any Claim for damages arising from the rejection under the Plan of an Executory
41 Contract must be Filed and served upon counsel to the Debtors within 30 days after the entry of
42 an order (including the Confirmation Order) approving such rejection. Any such Claims that are
43 not timely Filed and served will be forever barred and unenforceable against the Debtors, the
44 Estates, the Reorganized Debtors, and their respective property, and Entities holding these Claims

1 will be barred from receiving any distribution under the Plan on account of such untimely claims.

2 **3. Postpetition Contracts and Leases**

3 Except as set forth in the Schedule of Rejected Agreements or as otherwise expressly
4 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.

5 **4. Indemnification Obligations**

6 Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the
7 Effective Date to indemnify, defend, reimburse, or limit the liability of the current and former
8 officers, employees, attorneys, other professionals and agents of the Debtors, and such current
9 and former officers', employees', attorneys', other professionals' and agents' of the Debtors, and
10 such current respective Affiliates, respectively, against any Claims or Causes of Action under the
11 Indemnification Provisions or applicable law, shall survive Confirmation, shall be assumed by the
12 Debtors and assigned to the Reorganized Debtors and will remain in effect after the Effective
13 Date if such indemnification, defense, reimbursement, or limitation is owed in connection with an
14 event occurring before the Effective Date; provided, however, that, notwithstanding anything
15 herein to the contrary, the obligation of the Reorganized Debtors to fund such Indemnification
16 Provisions shall be limited to the extent of coverage available under any Reorganized Debtor
17 Insurance Policies.

18 **5. Lapis Parties Fees and Expenses**

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

23 **P. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims**

24 **1. Resolution of Disputed Claims**

25 **a. Allowance of Claims**

26 Prior to the Effective Date, the Debtors, and on and after the Effective Date, the
27 Reorganized Debtors, shall have and shall retain any and all rights and defenses that the Debtors
28 had with respect to any Claim, except with respect to any Claim deemed Allowed as of the
Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11
Cases prior to the Effective Date (including the Confirmation Order), no Claim shall become an
Allowed Claim unless and until such Claim 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.

With respect to a Claim, to the extent that: (a) any Claim, a proof of Claim of 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 Claim is not required to be Filed under the Plan, the
Bankruptcy Code, or a Final Order of the Court); (b) any Claim that is listed in the Schedules as
not contingent, not unliquidated, and not disputed, and for which no Proof of Claim has been
timely Filed; or (c) any Claim allowed pursuant to the Plan or Final Order of the Court; provided,
that with respect to any Claim described in clause (a) above, such Claim shall be considered
Allowed only if and to the extent that no objection to the allowance of such Claim has been
interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the
Bankruptcy Rules or Court, or if such an objection is so interposed and the Claim shall have been

1 Allowed by a Final Order; provided, further, that the Debtors or the Reorganized Debtors, as
2 applicable, may affirmatively determine to allow any Claim described in clause (a)
3 notwithstanding the fact that the period within which an objection may be interposed has not yet
4 expired; or (c) a Claim that is not Disputed. 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.

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

6 Prior to the Effective Date, the Debtors, and on or after the Effective Date, the
7 Reorganized Debtors and Litigation Trustee shall have the authority to File objections to Claims,
8 and the exclusive authority to settle, compromise, withdraw, or litigate to judgment objections on
9 behalf of the Debtors' Estates to any and all Claims, except with respect to any Claim deemed
10 Allowed as of the Effective Date. From and after the Effective Date, the Reorganized Debtors
11 shall have the sole authority to administer and adjust the Claims Register with respect to Claims
12 to reflect any such settlements or compromises and no further notice to or action, order, or
13 approval of the Court with respect to such settlements or compromises shall be required.

14 **c. Claims Estimation**

15 On and after the Effective Date, the Reorganized Debtors may, at any time, request that
16 the Court estimate (a) any Disputed Claim pursuant to applicable law and (b) any contingent or
17 unliquidated Claim pursuant to applicable law, in each case regardless of whether the Debtors or
18 the Reorganized Debtors have previously objected to such Claim or whether the Court has ruled
19 on any such objection, and the Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to
20 the maximum extent permitted by law as determined by the Court to estimate any such Disputed
21 Claim, contingent Claim, or unliquidated Claim, including during the litigation concerning any
22 objection to any Claim or during the pendency of any appeal relating to any such objection.

23 Notwithstanding any provision otherwise in the Plan to the contrary, a Claim that has been
24 expunged from the Claims Register but that is subject to appeal or has not been the subject of a
25 Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the
26 Court. In the event that the Court estimates any Disputed Claim, contingent Claim, or
27 unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such
28 Claim or a maximum limitation on such Claim for all purposes under the Plan, including for
purposes of distributions, and the Reorganized Debtors 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 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 seek such reconsideration on or before 21 days after the date on
which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and
resolution procedures are cumulative and not exclusive of one another. Claims may be estimated
and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by
the Court.

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

30 Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims
31 Register by the Reorganized Debtors (or the Claims and Noticing Agent at the Reorganized
32 Debtors' direction), and any Claim that has been amended may be adjusted thereon by the
33 Reorganized Debtors without a Claims objection having to be Filed and without any further
34 notice to or action, order, or approval of the Court.

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e. Deadline to File Objections to Claims

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

2. Disallowance of Claims

Any Claim, or any portion thereof, is Disallowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or Order of the Court, to the extent that it (i) has been disallowed by Final Order or settlement; (ii) is scheduled at zero or as contingent, disputed, or unliquidated on the Schedules and as to which a Claims Bar Date, Supplemental Bar Date or Administrative Claims Bar Date has been established but no Proof of 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 Litigation Trustee under §§ 542, 543, 550, or 553 or that the Litigation 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 Litigation 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.

3. Amendments to Claims

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

4. No Interest

Unless otherwise specifically provided for in the Plan, by applicable law (including, without limitation, § 506(b)), or agreed to by, as applicable, the Debtors or the Reorganized Debtors, 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.

Q. 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

1 jurisdiction to:

- 2 a) Allow, Disallow, determine, liquidate, classify, estimate, or establish the priority,
3 Secured or unsecured status, or amount of any Claim, including the resolution of
4 any request for payment of any Administrative Claim and the resolution of any and
5 all objections to the Secured or unsecured status, priority, amount, or Allowance of
6 Claims; provided that, for the avoidance of doubt, the Court's retention of
7 jurisdiction with respect to such matters shall not preclude the Debtors or the
8 Reorganized Debtors, as applicable, from seeking relief from any other court,
9 tribunal, or other legal forum of competent jurisdiction with respect to such
10 matters;
- 11 b) decide and resolve all matters related to the granting and denying, in whole or in
12 part, any applications for allowance of compensation or reimbursement of
13 expenses to professionals authorized pursuant to the Bankruptcy Code or the Plan;
- 14 c) resolve any matters related to (i) the assumption or assumption and assignment of
15 any Executory Contract to which a Debtor is a party or with respect to which a
16 Debtor may be liable in any manner and to hear, determine, and, if necessary,
17 liquidate, any Claims arising therefrom, including Claims related to the rejection
18 of an Executory Contract, cure costs pursuant to § 365, or any other matter related
19 to such Executory Contract; and (ii) any dispute regarding whether a contract or
20 lease is or was executory or unexpired;
- 21 d) adjudicate controversies, if any, with respect to distributions to Holders of
22 Allowed Claims;
- 23 e) adjudicate, decide, or resolve any motions, adversary proceedings, contested, or
24 litigated matters, and any other matters, and grant or deny any applications
25 involving a Debtor that may be pending on the Effective Date;
- 26 f) adjudicate, decide, or resolve any and all matters related to Causes of Action;
- 27 g) adjudicate, decide, or resolve any and all matters related to § 1141;
- 28 h) enter and implement such orders as may be necessary or appropriate to execute,
implement, or consummate the provisions of the Plan and all contracts,
instruments, releases, indentures, and other agreements or documents created in
connection with the Plan or the Disclosure Statement;
- i) enforce any order for the sale of property pursuant to §§ 363, 1123, or 1146(a);
- j) resolve any cases, controversies, suits, disputes, or Causes of Action that may arise
in connection with the Consummation, interpretation, or enforcement of the Plan
or any Entity's obligations incurred in connection with the Plan;
- k) issue injunctions, enter and implement other orders, or take such other actions as
may be necessary or appropriate to restrain interference by any Entity with
Consummation or enforcement of the Plan;
- 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 and enter such orders as may be
necessary or appropriate to implement such releases, injunctions, and other
provisions;

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

R. 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

1 such Claims from and after the Petition Date (except as otherwise ordered by the Court), against
2 the Debtors, the Estates and their property.

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

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

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

22 Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other
23 benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan
24 or in any contract, instrument, or other agreement or document created pursuant to the Plan, the
25 distributions, rights, and treatment that are provided in the Plan shall be in complete settlement,
26 compromise, and release, effective as of the Effective Date, of Claims, and Causes of Action of
27 any nature whatsoever, including any interest accrued on Claims from and after the Petition Date,
28 including, but not limited to, all known or unknown liabilities of, Liens on, obligations of, rights
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

1 the kind specified in § 502(g), (h), or (i), in each case whether or not: (a) a Proof of Claim based
2 upon such debt, right, or interest is Filed or deemed Filed pursuant to § 501; (b) a Claim based
3 upon such debt, right, or interest is Allowed pursuant to § 502; or (c) the Holder of such a Claim
4 has accepted the Plan. Any default by the Debtor or its Affiliates with respect to any Claim that
5 existed immediately before or on account of the filing of the Chapter 11 Case shall be deemed
6 cured on the Effective Date. The Confirmation Order shall be a judicial determination of the
7 settlement, compromise, and release of all Claims, subject to the Effective Date occurring.

8 **3. Release of Liens**

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

20 **4. Subordinated Claims**

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

29 **5. Exculpation**

30 The Exculpated Parties shall neither have, nor incur any liability to any Entity for any
31 prepetition or postpetition act taken or omitted to be taken in connection with the Chapter 11
32 Cases, or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or
33 implementing the Plan or consummating the Plan, the Disclosure Statement, or any contract,
34 instrument, release, or other agreement or document created or entered into in connection with the
35 Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or
36 in contemplation of the restructuring of the Reorganized Debtors or liquidation of the Liquidating
37 Debtors. Without limiting the foregoing “Exculpation” provided under Plan Section VII.E, the
38 rights of any Holder of a Claim to enforce rights arising under the Plan shall be preserved,
39 including the right to compel payment of distributions in accordance with the Plan; provided, that
40 the foregoing “Exculpation” shall have no effect on the liability of any Entity solely to the extent
41 resulting from any such act or omission that is determined in a final order to have constituted
42 gross negligence or willful misconduct; provided, further, that each Exculpated Party shall be
43 entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in
44 connection with, the Plan or any other related document, instrument, or agreement. The
45 exculpation of the Lapis Parties is an integral component of the Senior Debt 9019 Settlement.

46 **6. Releases**

47 The Plan provides for certain releases, as described more fully below. As used below, and

1 in the Plan, “**Released Parties**” means (a) the Debtors, (b) the Debtors’ current and former
2 officers, directors, managers and executive committee members, (c) the Lapis Parties, (d) the
3 Committee and the Committee Members, and (e) each of the forgoing Entities’ respective
4 predecessors, successors and assigns, subsidiaries, Affiliates and their subsidiaries, beneficial
5 owners, managed accounts or funds, current and former officers, directors, principals,
6 shareholders, direct and indirect equity holders, members partners (general and limited),
7 employees, agents, advisory board members, financial advisors, attorneys accountants,
8 investment bankers, consultants, representatives, management companies, fund advisors,
9 Professionals, and other professionals; provided, that as a condition to receiving or enforcing any
10 release granted pursuant to Section VII.F.2 of the Plan, each Released Party and its Affiliates
11 shall be deemed to have released the Releasing Parties, the Estate, and the Debtors from any and
12 all Claims or Causes of Action arising from or related to their relationship with the Debtors, but
13 not, for the avoidance of doubt, Professional Fee Claims or rights to enforce the Plan. For the
14 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 all Holders of Claims and the Released Parties. (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.

