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**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

_____	)	
IN RE:	)	CHAPTER 11
	)	
WORDSWORTH ACADEMY, ET AL., ¹	)	CASE NO. 17- 14463 (AMC)
	)	
DEBTORS.	)	JOINTLY ADMINISTERED
_____	)	

**DISCLOSURE STATEMENT WITH RESPECT TO
DEBTORS' JOINT CHAPTER 11 PLAN**

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Dated: November 8, 2017

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number, are: Wordsworth Academy (9031); Wordsworth CUA 5, LLC (0983); and Wordsworth CUA 10, LLC (5980). Wordsworth Academy has an address at 3300 Henry Ave., Philadelphia, PA 19129.

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE JOINT CHAPTER 11 PLAN DATED OCTOBER 6, 2017, FILED BY WORDSWORTH ACADEMY, WORDSWORTH CUA 5, LLC AND WORDSWORTH CUA 10, LLC, DEBTORS AND DEBTORS IN POSSESSION (AS MAY BE AMENDED IN ACCORDANCE WITH THE TERMS THEREOF AND APPLICABLE LAW, THE "PLAN"). THE INFORMATION CONTAINED HEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. EXCEPT WITH RESPECT TO THE FINANCIAL PROJECTIONS SET FORTH IN APPENDIX B ANNEXED HERETO (THE "PROJECTIONS") AND EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR SUBSEQUENT TO THE DATE HEREOF AND THAT MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS DO NOT UNDERTAKE ANY OBLIGATION TO, AND DO NOT INTEND TO, UPDATE THE PROJECTIONS; THUS, THE PROJECTIONS WILL NOT REFLECT THE IMPACT OF ANY SUBSEQUENT EVENTS NOT ALREADY ACCOUNTED FOR IN THE ASSUMPTIONS UNDERLYING THE PROJECTIONS. FURTHER, THE DEBTORS DO NOT ANTICIPATE THAT ANY AMENDMENTS OR SUPPLEMENTS TO THIS DISCLOSURE STATEMENT WILL BE DISTRIBUTED TO REFLECT SUCH OCCURRENCES. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. MOREOVER, THE PROJECTIONS ARE BASED ON ASSUMPTIONS THAT, ALTHOUGH BELIEVED TO BE REASONABLE BY THE DEBTORS, MAY DIFFER FROM ACTUAL RESULTS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF ANY OF THE DEBTORS AND DEBTORS IN POSSESSION IN THESE CASES SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND NON-BANKRUPTCY PROCEEDINGS OR THREATENED ACTIONS INVOLVING THE DEBTORS OR ANY OTHER PARTY, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN ANY OF THE DEBTORS AND DEBTORS IN POSSESSION IN THESE CASES.

THE DEBTORS BELIEVE THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS, THEIR CREDITORS AND THEIR ESTATES. THE DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

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I. INTRODUCTION

The debtors and debtors in possession in the above-referenced chapter 11 cases (these “Chapter 11 Cases”) are the following related companies (collectively, the “Debtors”):

Wordsworth Academy,

Wordsworth CUA 5, LLC, and

Wordsworth CUA 10, LLC

The Debtors submit this disclosure statement (as may be amended, the “Disclosure Statement”) pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”) for use in the solicitation of votes on the Joint Chapter 11 Plan dated as of November 8, 2017 (as may be amended, the “Plan”). A copy of the Plan is attached hereto as Appendix A. Each capitalized term used in this Disclosure Statement but not otherwise defined herein has the meaning ascribed to such term in the Plan. In addition, all references in this Disclosure Statement to monetary figures refer to United States currency, unless otherwise expressly provided.

This Disclosure Statement sets forth certain information regarding the Debtors’ prepetition operating and financial history, their reasons for seeking protection and reorganization under chapter 11 and significant events that have occurred during the Chapter 11 Cases. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan and the securities to be issued under the Plan and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote on the Plan must follow for their votes to be counted.

By order entered on November 9, 2017, the Bankruptcy Court has approved this Disclosure Statement as containing “adequate information,” in accordance with section 1125 of the Bankruptcy Code, to enable a hypothetical, reasonable investor typical of Holders of Claims against the Debtors to make an informed judgment as to whether to accept or reject the Plan, and has authorized its use in connection with the solicitation of votes with respect to the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtors and their businesses, other than that contained in this Disclosure Statement, the Plan, and all exhibits and appendices hereto and thereto.

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Interests that are (a) “impaired” by a plan and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. In the Debtors’ cases, Claims and Interests in Classes 2 through 5 are Impaired by and entitled to receive a distribution under the Plan; accordingly, only the Holders of Claims and Interests in those Classes are entitled to vote to accept or reject the Plan.

Claims in Class 1 are Unimpaired by the Plan; accordingly, the Holders thereof are conclusively presumed to have accepted the Plan.

II. OVERVIEW OF THE PLAN

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article VI of this Disclosure Statement, entitled “Summary of the Plan.”

The Plan provides for the classification and treatment of Claims against and Interests in the Debtors. The Plan designates five Classes of Claims and one Class of Interests. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Interests.

A. General Structure of the Plan

The Plan contemplates the reorganization of the Debtors and the resolution of all outstanding Claims against, and Interests in, the Debtors. Subject to the specific provisions set forth in the Plan, all Claims will be satisfied by cash payments to be issued by the Debtors or, where expressly indicated, funding received from Public Health Management Corporation (“PHMC”). Because the Debtors are non-profit entities, there are no Interests to be cancelled. Wordsworth’s ownership interest in Debtors Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC (the “CUAs”), which are non-profit entities, and the membership interests of the Boards in the Debtors, will be retained only to the extent set forth in the Affiliation Agreement (as defined in the Plan).

The Debtors have estimated the ultimate distributions that will be made in respect of Allowed Claims and Interests. As explained more fully in Section VII entitled “Certain Risk Factors to Be Considered,” however, because of inherent uncertainties, many of which are beyond the Debtors’ control, there can be no guaranty that actual performance will meet the Debtors’ estimates. The Debtors nonetheless believe that if the Plan is not consummated, it is likely that Holders of Claims against and Interests in the Debtors’ estates will receive less than they would if the Plan is confirmed because dismissal of these Chapter 11 Cases and subsequent dissolution of the Debtors’ organizations will not result in a higher distribution to any Class of Claims or Interests. Similarly, if the Debtors’ organizations were for-profit entities that could be involuntarily liquidated under chapter 7 of the Bankruptcy Code, liquidation of the Debtors’ assets will not result in a higher distribution to any Class of Claims or Interests.

B. Summary of Treatment of Claims and Interests under the Plan

The table below summarizes the classification and treatment of the prepetition Claims against and Interests in the Debtors under the Plan. For certain Classes of Claims, estimated percentage recoveries are also set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including (where not Allowed by the Plan) the amount of Allowed Claims in each Class.

For certain Classes of Claims, the actual amounts of Allowed Claims could materially exceed or could be materially less than the estimated amounts shown in the table that follows. Except for Claims Allowed by the Plan, estimated Claim amounts for each Class set forth below are based upon the Debtors' review of their books and records and Claims filed to date in these cases, and include estimates of a number of Claims that are contingent, disputed and/or unliquidated. Accordingly, for these reasons, no representation can be or is being made with respect to whether the estimated percentage recoveries shown in the table below for Class 5A, Class 5B and Class 5C will actually be realized by the Holders of Allowed Claims in those Classes.

Type of Claim or Interest	Description and Treatment under Plan
Unclassified — Administrative Claims Estimated Aggregate Allowed Amount: Approximately \$500,000* *Amount includes known Administrative Claims as of the date of the filing of this Disclosure Statement, excluding claims of the Initial DIP Lender and the Siena DIP Lender.	An Administrative Claim is a Claim for (a) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of any of the Chapter 11 Cases asserted or arising under sections 503, 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code including, but not limited to (i) any actual and necessary post Petition Date cost or expense of preserving each of the Debtors' Estates or operating the organizations of the Debtors, (ii) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of their respective organizations, (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code, and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; (b) any fees or charges assessed against the Debtors' Estates under section 1930 of title 28 of the United States Code; and (c) Claims of the Initial DIP Lender under the Initial DIP Financing Facility and the Siena DIP Lender under the Siena DIP Financing Facility. Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each Holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed, or (iii) a date agreed to in writing by the Debtors and the Holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors, or as the Bankruptcy Court may order. Administrative Claims are not classified and are treated as required by the Bankruptcy Code. The Holders of such Claims are not entitled to vote on the Plan. Estimated Percentage Recovery: 100%
Unclassified — Priority Tax Claims Estimated Aggregate Allowed	The Plan defines Priority Tax Claims as any and all Claims accorded priority in payment pursuant to