15 **a. Debtors’ Releases**

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

17 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
18 AUTHORIZED BY APPLICABLE LAW, THE RELEASED PARTIES AND THEIR
19 RESPECTIVE PROPERTY WILL BE EXPRESSLY, UNCONDITIONALLY, GENERALLY
20 AND INDIVIDUALLY AND COLLECTIVELY RELEASED, ACQUITTED AND
21 DISCHARGED BY THE DEBTORS ON BEHALF OF THEMSELVES, THEIR ESTATES,
22 THE REORGANIZED DEBTORS, THE LITIGATION TRUST AND THE LIQUIDATION
23 TRUST (SUCH THAT THE REORGANIZED DEBTORS, THE LITIGATION TRUST AND
24 THE LIQUIDATION TRUST WILL NOT HOLD ANY CLAIMS OR CAUSES OF ACTION
25 RELEASED PURSUANT TO THE PLAN, FOR THE GOOD AND VALUABLE
26 CONSIDERATION PROVIDED BY EACH OF THE RELEASED PARTIES, FROM ANY
27 AND ALL ACTIONS, CLAIMS, DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES,
28 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 HEREINAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT OR
OTHERWISE, BY STATUTE, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS
OR OTHERWISE, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION,
TRANSACTION, OR OTHER OCCURRENCE OR CIRCUMSTANCES EXISTING OR
TAKING PLACE PRIOR TO OR ON THE EFFECTIVE DATE ARISING FROM OR
RELATED IN ANY WAY TO THE DEBTORS, ANY OF THE DEBTORS’ PRESENT OR
FORMER ASSETS, THE RELEASED PARTIES’ INTERESTS IN OR MANAGEMENT OF
THE DEBTORS, THE PLAN, THE DISCLOSURE STATEMENT, THIS CHAPTER 11 CASE,
OR ANY RESTRUCTURING OF CLAIMS UNDERTAKEN PRIOR TO THE EFFECTIVE

1 DATE, INCLUDING THOSE THAT THE DEBTORS, THE REORGANIZED DEBTORS, THE
2 LITIGATION TRUST, OR THE LIQUIDATION TRUST WOULD HAVE BEEN LEGALLY
3 ENTITLED TO ASSERT OR THAT ANY HOLDER OF A CLAIM AGAINST THE DEBTOR
4 OR ANY OTHER ENTITY COULD HAVE BEEN LEGALLY ENTITLED TO ASSERT
5 DERIVATIVELY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES INCLUDING
6 WITH RESPECT TO THE LAPIS PARTIES ANY CHALLENGE TO CLAIMS AND RIGHTS
7 OF THE LAPIS PARTIES UNDER THE BOND DOCUMENTS AND CREDIT AGREEMENT
8 DOCUMENTS; *PROVIDED, HOWEVER,* THAT THE FOREGOING “DEBTORS’
9 RELEASES” SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR
10 CAUSES OF ACTION OF THE DEBTORS OR THEIR ESTATES AGAINST A RELEASED
11 PARTY ARISING UNDER ANY CONTRACTUAL OBLIGATION OWED TO THE
12 DEBTORS THAT IS ENTERED INTO OR ASSUMED PURSUANT TO THE PLAN.

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

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

28 **b. Third Party Releases**

The Plan further provides for the following nondebtor releases:

ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES SHALL BE DEEMED
TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND
COLLECTIVELY, RELEASED AND ACQUITTED THE RELEASED PARTIES AND THEIR
RESPECTIVE PROPERTY (INCLUDING THE RELEASED PARTIES’ PREDECESSORS,
SUCCESSORS AND ASSIGNS, SUBSIDIARIES, AFFILIATES, MANAGED ACCOUNTS
OR FUNDS, CURRENT AND FORMER OFFICERS, DIRECTORS, PRINCIPALS,
SHAREHOLDERS, DIRECT AND INDIRECT EQUITY HOLDERS, MEMBERS, PARTNERS
(GENERAL AND LIMITED), EMPLOYEES, AGENTS, ADVISORY BOARD MEMBERS,
FINANCIAL ADVISORS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS,
CONSULTANTS, REPRESENTATIVES, MANAGEMENT COMPANIES, FUND ADVISORS
AND OTHER PROFESSIONALS) AND THE RELEASED PARTIES FROM ANY AND ALL
ACTIONS, CLAIMS, 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

1 PARTIES' INTERESTS IN OR MANAGEMENT OF THE DEBTORS, THE BUSINESS OR
2 CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED
3 PARTY, THE PLAN, THE DISCLOSURE STATEMENT, THESE CHAPTER 11 CASES, OR
4 ANY RESTRUCTURING OF CLAIMS UNDERTAKEN PRIOR TO THE EFFECTIVE DATE,
5 INCLUDING THOSE THAT THE DEBTORS, THE REORGANIZED DEBTORS, THE
6 LITIGATION TRUST, OR THE LIQUIDATION TRUST WOULD HAVE BEEN LEGALLY
7 ENTITLED TO ASSERT OR THAT ANY HOLDER OF A CLAIM AGAINST THE DEBTORS
8 OR ANY OTHER ENTITY COULD HAVE BEEN LEGALLY ENTITLED TO ASSERT
9 DERIVATIVELY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES, EXCEPT FOR
10 (I) ANY CLAIMS AND CAUSES OF ACTION FOR ACTUAL FRAUD, GROSS
11 NEGLIGENCE OR WILLFUL MISCONDUCT AND (II) THE RIGHT TO RECEIVE
12 DISTRIBUTIONS FROM THE DEBTORS, THE REORGANIZED DEBTORS, THE
13 LITIGATION TRUST, OR THE LIQUIDATION TRUST ON ACCOUNT OF AN ALLOWED
14 CLAIM AGAINST THE DEBTORS PURSUANT TO THE PLAN. FOR THE AVOIDANCE
15 OF DOUBT, THE RELEASING PARTIES SHALL INCLUDE (A) THE RELEASED
16 PARTIES, AND (B) ALL HOLDERS OF CLAIMS THAT (I) VOTE TO ACCEPT THE PLAN,
17 AND (II) DO NOT AFFIRMATIVELY OPT OUT OF THE THIRD PARTY RELEASE
18 PROVIDED BY SECTION VII.F.2 OF THE PLAN PURSUANT TO A DULY EXECUTED
19 BALLOT. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IN NO
20 EVENT SHALL AN ENTITY THAT (X) DOES NOT VOTE TO ACCEPT OR REJECT THE
21 PLAN, (Y) VOTES TO REJECT THE PLAN, OR (Z) APPROPRIATELY MARKS THE
22 BALLOT TO OPT OUT OF THE THIRD PARTY RELEASE PROVIDED IN SECTION
23 VII.F.2 OF THE PLAN AND RETURNS SUCH BALLOT IN ACCORDANCE WITH THE
24 SOLICITATION PROCEDURES ORDER, BE A RELEASING PARTY.

25 ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT'S
26 APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY
27 RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS
28 AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE
THE COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE
FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED
PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS
RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE
DEBTORS AND ALL HOLDERS OF CLAIMS; (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 IN THE PLAN, THERE SHALL BE NO
RELEASE OR EXCULPATION BY OR INJUNCTION AGAINST ANY COMMITTEE
MEMBER HOLDING A CLAIM OR REPRESENTING A CLAIMANT THAT HAS OPTED
OUT OF THE THIRD PARTY RELEASE OR HAS NOT VOTED ON THE PLAN, EXCEPT
SOLELY IN SUCH COMMITTEE MEMBER'S CAPACITY AS SUCH.

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

1 IN THIS PLAN OR THE CONFIRMATION ORDER.

2 **7. Injunction**

3 EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION
4 ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, CAUSES
5 OF ACTION, OR LIABILITIES THAT: (1) ARE SUBJECT TO COMPROMISE AND
6 SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (2) HAVE BEEN RELEASED
7 PURSUANT TO SECTION VII.F.1 OF THE PLAN; (3) HAVE BEEN RELEASED
8 PURSUANT TO SECTION VII.F.2 OF THE PLAN; (4) ARE SUBJECT TO EXCULPATION
9 PURSUANT TO SECTION VII.E OF THE PLAN; OR (5) ARE OTHERWISE STAYED OR
10 TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY
11 ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A)
12 COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER
13 PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, CAUSES
14 OF ACTIONS, OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED
15 AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, THE LITIGATION TRUST,
16 THE LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR
17 THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO
18 RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH
19 RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS,
20 CAUSES OF ACTION, OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING,
21 OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE,
22 OR ORDER AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, THE
23 LITIGATION TRUST, THE LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED OR
24 EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTOR OR ANY ENTITY SO
25 RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH
26 RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED
27 CLAIMS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR
28 ENFORCING ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE
DEBTORS, THE REORGANIZED DEBTORS, THE LITIGATION TRUST, THE
LIQUIDATION TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE
PROPERTY OR ESTATE OF THE DEBTOR OR ANY ENTITY SO RELEASED OR
EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO
ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS,
CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR
SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE
DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR
ESTATES OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON
ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH
RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, CAUSES OF
ACTION, OR LIABILITIES UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH
SETOFF OR SUBROGATION RIGHT PRIOR TO CONFIRMATION IN A DOCUMENT
FILED WITH THE COURT EXPLICITLY PRESERVING SUCH SETOFF OR
SUBROGATION; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY
ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE
REORGANIZED DEBTORS, THE LITIGATION TRUST, THE LIQUIDATION TRUST, OR
ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF
THE DEBTOR OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF
OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED,
COMPROMISED, OR EXCULPATED CLAIMS, CAUSES OF ACTION, OR LIABILITIES
RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THE PLAN; PROVIDED
THAT NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE AN ENTITY FROM
OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY
PURSUANT TO THE TERMS OF THE PLAN OR THE SALE ORDER; PROVIDED,

1 FURTHER, THAT NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO
2 PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR
3 COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR
4 OTHERWISE TO THE EXTENT PERMITTED BY LAW.

8. Waiver of Statutory Limitations on Releases

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

9. Setoffs

23 Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on
24 and after the Effective Date, the Reorganized Debtors, the Litigation Trustee or the Liquidation
25 Trustee, as applicable, pursuant to the Bankruptcy Code (including §§ 553 and 558), applicable
26 nonbankruptcy law, or as may be agreed to by the Holder of a Claim, may set off against any
27 Allowed Claim on account of any Proof of Claim or other pleading Filed with respect thereto
28 prior to the Confirmation Hearing and the distributions to be made pursuant to the Plan on
account of such Allowed Claim (before any distribution is made on account of such Allowed
Claim), any claims, rights, and Causes of Action of any nature that the Debtor's Estate may hold
against the Holder of such Allowed Claim, to the extent such claims, rights, or Causes of Action
against such Holder have not been otherwise compromised or settled on or prior to the Effective
Date (whether pursuant to the Plan or otherwise); provided that neither the failure to effect such a
setoff nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by
the Debtors, the Reorganized Debtors, the Litigation 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 be entitled to set off any Claim
against any claim, right, or Cause of Action of the Debtor's Estate unless such Holder has timely
Filed a Proof of Claim (including any Proof of Claim timely Filed by the Governmental Bar Date)
with the Court expressly preserving such setoff; provided that nothing in the Plan shall prejudice
or be deemed to have prejudiced the Debtors', the Reorganized Debtors', the Litigation 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.

10. Revesting of Property in the Debtors

Except as provided in the Plan or in the Exchange Debt Documents, the Confirmation of
the Plan revests the assets of the Estate in the Reorganized Debtors, free and clear of all Claims,

1 liens, encumbrances, except as expressly provided in the Plan. From and after the Effective Date,
2 Reorganized Debtors may operate their business and use, acquire and dispose of property without
3 supervision by the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy
4 Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

5 **11. Preservation of Restricted Funds for Charitable Purposes**

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

11 **12. Modification of Plan**

12 Subject to such notice as the Bankruptcy Court may require, the Debtors may, with the
13 prior written consent of the Lapis Parties, modify the Plan at any time before Confirmation, if
14 circumstances develop that warrant modification or amendment to the Plan.