Type of Claim or Interest	Description and Treatment under Plan
Amount: \$1,400	section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtors that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are (a) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the Bankruptcy Code, (b) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code, (c) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code, (d) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D), (e) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code, (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code. Under the Plan, Priority Tax Claims are Unimpaired. Each Holder of an Allowed Priority Tax Claim shall receive, at the option of the Debtors, in full satisfaction, settlement, release, extinguishment and discharge of such Priority Tax Claim: (a) the amount of such unpaid Allowed Priority Tax Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Priority Tax Claim becomes Allowed and (iii) a date agreed to by the Debtors and the Holder of such Priority Tax Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Priority Tax Claim and the Debtors, or as the Bankruptcy Court may order. Prior to the Effective Date, the Plan Proponents, by mutual agreement, shall have the right to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature. Priority Tax Claims are not classified and are treated as required by the Bankruptcy Code. The Holders of such Claims are not entitled to vote on the Plan. The Debtors are aware of one Claim filed in this Class as of the date of this

Type of Claim or Interest	Description and Treatment under Plan
	Disclosure Statement, but have not reviewed their records regarding that Claim. Estimated Percentage Recovery: 100%
Class 1 —Priority Claims Estimated Aggregate Allowed Amount: \$12,850	Class 1 consists of Priority Claims, which are Claims against the Debtors entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than Priority Tax Claims or Administrative Claims. Under the Plan, Class 1 Priority Claims are Unimpaired. Each Holder of an Allowed Class 1 Priority Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash, without interest, on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 1 Claim becomes Allowed, and (iii) a date agreed to by the Debtors and the Holder of such Class 1 Priority Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors. Estimated Percentage Recovery: 100%
Class 2 — Secured Claims of M&T Bank Estimated Aggregate Allowed Amount: \$4,825,000	Class 2 consists of Secured Claims of M&T Bank, which are defined as any Claim arising before the Petition Date that is: (a) secured in whole or part, as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law on certain Property in which any of the Debtors' Estates has an interest and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law; or (b) subject to setoff under section 553 of the Bankruptcy Code, but, with respect to both case (a) and (b), only to the extent of the value of the assets or Property securing any such Claim or the amount subject to setoff, as the case may be. Under the Plan, Class 2 Secured Claims of M&T Bank are impaired. The Holder of an Allowed Class 2 Secured Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: 119 monthly payments over a ten (10) year term commencing on the first day of the month following the Effective Date, based on a twenty-five (25) year amortization schedule and a fixed rate of interest of prime plus one percent as of the date of

Type of Claim or Interest	Description and Treatment under Plan
	confirmation of the Plan. The 120th payment shall include the balance of the unpaid principal owed. Until paid in full, the Holder of an Allowed Class 2 Secured Claim shall retain its lien on the Debtors' real property located at 2101 Pennsylvania Ave., Fort Washington, PA 19034 (the "Fort Washington Campus") as well as its lien on each of the Debtors' accounts receivable and personal property to the same extent and priority as held by the Holder as of the date on which this Plan is confirmed. Estimated Percentage Recovery: 100%
Class 3A – Litigation Claims against Wordsworth Academy Estimated Aggregate Allowed Amount: Unknown \$0 against the Estate; unknown as to insurance coverage	Class 3A consists of the Litigation Claims against Wordsworth Academy, any liability as to which may be covered by one of more of the Debtors' insurance policies regardless whether the Holder has waived its right to assert a Claim against any of the Debtors and the Estates during these Chapter 11 Cases. The Holders of Class 3A Claims will receive an Allowed general unsecured claim against the Estates in the amount of \$1.00 for purposes of distributions from the Estates, Article X of the Plan and voting, and any recovery from any insurance coverage that may be available to satisfy their Claims upon liquidation thereof. Estimated Percentage Recovery: 0% from the Estates.
Class 3B – Litigation Claims against Wordsworth CUA 5, LLC Estimated Aggregate Allowed Amount: Unknown \$0 against the Estate; unknown as to insurance coverage	Class 3B consists of the Litigation Claims against Wordsworth CUA 5, LLC, any liability as to which may be covered by one of more of the Debtors' insurance policies regardless whether the Holder has waived its right to assert a Claim against any of the Debtors and the Estates during these Chapter 11 Cases. The Holders of Class 3B Claims will receive an Allowed general unsecured claim against the Estates in the amount of \$1.00 for purposes of distributions from the Estates, Article X of the Plan and voting, and any recovery from any insurance coverage that may be available to satisfy their Claims upon liquidation thereof. Estimated Percentage Recovery: 0% from the Estates.
Class 3C – Litigation Claims against Wordsworth CUA 10, LLC Estimated Aggregate Allowed	Class 3C consists of the Litigation Claims against Wordsworth CUA 10, LLC, any liability as to which may be covered by one of more of the Debtors' insurance policies regardless whether the Holder has waived its right to assert a

Type of Claim or Interest	Description and Treatment under Plan
Amount: Unknown \$0 against the Estate; unknown as to insurance coverage	Claim against any of the Debtors and the Estates during these Chapter 11 Cases. The Holders of Class 3C Claims will receive an Allowed general unsecured claim against the Estates in the amount of \$1.00 for purposes of distributions from the Estates, Article X of the Plan and voting, and any recovery from any insurance coverage that may be available to satisfy their Claims upon liquidation thereof. Estimated Percentage Recovery: 0% from the Estates.
Class 4A — Subcontractor Claims against Wordsworth Academy Estimated Aggregate Allowed Amount: Approximately \$0.00	Class 4A consists of Subcontractor Claims (as defined in the Plan) against Wordsworth Academy. Under the Plan, Class 4A Subcontractor Claims against Wordsworth Academy are Impaired. Each Holder of a Class 4A Allowed Subcontractor Claim against Wordsworth Academy that is not satisfied on or before the Effective Date shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without interest, from the Reorganized Debtors' operating revenues over a period of six (6) months following the Effective Date. The Debtors anticipate no Claims in this Class remaining unpaid as of December 1, 2017. Estimated Percentage Recovery: 100 %
Class 4B — Subcontractor Claims against Wordsworth CUA 5, LLC Estimated Aggregate Allowed Amount: Approximately \$1,860,000	Class 4B consists of Subcontractor Claims against Wordsworth CUA 5, LLC. Under the Plan, Class 4B Subcontractor Claims against Wordsworth CUA 5, LLC are Impaired. Each Holder of a Class 4B Allowed Subcontractor Claim against Wordsworth CUA 5, LLC that is not satisfied on or before the Effective Date shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without interest, from the Reorganized Debtors' operating revenues over a period of six (6) months following the Effective Date. Estimated Percentage Recovery: 100 %
Class 4C — Subcontractor Claims against Wordsworth CUA 10, LLC Estimated Aggregate Allowed Amount: Approximately \$1,140,000	Class 4C consists of Subcontractor Claims against Wordsworth CUA 10, LLC. Under the Plan, Class 4C Subcontractor Claims against Wordsworth CUA 10, LLC are Impaired. Each