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

20 **13. Dissolution of Committee**

21 No later than the Effective Date, the Committee shall be dissolved, and shall be released
22 and discharged from the rights and duties arising from or related to the Chapter 11 Cases, except
23 with respect to final applications for professionals' compensation. The professionals retained by
24 the Committee and the Committee Members thereof shall not be entitled to compensation or
25 reimbursement of expenses for any services rendered or expenses incurred after the Effective
26 Date, except for services rendered and expenses incurred in connection with any applications by
27 such professionals or Committee Members for allowance of compensation and reimbursement of
28 expenses pending on the Effective Date or timely Filed after the Effective Date as provided in the
Plan, as approved by the Court.

29 **14. 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 **15. 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
39 under 28 U.S.C. § 1930(a)(6) after Confirmation shall be paid by the Litigation Trustee to the
40 U.S. Trustee in accordance with 28 U.S.C. § 1930(a)(6) and the Litigation Trust Agreement until
41 entry of a final decree, or entry of an order of dismissal or conversion to chapter 7.

1 formulate, solicit and confirm any such alternative plan would likely require the Estates to incur
2 additional administrative and other expenses, may substantially delay distributions to Creditors,
3 and may result in lower recoveries to Creditors than the proposed Plan. The Plan Proponents
4 believe that the terms of the Plan provide for an orderly and efficient administration of the
5 Debtors' Assets and will result in the realization of the most value for Holders of Claims against
6 the Debtors' Estates.

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

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

18 **VIII.**

19 **CERTAIN MATERIAL FEDERAL TAX CONSEQUENCES**

20 THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF
21 CERTAIN MATERIAL U.S. FEDERAL TAX CONSEQUENCES OF THE PLAN AND IS
22 NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL.
23 THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT
24 TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND
25 MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES.
26 ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT ITS OWN TAX
27 ADVISOR REGARDING THE APPLICABLE U.S. FEDERAL, STATE, LOCAL, AND NON-
28 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 Litigation Trust, and Holders entitled to
32 vote on the Plan. This discussion is based on current provisions of the IRC, applicable Treasury
33 Regulations, judicial authority and current administrative rulings and pronouncements of the
34 Internal Revenue Service (the "**Service**"). There can be no assurance that the Service will not
35 take a contrary view, no ruling from the Service has been or will be sought nor will any counsel
36 be asked to provide a legal opinion as to any of the expected tax consequences set forth below.

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

43 The following summary is for general information only. The tax treatment of a Holder
44 may vary depending upon such Holder's particular situation. This summary does not address all
45 of the tax consequences that may be relevant to a Holder, including any consequences of the
46 alternative minimum tax or net investment income tax, and does not address the tax consequences
47 to a Holder that has made an agreement to resolve its claim in a manner not explicitly provided
48 for in the Plan. This summary also does not address the U.S. federal income tax consequences to

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

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

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

36 **1. In General**

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

45 Organizations that are otherwise exempt from federal income tax under Section 501 of the
46 IRC are nevertheless subject to tax on their “unrelated business taxable income” (“UBTI”).
47 UBTI is generally defined as gross income from any unrelated trade or business regularly carried
48 on by a tax-exempt entity less any deductions attributable thereto. An unrelated trade or business
49 consists of any trade or business the conduct of which is not substantially related to the
50 organization’s exempt purpose or function.

1 UBTI includes unrelated debt-financed income (“UDFI”). UDFI includes income derived
2 from debt-financed property during the taxable year and may include income derived from a sale
3 or other disposition of debt-financed property if there was acquisition indebtedness outstanding
4 with respect to such property during the 12-month period ending with the date of sale or other
5 disposition. Acquisition indebtedness generally includes any debt incurred directly or indirectly to
6 purchase such property. Thus, to the extent that a tax-exempt directly or indirectly (including
7 through an investment in a partnership or other entity (or arrangement) which is treated as a pass-
8 through entity for federal income tax purposes) has income from a trade or business, or earns
9 income in respect of certain leveraged investments, a tax-exempt partner’s allocable share of such
10 income generally will be treated as UBTI.

11 If the Debtors retain their tax-exempt status and any of their assets are regarded as UDFI
12 (which generally would not include property substantially all the use of which is substantially
13 related to the exercise or performance by the Debtors of the purpose or function constituting the
14 basis for its tax-exempt status), the Debtors may be subject to tax on a percentage of the income
15 (including gain) derived from such assets.

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

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

21 Each Debtor is exempt from U.S. federal income taxation under section 501(c)(3) of the
22 IRC. Gain realized and recognized in a transfer of assets in payment and discharge of recourse
23 indebtedness would be exempt from U.S. federal income taxation.

24 Each Debtor is also subject to tax on UBTI. Gain on the sale of assets other than (a)
25 property subject to depreciation recapture, or (b) property includable in inventory or held
26 primarily for sale to customers in the ordinary course of an unrelated trade or business is excluded
27 from UBTI under the IRC. Gain on the sale of assets includable in inventory or held primarily for
28 sale to customers is included in UBTI, and is subject to tax.

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

3. **Cancellation of Debt Income**

Under the IRC, a taxpayer generally must include in gross income the amount of any
cancellation of indebtedness (“COD”) income recognized during the taxable year. COD income
generally equals the excess of the adjusted issue price of the indebtedness discharged over the
sum of (i) the amount of cash, (ii) the issue price of any new debt, and (iii) the fair market value
of any other property 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.

The IRC permits a debtor in bankruptcy to exclude its COD income from gross income if
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.

The same analysis applies to UBTI and UDFI. Income excluded from gross income under
the Bankruptcy Exception or Insolvency Exception for income tax purposes is also excluded from
gross income for UBTI and UDFI purposes. Accordingly, either the Bankruptcy Exception or the

1 Insolvency Exception should apply to exclude any UBTI or UDFI from taxation.

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

3 The Debtors shall file copies of the Plan Trust Agreements prior to the hearing on the
4 Disclosure Statement. The Plan Trust Agreements will provide additional information
5 concerning the U.S. federal income tax treatment of the Plan Trusts.

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

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

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

26 The character of any gain or loss as capital gain or loss or ordinary income or loss and, in
27 the case of capital gain or loss, as short-term or long-term, will depend on a number of factors,
28 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.

Although not free from doubt, Holders of Disputed Claims should not recognize any gain
or loss on the date that the applicable Plan Trust Assets are transferred to the applicable Plan
Trust, but should recognize gain or loss in an amount equal to: (i) the amount of cash and the fair
market value of any other property actually distributed to such Holder less (ii) the adjusted tax
basis of its Claim. It is possible, however, that such Holders may be required to recognize the fair

1 market value of such Holder's allocable share of the applicable Plan Trust Assets, as an amount
2 received for purposes of computing gain or loss, either on the Effective Date or the date such
Holder's Claim becomes an Allowed Claim.

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

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

11 Distributions to Holders of Allowed Claims are subject to applicable tax withholding.
12 Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under
13 certain circumstances, be subject to "backup withholding" at the then-applicable withholding rate
14 (currently 24%). Backup withholding generally applies if the holder (a) fails to furnish its social
15 security number or other taxpayer identification number, (b) furnishes an incorrect taxpayer
16 identification number, (c) fails properly to report interest or dividends, or (d) under certain
17 circumstances, fails to provide a certified statement, signed under penalty of perjury, that the tax
18 identification number provided is its correct number and that it is not subject to backup
19 withholding. Backup withholding is not an additional tax, and may be refunded to the extent it
20 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.

21 **IX.**

22 **RISK FACTORS IN CONNECTION WITH THE PLAN**

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

26 **A. Bankruptcy Considerations**

27 Although the Plan Proponents believe that the Plan will satisfy all requirements necessary
28 for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court
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-

1 solicitation of votes.

2 In addition, the occurrence of the Effective Date is conditioned on the satisfaction of the
3 conditions precedent set forth in the Plan, and there can be no assurance that such conditions will
4 be satisfied. In the event the conditions precedent described in the Plan have not been satisfied as
5 of the Effective Date, then the Confirmation Order will be vacated, no Distributions will be made
6 pursuant to the Plan, and the Debtors and all Holders of Claims will be restored to the *status quo*
7 *ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date
8 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
13 substantially similar to the other Claims in each such Class. Nevertheless, there can be no
14 assurance that the Bankruptcy Court will reach the same conclusion.

15 The liquidation of certain Assets and the prosecution of certain Causes of Action may
16 result in the availability of additional assets for distribution pursuant to the Plan's terms. The
17 potential recoveries from any such actions, and the outcomes of the Adversary Proceedings are
18 unknown. In addition, there can be no assurance that the Litigation Trust assets will be sufficient
19 to pay the fees and expenses of the Litigation Trustee or make any distributions to the Litigation
20 Trust Beneficiaries.

21 As to each Impaired Class that has not accepted the Plan, the Plan may be confirmed if the
22 Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and
23 equitable" with respect to these Classes. The Plan Proponents believe that the Plan satisfies these
24 requirements. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the
25 same conclusion.

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

27 The Plan Proponents have no duty to update the information contained in this Disclosure
28 Statement as of the date hereof, unless otherwise specified herein, or unless the Plan Proponents
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.

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

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

35 **D. No Admission**

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

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

40 A discussion of potential tax consequences of the Plan is set forth in this Disclosure

1 Statement. However, the content of this Disclosure Statement is not intended and should not be
2 construed as tax, legal, business or other professional advice. Holders of Claims should seek
3 advice from their own independent tax, legal and other professional advisors based on their own
4 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: July 7, 2020

DENTONS US LLP

12 By: /s/ Samuel R. Maizel

Samuel R. Maizel

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15 Dated: July 7, 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

**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

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

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

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

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

18 1.1 *503(b)(9) Claims* means Administrative Claims arising under § 503(b)(9).

19 1.2 *Administrative and Priority Claims Reserve* means the reserve to be established
20 and maintained by the Reorganized Debtors and Liquidating Debtors and funded, subject to the
21 Administrative Professional and Priority Claims Cap, with the Administrative and Priority Claims
22 Reserve Amount pursuant to Section II.D.4 hereof.

23 1.3 *Administrative and Priority Claims Reserve Amount* means Cash in an amount to
24 be determined by the Debtors and the Lapis Parties on or before the Effective Date, subject to the
25 Administrative, Professional and Priority Claims Cap, which amount shall be funded by the
26 Debtors and used by the Reorganized Debtors and the Liquidating Debtors for the payment of
27 accrued but unpaid U.S. Trustee Fees and Administrative, Priority Tax, Priority, and Professional
28 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.

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

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

1 Claims. Administrative Claims include (i) DIP Claims; (ii) 503(b)(9) Claims; (iii) Cure Payments;
2 and (iv) fees payable to the clerk of the Bankruptcy Court and the Office of the U.S. Trustee.

3 1.5 **Administrative, Professional and Priority Claims Cap** means \$4,624,674, which
4 shall be the maximum amount payable under this Plan for the payment of U.S. Trustee Fees and
5 Administrative, Priority Tax, Priority, and Professional Fee Claims on or after the Effective Date.
6 To be clear, DIP Claims and Ordinary Course Administrative Expenses are not subject to this cap.

7 1.6 **Administrative Claims Bar Date** means the date established by the Administrative
8 Claims Bar Date Order by which requests for payment of Administrative Claims must be Filed,
9 subject to any exceptions specifically set forth therein.

10 1.7 **Administrative Claims Bar Date Order** means the Order (I) Fixing the First Interim
11 Bar Date for Filing Certain Post-Petition Administrative Expense Claims and (II) Approving the
12 Form of Notice of the Administrative Expense Claims Bar Date [Docket No. 1416].

13 1.8 **Affiliate** shall have the meaning set forth in § 101(2).