Type of Claim or Interest	Description and Treatment under Plan
	Holder of a Class 4C Allowed Subcontractor Claim against Wordsworth CUA 10, LLC that is not satisfied on or before the Effective Date shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without interest, from the Reorganized Debtors' operating revenues over a period of six (6) months following the Effective Date. Estimated Percentage Recovery: 100 %
Class 5A — General Unsecured Claims against Wordsworth Academy Estimated Aggregate Allowed Amount: Approximately \$3,727,000	Class 5A consists of General Unsecured Claims against Wordsworth Academy, including Rejection Claims, that are not Administrative Claims; Priority Tax Claims; Secured Claims; Priority Claims; Class 3A Litigation Claims; Class 3B Litigation Claims; Class 3C Litigation Claims; Class 4A Subcontractor Claims, Class 4B Subcontractor Claims, Class 4C Subcontractor Claims, Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC; Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC; or Interests. For the avoidance of doubt, the claim of the City of Philadelphia is included in Class 5A, to the extent that the City's claim against Wordsworth Academy is not fully secured by a right of setoff to the extent available under applicable law. Under the Plan, Class 5A General Unsecured Claims against Wordsworth Academy are Impaired. Each Holder of a Class 5A Allowed General Unsecured Claim against Wordsworth Academy shall receive, along with each Holder of a Class 5B and Class 5C Allowed General Unsecured Claim, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, a pro rata share of Distributable Cash. Estimated Percentage Recovery: 10 %
Class 5B — General Unsecured Claims against Wordsworth CUA 5, LLC Estimated Aggregate Allowed Amount: Approximately \$13,000, assuming that the Class 5B Claim of M & T Bank is allowed in the amount of \$0.00.	Class 5B consists of General Unsecured Claims against Wordsworth CUA 5, LLC, including Rejection Claims, that are not Administrative Claims; Priority Tax Claims; Secured Claims; Priority Claims; Class 3A Litigation Claims; Class 3B Litigation Claims; Class 3C Litigation Claims; Class 4A Subcontractor Claims, Class 4B Subcontractor Claims, Class 4C Subcontractor Claims, Class 5A General Unsecured Claims against Wordsworth Academy; Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC; or Interests. For the avoidance of

Type of Claim or Interest	Description and Treatment under Plan
	doubt, the claim of the City of Philadelphia is included in Class 5B, to the extent that the City's claim against Wordsworth CUA 5, LLC is not fully secured by a right of setoff to the extent available under applicable law. Under the Plan, Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC are Impaired. Each Holder of a Class 5B Allowed General Unsecured Claim against Wordsworth CUA 5, LLC shall receive, along with each Holder of a Class 5A and Class 5C Allowed General Unsecured Claim, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, a pro rata share of Distributable Cash. Estimated Percentage Recovery: 10 % (If M&T Bank's Class 5B claim is not allowed)
Class 5C — General Unsecured Claims against Wordsworth CUA 10, LLC Estimated Aggregate Allowed Amount: Approximately \$600.00, assuming that the Class 5C Claim of M & T Bank is allowed in the amount of \$0.00.	Class 5C consists of General Unsecured Claims against Wordsworth CUA 10, LLC, including Rejection Claims, that are not Administrative Claims; Priority Tax Claims; Secured Claims; Priority Claims; Class 3A Litigation Claims; Class 3B Litigation Claims; Class 3C Litigation Claims; Class 4A Subcontractor Claims, Class 4B Subcontractor Claims, Class 4C Subcontractor Claims, Class 5A General Unsecured Claims against Wordsworth Academy; Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC; or Interests. For the avoidance of doubt, the claim of the City of Philadelphia is included in Class 5C to the extent that the City's claim against Wordsworth CUA 10, LLC is not fully secured by a right of setoff to the extent available under applicable law. Under the Plan, Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC are Impaired. Each Holder of a Class 5C Allowed General Unsecured Claim against Wordsworth CUA 10, LLC shall receive, along with each Holder of a Class 5A and Class 5B Allowed General Unsecured Claim, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, a pro rata share of Distributable Cash. Estimated Percentage Recovery: 10 % (If M&T Bank's Class 5C claim is not allowed).
Class 6 — Interests Estimated Aggregate Allowed	Class 6 consists of Wordsworth's ownership interest in Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC

Type of Claim or Interest	Description and Treatment under Plan
Amount: Approximately \$0.00	and the membership interests of the Boards in each of the Debtors. Under the Plan, Class 6 Interests are Unimpaired. Each Holder of Allowed Class 6 Interests shall retain its Interest only to the extent provided in the Affiliation Agreement and receive no Property or other value distribution on account of its Interest. Estimated Percentage Recovery: 0%

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AGAINST THE DEBTORS AND THUS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Interests

Approval by the Bankruptcy Court of this Disclosure Statement means that the Bankruptcy Court has found that this Disclosure Statement contains information of a kind and in sufficient and adequate detail to enable Holders of Claims to make an informed judgment whether to accept or reject the Plan.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR THEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF CLAIMS ENTITLED TO VOTE AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

No solicitation of votes may be made except after distribution of this Disclosure Statement and no person has been authorized to distribute any information concerning the Debtors other than the information contained herein.