14 1.9 **Allowed** means with respect to (I) a Claim, to the extent that: (a) any Claim, a proof
15 of Claim of which was timely Filed by the applicable Claims Bar Date, Supplemental Bar Date or
16 Administrative Claims Bar Date (or a Claim for which a Proof of Claim is not required to be Filed
17 under the Plan, the Bankruptcy Code, or a Final Order of the Court); (b) any Claim that is listed in
18 the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of
19 Claim has been timely Filed; or (c) any Claim allowed pursuant to the Plan or Final Order of the
20 Court; provided, that with respect to any Claim described in clause (a) above, such Claim shall be
21 considered Allowed only if and to the extent that no objection to the allowance of such Claim has
22 been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the
23 Bankruptcy Rules or Court, or if such an objection is so interposed and the Claim shall have been
24 Allowed by a Final Order; provided, further, that the Debtors or the Reorganized Debtors, as
25 applicable, may affirmatively determine to allow any Claim described in clause (a)
26 notwithstanding the fact that the period within which an objection may be interposed has not yet
27 expired; or (c) a Claim that is not Disputed; (II) an Interest, to the extent Allowed under this Plan.
28 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.

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

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

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

1 1.13 **Bankruptcy Code** means title 11 of the United States Code, 11 U.S.C. §§ 101, *et*
2 *seq.*, as may be amended.

3 1.14 **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as applicable
4 to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general
5 rules, the Local Bankruptcy Rules, and chambers rules of the Court.

6 1.15 **Bonds** means, collectively, those certain Washington Health Care Facilities
7 Authority Revenue Bonds, Series 2017A Bonds and the Series 2017B Bonds issued pursuant to
8 the Bond Indenture.

9 1.16 **Bond Documents** means the Bond Indenture and all other documents evidencing
10 and otherwise securing the Bonds.

11 1.17 **Bond Indenture** means that certain Bond Indenture dated as of November 1, 2017
12 between the Washington Health Care Facilities Authority and the Bond Trustee.

13 1.18 **Bond Trustee** means UMB Bank, N.A., as the trustee for bondholders under the
14 Bond Indenture.

15 1.19 **Business Day** means any day, other than a Saturday, Sunday, or “legal holiday” (as
16 defined in Bankruptcy Rule 9006(a)), or a day on which banking institutions in New York, New
17 York are authorized by law or other governmental action to close.

18 1.20 **Cash** means the legal tender of the United States of America and the equivalent
19 thereof.

20 1.21 **Causes of Actions** means any action, claim, cause of action, controversy, demand,
21 right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account,
22 defense, offset, power, privilege, license, and franchise of any kind or character whatsoever,
23 whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or
24 unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable
25 directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort,
26 in law, or in equity or pursuant to any other theory of law. For the avoidance of doubt, “Cause of
27 Action” includes (i) any right of setoff, counterclaim, or recoupment and any claim for breach of
28 contract or for breach of duties imposed by law or in equity; (ii) the right to object to Claims or
Interests; (iii) any Claim pursuant to § 362; (iv) any claim or defense including fraud, mistake,
duress, and usury; and any other defenses set forth in § 558; and (v) any Avoidance Actions.

 1.22 **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.

 1.23 **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.

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

1 1.25 **Claims and Noticing Agent** means Kurtzman Carson Consultants LLC, the claims,
2 noticing, and solicitation agent retained by the Debtors pursuant to the Order Granting Debtors'
3 Amended Application and Motion for an Order Appointing Kurtzman Carson Consultants LLC as
4 Noticing Agent Nunc Pro Tunc to May 6, 2019 [Docket No. 292].

5 1.26 **Claims Bar Date** means August 5, 2019, as established by the Claims Bar Date
6 Notice.

7 1.27 **Claims Bar Date Notice** means that certain notice, entered by the Court on May 10,
8 2019 [Docket No. 91], establishing the Claims Bar Date.

9 1.28 **Claims Objection Bar Date** means the first Business Day that is not less than 180
10 days after the Effective Date, subject to being extended by Order of the Court upon motion of the
11 Reorganized Debtors.

12 1.29 **Claims Register** means the Register means the official register of Claims
13 maintained by the Claims and Noticing Agent.

14 1.30 **Class** means a category of Holders of Claims or Interests as set forth in Section II
15 pursuant to § 1122(a).

16 1.31 **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 1.32 **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; (ii) LocumTenens.com, LLC; (iii) Community Health of Central Washington; (iv)
22 Medtronic USA, Inc.; (v) Morrison Management Specialists, Inc.; (vi) Apogee Physicians; and
23 (vii) Boston Scientific.

24 1.33 **Confirmation** means the entry of the Confirmation Order on the docket of the
25 Chapter 11 Cases.

26 1.34 **Confirmation Date** means the date upon which the Court enters the Confirmation
27 Order on the docket of the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and
28 9021.

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

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

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

1 1.38 **Convenience Class** means the class of General Unsecured Claims that are either
2 less than or equal to \$5,000, or if the claim amount is greater, if the claimant shall have made a
3 Convenience Class Election with respect to such Claim.

4 1.39 **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
7 therein.

8 1.40 **Credit Agreement** means that certain Credit Agreement dated as of January 18,
9 2019 between certain of the Debtors, Lapis Advisers, LP and others.

10 1.1 **Credit Agreement Documents** means the Credit Agreement and all other
11 documents executed in connection therewith.

12 1.41 **Cure Payment** means the payment of Cash or the distribution of other property (as
13 the parties may agree or the Court may order), as necessary to cure defaults under an Executory
14 Contract of Debtors pursuant to § 365(b).

15 1.42 **D&O Policies** means all insurance policies for liability of members, managers,
16 trustees, directors, and officers of the Debtors maintained by the Debtors as of the Effective Date.

17 1.43 **Debtor** means any of the Debtors.

18 1.44 **Debtors** means, collectively, (i) Astria Health; (ii) Glacier Canyon, LLC; (iii)
19 Kitchen and Bath Furnishings, LLC; (iv) Oxbow Summit, LLC; (v) SHS Holdco, LLC; (vi) SHC
20 Medical Center - Toppenish; (vii) SHC Medical Center - Yakima; (viii) Sunnyside Community
21 Hospital Association; (ix) Sunnyside Community Hospital Home Medical Supply, LLC; (x)
22 Sunnyside Home Health; (xi) Sunnyside Professional Services, LLC; (xii) Yakima Home Care
23 Holdings, LLC; and (xiii) Yakima HMA Home Health, LLC, the debtors and debtors in possession
24 in these Chapter 11 Cases.

25 1.45 **Debtors' Releases** means the releases given on behalf of the Debtors and their
26 Estates to the Released Parties as set forth in Section VII.F.1 herein.

27 1.46 **Definitive Documents** means the documents (including any related agreements,
28 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
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
Proponents.

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

 1.48 **DIP Agent Professional Fees** means, collectively, to the extent not previously paid
in connection with the Chapter 11 Cases, all outstanding reasonable and documented fees and

1 expenses of any professionals retained by the DIP Agent, including, without limitation, Cole
2 Schotz P.C., in its capacity as counsel to the DIP Agent.

3 1.49 **DIP Agreement** means that certain Senior Secured, Super-Priority Debtor-In-
4 Possession Loan and Security Agreement, dated as of December 26, 2019, by and among Debtors,
5 as borrowers, the other Loan Parties thereto (as defined in the DIP Loan and Security Agreement),
6 the DIP Agent, and the DIP Lenders, as approved by the Final DIP Order, and as the same may be
7 amended, modified, or amended and restated from time to time in accordance with its terms,
8 consisting of a post-petition term loan facility in the principal amount of up to \$43,100,000.

9 1.50 **DIP Claims** means any Claim in respect of any DIP Obligations (as defined in the
10 Final DIP Order) held by, or otherwise owing to, any or all of the DIP Agent and the DIP Lenders.

11 1.51 **DIP Claims Exchange Debt** means Exchange Debt issued to satisfy DIP Claims as
12 more specifically described in the Exchange Debt Documents.

13 1.52 **DIP Lenders** means, collectively, the DIP Agent and the Lenders (as defined in the
14 DIP Loan and Security Agreement).

15 1.53 **Disallowed** means any Claim or Interest, or any portion thereof, that (i) has been
16 disallowed by Final Order or settlement; (ii) is scheduled at zero or as contingent, disputed, or
17 unliquidated on the Schedules and as to which a Claims Bar Date, Supplemental Bar Date or
18 Administrative Claims Bar Date has been established but no Proof of Claim has been timely Filed
19 or deemed timely Filed with the Court pursuant to either the Bankruptcy Code or any Final Order
20 of the Court, including the Claims Bar Date Order, Supplemental Bar Date Order or Administrative
21 Claims Bar Date Order or otherwise deemed timely Filed under applicable law; or (iii) is not
22 scheduled on the Schedules and as to which a Claims Bar Date, Supplemental Bar Date or
23 Administrative Claims Bar Date has been established but no Proof of Claim has been timely Filed
24 or deemed timely Filed with the Court pursuant to either the Bankruptcy Code or any Final Order
25 of the Court, including the Claims Bar Date Order, Claims Bar Date Order, Supplemental Bar Date
26 Order or Administrative Claims Bar Date Order or otherwise deemed timely Filed under applicable
27 law. “Disallow” and “Disallowance” shall have correlative meanings.

28 1.54 **Disclosure Statement** means the disclosure statement filed with the Court by the
Debtors, 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.

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

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

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

1 1.58 **Docket** means, unless otherwise specified herein, the docket in the Lead Chapter
2 11 Case.

3 1.59 **Docket No.** means the docket number assigned in the Docket.

4 1.60 **Effective Date** means the date upon which all of the conditions to the effectiveness
5 of the Plan have been satisfied or waived in accordance with its terms.

6 1.61 **Effective Date Distribution** means the distributions required by the Bankruptcy
7 Code or the Plan to be made on the Effective Date, subject to the Administrative, Professional and
8 Priority Claims Cap, on account of: (i) Allowed Administrative Claims, that are not Allowed
9 Professional Fee Claims, DIP Claims, or Ordinary Course Administrative Expenses that have been
10 paid by Debtors or will be paid by Reorganized Debtors in the ordinary course of business, (ii) all
11 Allowed Priority Claims, (iii) 20% of the Allowed Convenience Class Claims up to a maximum
12 of \$1,000; (iv) all Allowed Cure Payments, except those being paid by agreement in installments
13 over time; and (v) the Administrative and Priority Claims Reserve, including amounts for Disputed
14 Cure Payments (in the full amounts claimed by objecting contract counterparties).

15 1.62 **Entity** shall have the meaning set forth in § 101(15).

16 1.63 **Estate** means, as to each Debtor, the estate created for the Debtor in its Chapter 11
17 Case pursuant to § 541.

18 1.64 **Estates** means the Estate of all Debtors.

19 1.65 **Exchange Debt** shall have the meaning set forth in Section III.A.

20 1.66 **Exchange Debt Documents** means the credit agreements, guaranties, security
21 agreements, forbearance instruments and other documents evidencing or otherwise securing
22 Exchange Debt on the terms and in the forms included in the Plan Supplement, in each case on
23 terms and conditions consistent with the Plan on terms acceptable to the Plan Proponents.

24 1.67 **Exculpated Parties** means, solely to the extent of the Exculpation, each of the (a)
25 the Debtors, and any of their Related Parties; (b) the Lapis Parties, and any of their respective
26 Related Parties and (c) the Committee, and any of its respective Related Parties.

27 1.68 **Exculpation** means the exculpation provisions set forth in Section VII.E.

28 1.69 **Executory Contract** means a contract or lease to which one or more Debtors is a
party that is subject to assumption or rejection under §§ 365 or 1123.

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

1.71 **Final DIP Order** means the Final Order (I) Authorizing the Debtors to Obtain
Replacement Financing; (II) Granting Security Interests and Superpriority Administrative Expense
Status; (III) Granting Adequate Protection to Certain Prepetition Secured Credit Parties; (IV)

1 Modifying the Automatic Stay; (V) Authorizing the Debtors to Enter Into Agreements with Lapis
2 Advisers, L.P.; (VI) Authorizing Use of Cash Collateral; and (VII) Granting Related Relief
[Docket No. 1201].

3 1.72 **Final Order** means, as applicable, an order or judgment of the Court or other court
4 of competent jurisdiction with respect to the relevant subject matter, which has not been reversed,
5 stayed, modified, or amended, including any order subject to appeal but for which no stay of such
6 order has been entered, any order as to which the time to appeal or seek certiorari has expired and
7 no appeal or petition for certiorari has been timely taken, or any order as to which any appeal that
8 has been taken or any petition for certiorari that has been or may be Filed has been resolved by the
9 highest court to which the order or judgment was appealed or from which certiorari was sought;
provided, that, the possibility that a request for relief under Rule 60 of the Federal Rules of Civil
Procedure, or any analogous rule under the Bankruptcy Rules, the local rules of the Court or
applicable non-bankruptcy law, may be Filed relating to such order shall not prevent such order
from being a Final Order.

10 1.73 **General Unsecured Claim** means a Claim against one or more of the Debtors that
11 is not a (i) Senior Secured Bond Debt Claim, (ii) Senior Secured Credit Agreement Claim, (iii)
12 DIP Claim, (iv) Administrative Claim, (v) Professional Fee Claim, (vi) Priority Claim; (vii)
13 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.

14 1.74 **Governmental Bar Date** means November 4, 2019, as established by the Claims
15 Bar Date Notice.

16 1.75 **Governmental Unit** shall have the meaning set forth in § 101(27).

17 1.76 **Holder** means an Entity holding a Claim or an Interest, as applicable, each solely
18 in its capacity as such.

19 1.77 **Hospitals** means SHC Medical Center-Yakima, SHC Medical Center - Toppenish,
and Sunnyside Community Hospital Association and related facilities operated by the Debtors.

20 1.78 **Indemnification Provisions** means each of the Debtors' indemnification provisions
21 currently in existence whether existing in a Debtor's bylaws, incorporation document, other
22 formation documents, board or executive committee resolutions or employment contracts for
current and former directors, managers, officers, employees, attorneys, individual consultants,
other professionals and agents of the Debtors, and all of their respective Affiliates.

23 1.79 **Insurance Policy** means any insurance policy maintained by or for the benefit of
24 the Debtors set forth in a schedule to the Plan Supplement.

25 1.80 **Insured Claims** means General Unsecured Claims arising prior to the Confirmation
26 Date involving personal injury, medical malpractice, or wrongful death (including slip-and-fall
27 and medical malpractice Claims) that are covered by the terms of Debtors' various insurance
28 policies. All Insured Claims are Disputed Claims, as Debtors contest liability. Some of the Insured
Claims are fully insured, and no deductible amount would be payable by Debtors under the terms

1 of the applicable Insurance Policy. As to other Insured Claims, Debtors may owe deductible
2 amounts. Insured Claims are classified as a subclass (Class 4A) of Class 4, General Unsecured
3 Claims (not otherwise classified). See Section III.G below for further information about issues
relating to Insured Claims.

4 1.81 **Interest** means any ownership interest in any of the Debtor, including but not
5 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.

6 1.82 **Lapis** means Lapis Advisers, LP.

7 1.83 **Lapis Parties** means the DIP Agent, DIP Lenders, UMB Bank, N.A. as indenture
8 trustee for the Senior Secured Bond Debt Claims, and Holders of the Senior Secured Bond Debt
9 Claims and the Senior Secured Credit Agreement Claims, and any fund managed by or affiliated
with any of the foregoing.

10 1.84 **Law** means any statute, law, ordinance, ruling, consent decree, permit, policy, rule
11 or regulation of, issued by or entered into by any Governmental Unit and all judicial or
administrative interpretations thereof and any common law doctrine.

12 1.85 **Lead Chapter 11 Case** means Chapter 11 Case Number 19-01189-11.

13 1.86 **Lien** shall have the meaning set forth in § 101(37).

14 1.87 **Liquidating Debtors** means any Debtor not reorganizing, including SHC Medical
15 Center - Yakima.

16 1.88 **Liquidation Trust** means the trust to be established on the Effective Date in
17 accordance with Section III.C.2.

18 1.89 **Liquidation Trust Agreement** means the agreement governing, among other things,
19 the retention and duties of the Liquidating Trustee as described in Section III.C.2 hereof, which shall
be in form and substance materially consistent with the Plan and included as an exhibit to the Plan
Supplement.

20 1.90 **Liquidation Trust Assets** means all assets of the Debtors not necessary for the
21 operation of the core health care businesses of the Debtors including, but not be limited to the (i)
22 Yakima Medical Office Building (excluding the operations within); (ii) SHC Medical Center-
23 Yakima; (iii) any other unused buildings currently owned by the Debtors; (iv) A/R Collections of
24 SHC Medical Center-Yakima; (v) all 180 day and older days aged accounts receivable of
Sunnyside Community Hospital Association and SHC – Medical Center Toppenish; and (vi) any
Causes of Action held by the Debtors, including the Vendor Litigation, not expressly assigned to
the Litigation Trust.

25 1.91 **Liquidation Trustee** means the Person designated as the trustee of the Liquidation
26 Trust by the Lapis Parties.

1 1.92 **Litigation Trust** means the trust to be established on the Effective Date in
2 accordance with Section III.C.1.

3 1.93 **Litigation Trust Agreement** means the agreement governing, among other things,
4 the retention and duties of the Litigation Trustee as described in Section III.C.1 hereof, which shall
5 be in form and substance materially consistent with the Plan and included as an exhibit to the Plan
6 Supplement.

7 1.94 **Litigation Trust Assets** means all Avoidance Actions other than any Avoidance
8 Action against the vendor which provided revenue cycle, billing and collection services pre-
9 petition.

10 1.95 **Litigation Trust Beneficiaries** means Holders of General Unsecured Claims in
11 Class 4.

12 1.96 **Litigation Trustee** means the Person designated as the trustee of the Litigation
13 Trust by the Committee.

14 1.97 **Next Payment Date** means, with respect to any particular Disputed Claim, the first
15 Business Day of the calendar quarter after such Claim has been Allowed by Final Order.

16 1.98 **Non-Debtor Affiliates** means, individually or collectively, Astria Health Clinically
17 Integrated Network, LLC, Bridal Dreams, LLC, Depot Plus, LLC, Home Supply, LLC, Kitchen
18 Appliance, LLC, Northwest Health, LLC, Pacific Northwest ASC Management, LLC, Sunnyside
19 Hospital Service Corp., Sunnyside Medical Center, LC, and Wedded Bliss, LLC.

20 1.99 **Order** means any judgment, order, injunction, decree, writ or license issue or
21 entered by or with any Governmental Unit or any arbitrator, whether preliminary, interlocutory or
22 final, including any order entered by the Court in the Chapter 11 Cases.

23 1.100 **Ordinary Course Administrative Expense** means Administrative Claims for goods
24 and services of types consistent with the Debtors' ordinary course business operations as of the
25 Petition Date that will be paid as they come due after the Effective Date in the ordinary course of
26 Reorganized Debtors' business. For the avoidance of doubt, the DIP Claims do not constitute
27 Ordinary Course Administrative Expenses.

28 1.101 **Other Secured Claim** means any Secured Claim against any of the Debtors that is
not (a) a DIP Claim; (b) a Senior Secured Bond Debt Claim; or (c) a Senior Secured Credit
Agreement Claim.

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

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

 1.104 **Plan** means this *Joint Chapter 11 Plan of Reorganization of Astria Health and its
Debtor Affiliates*, as further amended, supplemented or otherwise modified from time to time,

1 including all exhibits attached hereto or with the Plan Supplement, which is incorporated in the
2 Plan by reference and made part of the Plan as if set forth in the Plan.

3 1.105 **Plan Proponents** shall have the meaning set forth in the preamble to this Plan.

4 1.106 **Plan Supplement** means a supplemental appendix to this Plan, as may be amended
5 from time to time on or prior to the Voting Deadline, which will contain the following items:

- 6 (a) the Schedule of Assumed Agreements;
- 7 (b) the schedule of Insurance Policies;
- 8 (c) the list of Board of Directors for Reorganized Debtors;
- 9 (d) the Exchange Debt Documents
- 10 (e) Litigation Trust Agreement;
- 11 (f) Liquidation Trust Agreement;

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

13 1.107 **Priority Claim** means a Claim entitled to priority against the Estates under §§
14 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7). Priority Claims do not include any Claims incurred
15 after Petition Date.

16 1.108 **Priority Tax Claim** means a Claim entitled to priority against the Estate under §
17 507(a)(8). Priority Tax Claims do not include any Claims incurred after Petition Date.

18 1.2 **Professional** means any Entity retained in the Chapter 11 Cases in accordance with
19 §§ 327, 328 or 1103.

20 1.109 **Professional Fee Claim** means a Claim for accrued fees and expenses (including
21 success fees) for services rendered and expenses incurred by a Professional for the Petition Date
22 through and including the Effective Date to the extent such fees and expenses have not been paid
23 or not Disallowed pursuant to Order of the Court under §§ 327, 328, 330, 331, 363, 503, or 1103
24 for compensation for professional services rendered or expenses incurred for which the Estate is
25 liable for payment Code regardless of whether a fee application has been filed for such fees and
26 expenses.

27 1.110 **Pro Rata** means the proportion that an Allowed Claim in a particular Class bears
28 to the aggregate amount of Allowed Claims in that respective Class, or the proportion that Allowed
Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class
and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan, as
applicable.

1.111 **Proof of Claim** means a proof of Claim Filed against any of the Debtors in the
Chapter 11 Cases.

1 1.112 **PTO Claims** mean Claims asserted by Debtors' employees that are based upon
2 accrued hours arising under Debtors' nonworking day and paid time off policies.

3 1.113 **Related Parties** means, with respect to any persons or entity, any past or present
4 representative, controlling persons, officer, director, agent, attorney, advisor, Professional,
5 employee, subsidiary or Affiliate, shareholder, partner (general or limited), executive committee
6 member, member, managers, equity holder, trustee executor, predecessor in interest, successor or
7 assign of any such person.

8 1.114 **Released Parties** means (a) the Debtors, (b) the Debtors' current and former
9 officers, directors, managers and executive committee members, (c) the Lapis Parties, (d) the
10 Committee and the Committee Members and (e) each of the forgoing Entities' respective
11 predecessors, successors and assigns, subsidiaries, Affiliates and their subsidiaries, beneficial
12 owners, managed accounts or funds, current and former officers, directors, principals, shareholders,
13 direct and indirect equity holders, members partners (general and limited), employees, agents,
14 advisory board members, financial advisors, attorneys accountants, investment bankers,
15 consultants, representatives, management companies, fund advisors, Professionals, and other
16 professionals; provided, that as a condition to receiving or enforcing any release granted pursuant
17 to Section VII.F.2 hereof, each Released Party and its Affiliates shall be deemed to have released
18 the Releasing Parties, the Estate, and the Debtors from any and all Claims or Causes of Action
19 arising from or related to their relationship with the Debtors, but not, for the avoidance of doubt,
20 Professional Fee Claims or rights to enforce this Plan. For the avoidance of doubt, and
21 notwithstanding anything herein to the contrary, in no event shall an Entity that appropriately
22 marks a Ballot to opt out of the third party release provided in Section VII.F.2 hereof and returns
23 such Ballot in accordance with the Solicitation Procedures Order be a Released Party, except that
24 a member of the Committee who either holds a Claim that has opted out of the Third Party Release
25 or represents a Claim that has opted out of the Third Party Release shall be a Released Party only
26 in his or her capacity as a member of the Committee.

27 1.115 **Releasing Party** means all Holders of Claims and the Released Parties. (a) the
28 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.

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

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

1.118 **Schedules** means, collectively, the schedules of assets and liabilities, schedules of
Executory Contracts, and statements of financial affairs Filed by the Debtors, pursuant to § 521

1 and in substantial accordance with the Official Bankruptcy Forms, as the same may have been
2 amended, modified, or supplemented from time to time.

3 1.119 **Secured** means, when referring to a Claim, a Claim secured by a Lien on property
4 in which the applicable Estate has an interest, which Lien is valid, perfected, and enforceable
5 pursuant to applicable law or by a Final Order, or that is subject to setoff pursuant to § 553, to the
6 extent of the value of the applicable creditor's interest in such Estate's interest in such property or
7 to the extent of the amount subject to setoff, as applicable, in each case, as determined pursuant to
8 § 506(a).

9 1.120 **Senior Debt 9019 Settlement** shall have the meaning ascribed to such term in
10 Section III.A hereof.

11 1.121 **Senior Secured Bond Debt Claims** means all amounts due under the Bond
12 Documents, including principal, interest including interest at any applicable default rate,
13 prepayment penalties, make wholes and similar amounts, and expenses including but not limited
14 to attorneys and other professional fees.

15 1.122 **Senior Secured Credit Agreement Claims** means all amounts due under the Credit
16 Agreement, including principal, interest including interest at any applicable default rate,
17 prepayment penalties, make wholes and similar amounts, and expenses including but not limited
18 to attorneys and other professional fees.

19 1.123 **Senior Secured Credit Agreement Exchange Debt** means Exchange Debt issued
20 to satisfy the Senior Secured Credit Agreement Claims as more specifically described in the
21 Exchange Debt Documents.

22 1.124 **Solicitation Procedures** means the form of solicitation procedures approved by and
23 attached as an exhibits to the Solicitation Procedures Order.

24 1.125 **Solicitation Procedures Order** means [Title and Docket No.]

25 1.126 **Supplemental Bar Date** means the date established by the Supplemental Bar Date
26 Order by which requests for payment of certain Prepetition Claims (as defined in the Supplemental
27 Bar Date Order) must be Filed, subject to any exceptions specifically set forth therein.

28 1.127 **Supplemental Bar Date Order** means the Order (I) Fixing a Bar Date for Filing
Certain Prepetition Claimants' Claims and (II) Approving the Form of Notice of Those Prepetition
Claimants' Claims Bar Date [Docket No. 1417].

1.128 **U.S. Trustee** means the Office of the United States Trustee for the Eastern District
of Washington.

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

1 1.130 *Vendor Litigation* means any lawsuit initiated by or on behalf of the Debtors
2 against its vendor, which provided revenue cycle, billing and collection services pre-petition, based
3 on the Debtors' significant decline in cash flow from collections on accounts receivable.

4 1.131 *Voting Deadline* means 4:00 p.m. (prevailing Eastern Time) on September 10,
5 2020, as specifically set forth in the Disclosure Statement Order, which is the deadline for
6 submitting Ballots to accept or reject the Plan in accordance with § 1126.

7 1.132 § means a section of the Bankruptcy Code.

8 **B. Rules of Interpretation.**

9 For purposes herein: (i) in the appropriate context, each term, whether stated in the singular
10 or the plural, shall include both the singular and the plural, and pronouns stated in the masculine,
11 feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) except
12 as otherwise provided herein, any reference herein to a contract, lease, instrument, release,
13 indenture, or other agreement or document being in a particular form or on particular terms and
14 conditions means that the referenced document shall be substantially in that form or substantially
15 on those terms and conditions; (iii) except as otherwise provided, any reference herein to an
16 existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit,
17 as it may thereafter be amended, restated, supplemented, or otherwise modified in accordance with
18 the Plan; (iv) unless otherwise specified herein, all references herein to "Sections" are references
19 to Sections of the Plan or hereto; (v) unless otherwise stated herein, the words "herein," "hereof,"
20 and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (vi)
21 captions and headings to Sections are inserted for convenience of reference only and are not
22 intended to be a part of or to affect the interpretation hereof; (vii) the words "include" and
23 "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be
24 deemed to be followed by the words "without limitation"; (viii) unless otherwise specified, the
25 rules of construction set forth in § 102 shall apply to the Plan; (ix) any term used in capitalized
26 form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy
27 Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy
28 Rules, as the case may be; (x) any docket number references in the Plan shall refer to the docket
number of any document Filed with the Court in the Chapter 11 Cases; (xi) any immaterial
effectuating provisions may be interpreted by the Debtors, or after the Effective Date, the
Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the
Plan all without further notice to or action, order, or approval of the Court or any other Entity; and
(xii) except as otherwise provided, any references to the Effective Date shall mean the Effective
Date or as soon as reasonably practicable thereafter.

23 **C. Computation of Time**

24 Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a)
25 shall apply in computing any period of time prescribed or allowed herein. If the date on which a
26 transaction may occur pursuant to the Plan shall occur on a day that is not a Business Day, then
27 such transaction shall instead occur on the next Business Day.

1 **D. Governing Law**

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

8 **E. Reference to Monetary Figures**

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

11 **F. Controlling Document**

12 In the event of an inconsistency between the Plan and the Disclosure Statement, the terms
13 of the Plan shall control in all respects. In the event of an inconsistency between the Plan and the
14 Plan Supplement, the terms of the relevant document in the Plan Supplement shall control (unless
15 stated otherwise in such Plan Supplement document or in the Confirmation Order). In the event of
16 an inconsistency between the Confirmation Order and the Plan, the Disclosure Statement or the
17 Plan Supplement, the Confirmation Order shall control.

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

17 **A. General Overview**

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

21 **B. Limited Consolidation**

22 Except as expressly provided in this Plan, each Debtor shall continue to maintain its
23 separate corporate existence for all purposes other than the treatment of Claims and distributions
24 under this Plan. Except as expressly provided in this Plan, the Exchange Debt Documents, the
25 other Definitive Documents, or as otherwise ordered by the Court, on the Effective Date: (a) all
26 assets and all liabilities of each of the Debtors shall be deemed merged or treated as though they
27 were merged into and with the assets and liabilities of each other, (b) no distributions shall be made
28 under this Plan on account of Intercompany Claims among the Debtors, and all such Claims shall
be eliminated and extinguished, (c) all guaranties of the Debtors of the obligations of any other
Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any
guarantee thereof executed by any Debtor and any joint or several liability of any of the Debtors

1 shall be deemed to be one obligation of the consolidated Debtors, (d) each and every Claim filed
 2 or to be filed in any of the Chapter 11 Cases shall be treated filed against the consolidated Debtors
 3 and shall be treated one Claim against and obligation of the consolidated Debtors, and (e) for
 4 purposes of determining the availability of the right of set off under § 553, the Debtors shall be
 5 treated as one entity so that, subject to the other provisions of § 553, debts due to any of the Debtors
 6 may be set off against the debts of any of the other Debtors. Such consolidation shall not (other
 than for purposes relating to this Plan) affect the legal and corporate structures of the Reorganized
 Debtors. Notwithstanding anything in this Section to the contrary, all U.S. Trustee Fees, if any,
 shall be calculated on a separate legal entity basis for each Reorganized Debtor.

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

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

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

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS
1	Priority Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
2A	Senior Secured Bond Debt Claims	Impaired	Entitled to Vote
2B	Senior Secured Credit Agreement Claims	Impaired	Entitled to Vote
2C	Other Secured Claims	Unimpaired	Not Entitled to Vote / Deemed to Accept
3	Convenience Class Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
4A	Insured Claims	Impaired	Entitled to Vote

5	Intercompany Claims	Eliminated Through Consolidation of Debtors for Plan Purposes	N/A
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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. Administrative Claims

a. Types of Claims Entitled to Administrative Priority

The following types of Claims are entitled to administrative priority under this 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.

b. 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.

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. 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

25
26 ³ Under Debtors' human resources policies, employees may have accumulated paid time off ("PTO") that
27 the employees were able to roll forward from year to year, or cash out at retirement or departure.
28 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 Amount = \$43,194,789.04	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 Amount = \$13,007,397.26	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	No	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 less than or equal to \$5,000, or if the claim amount is greater, the claimant elects to reduce its Claim to \$5,000 pursuant to the Convenience Class Election, and thus accept a maximum of \$1,000 as payment in full. As used herein, “Convenience Class Election” means the timely election by a Holder of an General Unsecured Claim in the amount of \$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	No	Yes	To be paid 20% of allowed amount of claim up to a

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

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

CLASS #	DESCRIPTION	INSIDER (Y/N)	IMPAIRED (Y/N)	TREATMENT
4	General Unsecured Claims (Not Otherwise Classified) Total Amount = Approximately \$101,950,399.80 ⁵	No	Yes	Allowed General Unsecured Claims shall be satisfied <i>pro rata</i> solely from assets transferred to the Litigation Trust.
4A	Insured Claims	No	Yes	Subject to the terms and conditions set forth in <u>Section</u>

⁴ 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.

⁵ 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.

				<p>III.G 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.</p> <p>As of the Effective Date, all Insured Claims are Disputed.</p>
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5. Class 5 - Intercompany Claims

All intercompany claims shall be expunged and eliminated through the limited consolidation of the Debtors for purposes of treatment of Claims and distributions under this Plan.

SECTION III. MEANS OF IMPLEMENTING THE PLAN

A. The Senior Debt 9019 Settlement

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

The treatment and distributions provided for herein with respect to the DIP Claims, Senior Secured Bond Debt Claims, Senior Secured Credit Agreement Claims and other Lapis Parties prepetition Claims under the Senior Debt 9019 Settlement reflect a compromise and settlement of 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 Settlement, subject to the occurrence of the Effective Date, each prepetition Claim reflected in a proof of claim filed by the Lapis Parties in the Chapter 11 Cases that is not a Senior Secured Bond Debt Claim or Senior Secured Credit Agreement Claim shall be Allowed as a General Unsecured Claim in the liquidated amount specified therein.

The Plan shall constitute a motion to approve the Senior Debt 9019 Settlement. Subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of the Senior Debt 9019 Settlement pursuant to Bankruptcy Rule 9019 (which is inclusive of the releases by the Debtors and their Estates against the Lapis Parties) and a finding by the Bankruptcy

1 Court that the Senior Debt 9019 Settlement is in the best interest of the Debtors and their Estates.
2 If the Effective Date does not occur the Senior Debt 9019 Settlement shall be deemed to have been
3 withdrawn without prejudice to the respective positions of the parties.

4 **B. Corporate Actions**

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

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

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

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

22 **C. Litigation and Liquidation Trusts**

23 **1. Establishment of Litigation Trust**

24 On the Effective Date, all Litigation Trust Assets shall be contributed to the Litigation
25 Trust for the benefit of the Litigation Trust Beneficiaries subject to a Litigation Trust Agreement
26 acceptable to the Committee, the Lapis Parties and the Debtors and the appointment of a Litigation
27 Trustee acceptable to the Lapis Parties in their sole discretion.

28 **2. Establishment of Liquidation Trust**

On the Effective Date, all Liquidation Trust Assets shall be contributed to the Liquidation
Trust subject to a Liquidation Trust Agreement acceptable to the Debtors and the Lapis Parties and
the appointment of a Liquidation Trustee acceptable to the Lapis Parties in their sole discretion.

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 **D. Post-Confirmation Management**

2 Reorganized Debtors, controlled by AH System as the sole member, will provide the
3 management for the Hospitals after the Effective Date. The senior officers of Reorganized Debtors
4 are expected to include John Gallagher in his continuing role as CEO.

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

11 **E. Creation of Administrative and Priority Claims Reserve**

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

29 **F. Objections to Claims**

30 Prior to the Effective Date, Debtors will seek to resolve as many disputes or objections to
31 Claims as possible. After the Effective Date, Reorganized Debtors will have the authority and
32 obligation to review, compromise, and object to any Claims other than Allowed Claims.
33 Reorganized Debtors will: (i) have the authority, without Court approval, to compromise, release
34 or settle any Claim where the Claim has an asserted face value of \$25,000 or less and (ii) be
35 required to seek an order of the Court approving the compromise, release or settlement of any
36 Claim that has an asserted value of greater than \$500,000, with notice and opportunity for hearing
37 required with respect to such compromise, release or settlement. If the Debtors seek to
38 compromise, release or settle any Claim where the Claim has an asserted face value of between

1 \$25,000 and \$500,000, the Debtors will provide at least five (5) days' advance notice of the same
2 to the Lapis Parties and the Committee and the opportunity to object within such notice period. If
3 the Lapis Parties or the Committee objects and the objection is not resolved consensually, the
4 Debtors may seek approval of the compromise, release or settlement by the Court on an expedited
5 basis.

6 **G. Special Issues Regarding Insured Claims**

7 Under the terms of Debtors' various insurance policies, Debtors may owe deductible
8 amounts on account of Insured Claims for personal injury and medical malpractice. After the
9 Effective Date of the Plan (unless an order modifying the automatic stay has been entered at an
10 earlier date), Holders of Insured Claims may proceed with litigation in appropriate non-bankruptcy
11 forums to liquidate the Insured Claims, but they shall be enjoined by the injunction established by
12 the Confirmation Order from commencing or continuing any enforcement action to collect such
13 Claim against the Estate except in conformity with the Bankruptcy Code's claim adjudication
14 procedures.

15 Subject to the foregoing, distributions under the Plan to each Holder of an Allowed Insured
16 Claim shall be recoverable only from the available insurance and Debtors shall be discharged to
17 the extent of any such excess. Further, the Plan shall not expand the scope of, or alter in any other
18 way, the rights and obligations of Debtors' insurers under their policies, and Debtors' insurers
19 shall retain any and all defenses to coverage that such insurers may have, including the right to
20 contest and/or litigate with any party, including Debtors, the existence, primacy and/or scope of
21 available coverage under any alleged applicable policy. The Plan shall not operate as a waiver of
22 any other Claims that Debtors' insurers have asserted or may assert in any proof of Claim or
23 Debtors' rights and defenses to such proofs of Claim.

24 **H. Distributions of Property Under the Plan**

25 The following procedures set forth in the Plan apply to distributions made pursuant to the
26 Plan whether by (i) Debtors as to the Effective Date Distributions, or (ii) the Reorganized Debtors
27 as to all post-Effective Date Distributions (each of Reorganized Debtor or the Debtors, a
28 "Distributing Party"). In connection with the Plan, to the extent applicable, the 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.

29 **I. Manner of Cash Payments Under the Plan**

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

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

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

9 **K. Record Date for Distribution**

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

15 **L. Delivery of Distributions**

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

22 **M. Undeliverable and Unclaimed Distributions**

23 If the distribution to the Holder of any Allowed Claim is returned as undeliverable, no
24 further distribution shall be made to such Holder unless and until the Distributing Party is notified
25 in writing of such Holder's then current address. Subject to the other provisions of the Plan,
26 undeliverable distributions shall remain in the possession of the Distributing Party pursuant to this
27 Section until such time as a distribution becomes deliverable. All undeliverable Cash distributions
28 will be held in unsegregated, interest-bearing bank accounts for the benefit of the Entities entitled
to the distributions. These Entities will be entitled to any interest actually earned on account of the
undeliverable distributions. The bank account will be maintained in the name of the Distributing
Party, but it will be accounted for separately.

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

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

1 (e) All such other actions, documents, and agreements the Debtors and
2 the Lapis Parties determine are necessary to implement the Plan shall have been effected or
executed.

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

5 2. Waiver of Conditions

6 Except as otherwise specified herein, the requirement that the conditions to the occurrence
7 of the Effective Date be satisfied may be waived in whole or in part, and the time within which
8 any such conditions must be satisfied may be extended, by Debtors with the prior written consent
9 of the Lapis Parties. The failure to timely satisfy or waive any of such conditions may be asserted
10 by Debtors regardless of the circumstances giving rise to the failure of such condition to be
satisfied, including any action or inaction by Debtors. The failure of 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.

11 R. Authorization of Entity Action

12 Each of the matters provided for under this Plan involving the Entity structure of Debtors
13 or Entity action to be taken by or required of Debtors shall, as of the Effective Date, be deemed to
14 have occurred and be effective as provided 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 directors of Debtors.

15 S. Reservation of Fair and Equitable (Cram Down) Power

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

18 SECTION IV. TREATMENT OF MISCELLANEOUS ITEMS

19 A. Assumption of Executory Contracts

20 1. Assumptions

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

1 Debtors have given AH System not less than ten (10) Business Days' notice that it intends to
2 assume or list the agreement on the Schedule of Assumed Agreements and AH System has not
3 given the Debtors' written notice that it opposes the assumption thereof.

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

7 **2. Cure Payments**

8 Any monetary amounts by which each Executory Contract to be assumed is in default shall
9 be satisfied, pursuant to § 365(b)(1), by payment from the Administrative and Priority Claims
10 Reserve, of the default amount (as set forth in the Debtors' books and records), a schedule of which
11 will be Filed and served by the Voting Deadline, in full in Cash on the later of the Effective Date
12 or when such Cure Claim is Allowed, or on such other terms as the parties to each such Executory
13 Contract may otherwise agree. In these Chapter 11 Cases, prior to Confirmation of the Plan, some
14 known Cure Payments will have already been paid or resolved by stipulation or agreement. In the
15 event of a dispute regarding (a) the amount of any Cure Payments, (b) the ability of Reorganized
16 Debtors to provide "adequate assurance of future performance" (within the meaning of § 365)
17 under the contract or lease to be assumed, or (c) any other matter pertaining to assumption, the
18 cure payments required by § 365(b)(1) shall be made following the entry of a Final Order resolving
19 the dispute and approving the assumption. Pending the Court's ruling on such motion, the
20 Executory Contract at issue shall be deemed assumed by Reorganized Debtors as of the Effective
21 Date, unless otherwise ordered by the Court, and the Debtors will reserve amounts for Disputed
22 Cure Payments in the full amounts claimed by objecting contract counterparties.

17 **3. Objections to Assumption**

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

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

1 **4. Resolution of Claims Relating to Assumed Agreements**

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

9 **B. Rejection of Executory Contracts**

10 **1. Rejected Agreements**

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

18 **2. Bar Date for Rejection Damage Claims**

19 Any Claim for damages arising from the rejection under the Plan of an Executory Contract
20 must be Filed and served upon counsel to the Debtors within 30 days after the entry of an order
21 (including the Confirmation Order) approving such rejection. Any such Claims that are not timely
22 Filed and served will be forever barred and unenforceable against Debtors, the Estate, Reorganized
23 Debtors, and their respective property, and Entities holding these Claims will be barred from
24 receiving any distribution under the Plan on account of such untimely claims.

25 **3. Post-Petition Contracts and Leases**

26 Except as set forth in the Schedule of Assumed Agreements or as otherwise expressly
27 provided in the Plan or the Confirmation Order, all contracts, leases, and other agreements that
28 Debtors entered into after Petition Date will be rejected by Reorganized Debtors.

C. 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 the current and former
officers, employees, attorneys, other professionals and agents of the Debtors, and such current and
former officers', employees', attorneys', other professionals' and agents' of the Debtors, and such
current respective Affiliates, respectively, against any Claims or Causes of Action under the
Indemnification Provisions or applicable law, shall survive Confirmation, shall be assumed by the
Debtors and assigned to the Reorganized Debtors and will remain in effect after the Effective Date
if such indemnification, defense, reimbursement, or limitation is owed in connection with an event
occurring before the Effective Date; provided, however, that, notwithstanding anything herein to

1 the contrary, the obligation of the Reorganized Debtors to fund such Indemnification Provisions
2 shall be limited to the extent of coverage available under any Reorganized Debtor Insurance
3 Policies.

4 **D. Lapis Parties Fees and Expenses**

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

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

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

11 **SECTION V. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED,
12 AND DISPUTED CLAIMS AND INTERESTS**

13 **A. Resolution of Disputed Claims**

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

15 Prior to the Effective Date, the Debtors, and on and after the Effective Date, the
16 Reorganized Debtors, shall have and shall retain any and all rights and defenses that the Debtors
17 had with respect to any Claim or Interest, except with respect to any Claim or Interest deemed
18 Allowed as of the Effective Date. Except as expressly provided in the Plan or in any order entered
19 in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim
20 or Interest shall become an Allowed Claim or Interest unless and until such Claim or Interest is
21 deemed Allowed under the Plan or the Bankruptcy Code or the Court has entered a Final Order,
22 including the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

23 **2. Prosecution of Objections to Claims**

24 Prior to the Effective Date, the Debtors, and on or after the Effective Date, the Reorganized
25 Debtors and Litigation Trustee shall have the authority to File objections to Claims, and the
26 exclusive authority to settle, compromise, withdraw, or litigate to judgment objections on behalf
27 of the Debtors' Estates to any and all Claims, except with respect to any Claim or Interest deemed
28 Allowed as of the Effective Date. From and after the Effective Date, the Reorganized Debtors shall
have the sole authority to administer and adjust the Claims Register with respect to Claims to
reflect any such settlements or compromises and no further notice to or action, order, or approval
of the Court with respect to such settlements or compromises shall be required.

3. Claims Estimation

On and after the Effective Date, the Reorganized Debtors may, at any time, request that the
Court estimate (a) any Disputed Claim pursuant to applicable law and (b) any contingent or
unliquidated Claim pursuant to applicable law, in each case regardless of whether the Debtors or
the Reorganized Debtors have previously objected to such Claim or whether the Court has ruled

1 on any such objection, and the Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to
2 the maximum extent permitted by law as determined by the Court to estimate any such Disputed
3 Claim, contingent Claim, or unliquidated Claim, including during the litigation concerning any
objection to any Claim or during the pendency of any appeal relating to any such objection.

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

14 **4. Expungement or Adjustment to Claims Without Objection**

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

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

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

21 **B. Disallowance of Claims**

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

25 To the maximum extent provided by § 502(d), except as otherwise provided in this Plan,
26 all Claims of any Entity from which property is recoverable by the Litigation Trustee under §§
27 542, 543, 550, or 553 or that the Litigation Trustee alleges is a transferee of a transfer that is
28 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 Litigation 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

1 monies under any of the aforementioned sections of the Bankruptcy Code, and (b) such Entity or
2 transferee has failed to turnover such property by the date set forth in such agreement or Final
Order.

3 **C. Amendments to Claims**

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

8 **D. No Interest**

9 Unless otherwise specifically provided for in the Plan, by applicable law (including,
10 without limitation, § 506(b)), or agreed to by, as applicable, the Debtors or the Reorganized
11 Debtors, interest shall not accrue or be paid on any Claim, and no Holder of any Claim shall be
12 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.

13 **SECTION VI. RETENTION OF JURISDICTION**

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

17 1. Allow, Disallow, determine, liquidate, classify, estimate, or establish the priority,
18 Secured or unsecured status, or amount of any Claim, including the resolution of any request for
19 payment of any Administrative Claim and the resolution of any and all objections to the Secured
20 or unsecured status, priority, amount, or Allowance of Claims; provided that, for the avoidance of
21 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;

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

24 3. resolve any matters related to (i) the assumption or assumption and assignment of
25 any Executory Contract to which a Debtor is a party or with respect to which a Debtor may be
26 liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising
27 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;

1 4. adjudicate controversies, if any, with respect to distributions to Holders of Allowed
2 Claims;

3 5. 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;

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

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

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

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

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

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

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

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

25 14. determine any other matters that may arise in connection with or relate to the Plan,
26 the Disclosure Statement, the Confirmation Order, or the Plan Supplement;

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

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

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

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

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

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

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

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

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

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

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

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

18 **A. Discharge**

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

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

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

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

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

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

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

3 **C. Release of Liens**

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

15 **D. Subordinated Claims**

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

24 **E. Exculpation**

25 The Exculpated Parties shall neither have, nor incur any liability to any Entity for any
26 prepetition or post-petition act taken or omitted to be taken in connection with the Chapter 11
27 Cases, 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
Plan or any other prepetition or post-petition act taken or omitted to be taken in connection with
or in contemplation of the restructuring of the Reorganized Debtors or liquidation of the
Liquidating Debtors. Without limiting the foregoing “Exculpation” provided under this Section,
the rights of any Holder of a Claim or Interest to enforce rights arising under the Plan shall be
preserved, including the right to compel payment of distributions in accordance with the Plan;
provided, that the foregoing “Exculpation” shall have no effect on the liability of any Entity solely
to the extent resulting from any such act or omission that is determined in a final order to have
constituted gross negligence or willful misconduct; provided, further, that each Exculpated Party
shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or
in connection with, the Plan or any other related document, instrument, or agreement. The
exculpation of the Lapis Parties is an integral component of the Senior Debt 9019 Settlement.

1 **F. Releases**

2 **1. Debtors' Releases**

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

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE COURT'S
APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTORS' RELEASES,
WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND
DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE
COURT'S FINDING THAT THE DEBTORS' RELEASES ARE: (1) IN EXCHANGE FOR THE
GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES;

1 (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY
2 THE DEBTORS' RELEASES; (3) IN THE BEST INTERESTS OF THE DEBTORS' ESTATES
3 AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE, AND
4 REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR
5 HEARING; AND (6) A BAR AGAINST ANY OF THE DEBTORS' ESTATES, THE
REORGANIZED DEBTORS, THE LITIGATION TRUST, OR THE LIQUIDATION TRUST,
ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE
DEBTORS' RELEASES.

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

8 **2. Third Party Releases**

9 ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT
10 AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES SHALL BE DEEMED
11 TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND
12 COLLECTIVELY, RELEASED AND ACQUITTED THE RELEASED PARTIES AND THEIR
13 RESPECTIVE PROPERTY (INCLUDING THE RELEASED PARTIES' PREDECESSORS,
14 SUCCESSORS AND ASSIGNS, SUBSIDIARIES, AFFILIATES, MANAGED ACCOUNTS OR
15 FUNDS, CURRENT AND FORMER OFFICERS, DIRECTORS, PRINCIPALS,
16 SHAREHOLDERS, DIRECT AND INDIRECT EQUITY HOLDERS, MEMBERS, PARTNERS
17 (GENERAL AND LIMITED), EMPLOYEES, AGENTS, ADVISORY BOARD MEMBERS,
18 FINANCIAL ADVISORS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS,
19 CONSULTANTS, REPRESENTATIVES, MANAGEMENT COMPANIES, FUND ADVISORS
20 AND OTHER PROFESSIONALS) AND THE RELEASED PARTIES FROM ANY AND ALL
21 ACTIONS, CLAIMS, INTERESTS, 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 HEREAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT OR
26 OTHERWISE, THAT SUCH HOLDER (WHETHER INDIVIDUALLY OR COLLECTIVELY)
27 EVER HAD, NOW HAS OR HEREAFTER CAN, SHALL OR MAY HAVE, BASED ON OR
28 RELATING TO, OR IN ANY MANNER ARISING FROM OR RELATED IN ANY WAY TO
THE DEBTORS, ANY OF THE DEBTORS' PRESENT OR FORMER ASSETS, THE
RELEASED PARTIES' INTERESTS IN OR MANAGEMENT OF THE DEBTORS, THE
BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY
RELEASED PARTY, THE PLAN, THE DISCLOSURE STATEMENT, THESE CHAPTER 11
CASES, OR ANY RESTRUCTURING OF CLAIMS OR INTERESTS UNDERTAKEN PRIOR
TO THE EFFECTIVE DATE, INCLUDING THOSE THAT THE DEBTORS, THE
REORGANIZED DEBTORS, THE LITIGATION TRUST, OR THE LIQUIDATION TRUST
WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT OR THAT ANY HOLDER OF A
CLAIM AGAINST OR INTEREST IN THE DEBTORS OR ANY OTHER ENTITY COULD
HAVE BEEN LEGALLY ENTITLED TO ASSERT DERIVATIVELY OR ON BEHALF OF
THE DEBTORS OR THEIR ESTATES, EXCEPT FOR (I) ANY CLAIMS AND CAUSES OF
ACTION FOR ACTUAL FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT
AND (II) THE RIGHT TO RECEIVE DISTRIBUTIONS FROM THE DEBTORS, THE

1 REORGANIZED DEBTORS, THE LITIGATION TRUST, OR THE LIQUIDATION TRUST
2 ON ACCOUNT OF AN ALLOWED CLAIM AGAINST THE DEBTORS PURSUANT TO THE
3 PLAN. FOR THE AVOIDANCE OF DOUBT, THE RELEASING PARTIES SHALL INCLUDE
4 (A) THE RELEASED PARTIES, AND (B) ALL HOLDERS OF CLAIMS THAT (I) VOTE TO
5 ACCEPT THE PLAN, AND (II) DO NOT AFFIRMATIVELY OPT OUT OF THE THIRD
6 PARTY RELEASE PROVIDED BY THIS SECTION PURSUANT TO A DULY EXECUTED
7 BALLOT. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IN NO
8 EVENT SHALL AN ENTITY THAT (X) DOES NOT VOTE TO ACCEPT OR REJECT THE
9 PLAN, (Y) VOTES TO REJECT THE PLAN, OR (Z) APPROPRIATELY MARKS THE
10 BALLOT TO OPT OUT OF THE THIRD PARTY RELEASE PROVIDED IN THIS SECTION
11 AND RETURNS SUCH BALLOT IN ACCORDANCE WITH THE SOLICITATION
12 PROCEDURES ORDER, BE A RELEASING PARTY.

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

25 NOTWITHSTANDING ANY PROVISION HEREIN, THERE SHALL BE NO
26 RELEASE OR EXCULPATION BY OR INJUNCTION AGAINST ANY COMMITTEE
27 MEMBER HOLDING A CLAIM OR REPRESENTING A CLAIMANT THAT HAS OPTED
28 OUT OF THE THIRD PARTY RELEASE OR HAS NOT VOTED ON THE PLAN, EXCEPT
SOLELY IN SUCH COMMITTEE MEMBER'S CAPACITY AS SUCH.

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

1 **G. Injunction**

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

1 THE DEBTOR OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF
2 OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED,
3 COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF
4 ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO
5 THE PLAN; *PROVIDED THAT* NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE
6 AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO
7 SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN OR THE SALE ORDER;
8 *PROVIDED, FURTHER, THAT* NOTHING CONTAINED IN THE PLAN SHALL BE
9 CONSTRUED TO PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS
10 OBJECTIONS OR COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF
11 SETOFF OR OTHERWISE TO THE EXTENT PERMITTED BY LAW.

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

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

19 **I. Setoffs**

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

1 Reorganized Debtors, the Litigation Trustee or the Liquidation Trustee, as applicable, of any such
2 claims, rights, and Causes of Action that the Debtors' Estates may possess against such Holder. In
3 no event shall any Holder of Claims or Interests be entitled to set off any Claim or Interest against
4 any claim, right, or Cause of Action of the Debtor's Estate unless such Holder has timely Filed a
5 Proof of Claim (including any Proof of Claim timely Filed by the Governmental Bar Date) with
6 the Court expressly preserving such setoff; provided that nothing in the Plan shall prejudice or be
7 deemed to have prejudiced the Debtors', the Reorganized Debtors', the Litigation Trustee's or the
8 Liquidation Trustee's right to assert that any Holder's setoff rights were required to have been
9 asserted by motion or pleading filed with the Court prior to the Effective Date, or any such Holder's
10 right to assert that there was no such requirement.

11
12
13 **J. Revesting of Property in Debtors**

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

21
22
23 **K. Preservation of Restricted Funds for Charitable Purposes**

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

L. Modification of Plan

Subject to such notice as the Court may require, Debtors may, with the prior written consent
of the Lapis Parties, modify the Plan at any time before Confirmation, if circumstances develop
that warrant modification or amendment to the Plan.

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

M. Dissolution of Committee

No later than the Effective Date, the Committee shall be dissolved, and shall be released
and discharged from the rights and duties arising from or related to the Chapter 11 Cases, except
with respect to final applications for professionals' compensation. The professionals retained by
the Committee and the Committee Members thereof shall not be entitled to compensation or
reimbursement of expenses for any services rendered or expenses incurred after the Effective Date,
except for services rendered and expenses incurred in connection with any applications by such

1 professionals or Committee Members for allowance of compensation and reimbursement of
2 expenses pending on the Effective Date or timely Filed after the Effective Date as provided in the
Plan, as approved by the Court.

3 **N. Post-Confirmation Status Report**

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

8 **O. Quarterly Fees**

9 Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of Confirmation shall be paid
10 to the U.S. Trustee on or before the Effective Date of the Plan. Quarterly fees accruing under 28
11 U.S.C. § 1930(a)(6) after Confirmation shall be paid by the Litigation Trustee to the U.S. Trustee
12 in accordance with 28 U.S.C. § 1930(a)(6) and the Litigation Trust Agreement until entry of a final
decree, or entry of an order of dismissal or conversion to chapter 7.

13 **P. Post-Confirmation Conversion/Dismissal**

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

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

21 **Q. 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

Schedule A

Bond 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 Hospitals
2017 Bonds	Reinstated balance \$35,400,000 plus all accrued and unpaid interest owed \$7,794,789.04* at the time of Emergence	10% Accrued Rate compounded and payable pursuant to the Waterfall, provided the coupon steps down to 8% if the instrument is paid current	First Priority Perfected Lien against the Liquidation Estate and Toppenish Hospital, Third Lien against Sunnyside Hospital

* Estimated as of September 30, 2020

Schedule B

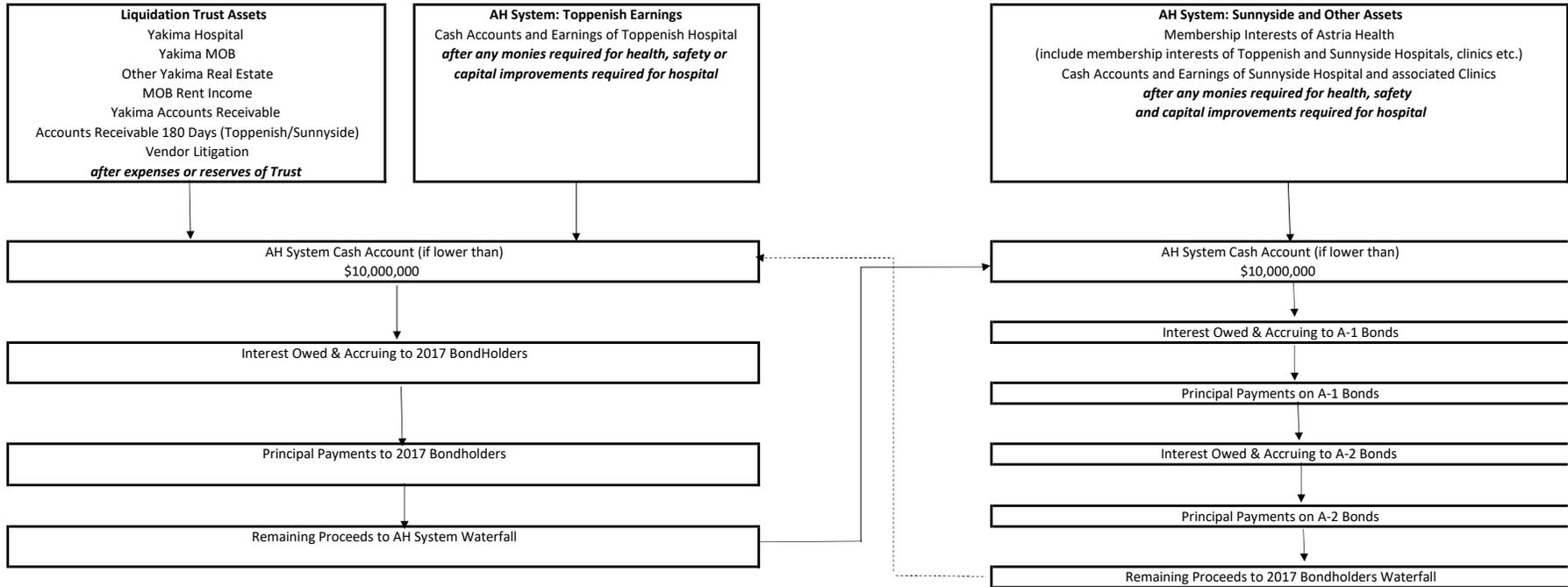


EXHIBIT B
LIQUIDATION ANALYSIS

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
FINANCIAL PROJECTIONS

**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.