B. Voting Rights

Pursuant to the provisions of the Bankruptcy Code, only holders of claims in classes that are (a) treated as “impaired” by the plan and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. In these Chapter 11 Cases, under the Plan, only Holders of Claims in Classes 2 through 5 are entitled to vote on the Plan. Claims and Interests in other Classes are Unimpaired and their Holders are deemed to have accepted the Plan.

Only Holders of Allowed Claims in the voting Classes are entitled to vote on the Plan. A Claim that is unliquidated, contingent or disputed is not an Allowed Claim, and is thus not entitled to vote, unless and until the amount is estimated or determined, or the dispute is determined, resolved or adjudicated in the Bankruptcy Court or another court of competent jurisdiction, or pursuant to agreement with the Debtors. However, the Bankruptcy Court may deem a contingent, unliquidated or disputed Claim to be Allowed on a provisional basis, for purposes only of voting on the Plan.

Holders of Allowed Claims in the voting Classes may vote on the Plan only if they are Holders as of the Distribution Record Date, which Distribution Record Date is November 1, 2017.

C. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Debtors, through their claims and noticing agent Donlin Recano & Company (“Donlin Recano”), will send to Holders of Claims who are entitled to vote copies of (a) the Disclosure Statement and Plan, (b) the notice of, among other things, (i) the date, time and place of the hearing to consider confirmation of the Plan and related matters and (ii) the deadline for filing objections to confirmation of the Plan (the “Confirmation Hearing Notice”), (c) one or more ballots (and return envelopes) to be used in voting to accept or to reject the Plan and (d) other materials as authorized by the Bankruptcy Court.

If you are the Holder of a Claim that is entitled to vote, but you did not receive a ballot, or if your ballot is damaged or illegible, or if you have any questions concerning voting procedures, you may contact the following:

If by regular mail:

Donlin, Recano & Company, Inc.
Re: Wordsworth
Attn: Voting Department
PO Box 192016 Blythebourne Station
Brooklyn, NY 11219

If by overnight courier or hand delivery:

Donlin, Recano & Company, Inc.
Re: Wordsworth
Attn: Voting Department
15th Ave.

Brooklyn, NY 11219

If by telephone, for U.S. callers only, or email:

Donlin, Recano & Company, Inc.
Attn: Voting Department
Phone No.: 212.771.1128
E-mail: drcvote@donlinrecano.com

D. Voting Procedures, Ballots and Voting Deadline

After reviewing the Plan and this Disclosure Statement, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying ballot. You should complete and sign your original ballot (copies will not be accepted) and return it in the envelope provided.

Each ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded ballot or ballots sent to you with this Disclosure Statement.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN December 8, 2017, AT 5:00 P.M. EASTERN TIME (THE "VOTING DEADLINE") BY THE FOLLOWING:

If by regular mail, overnight courier or hand delivery:

Dilworth Paxson LLP
Market St., Suite 3500E
Philadelphia, PA 19102
Attn: Christine Chapman-Tomlin

UNLESS OTHERWISE PROVIDED IN THE INSTRUCTIONS ACCOMPANYING THE BALLOTS, FAXED BALLOTS WILL NOT BE ACCEPTED. BALLOTS THAT ARE RECEIVED BUT NOT SIGNED WILL NOT BE COUNTED. BALLOTS THAT ARE SIGNED BUT DO NOT SPECIFY WHETHER THE HOLDER ACCEPTS OR REJECTS THE PLAN WILL BE NULL AND VOID. DO NOT RETURN ANY DEBT INSTRUMENTS OR OTHER EVIDENCE OF YOUR CLAIM WITH YOUR BALLOT.

If you have any questions about (a) the procedure for voting your Claim, (b) the packet of materials that you have received, or (c) the amount of your Claim, or if you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

If by regular mail, overnight courier or hand delivery:

Dilworth Paxson LLP
Market St., Suite 3500E
Philadelphia, PA 19102
Attn: Christine Chapman-Tomlin

If by telephone:

Christine Chapman-Tomlin
215-575-7224

For further information and general instruction on voting to accept or reject the Plan, see Article XI of this Disclosure Statement and the instructions accompanying your ballot.

THE DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO EXERCISE THEIR RIGHT BY VOTING IN FAVOR OF THE PLAN AND OTHERWISE COMPLETING THEIR BALLOTS AND RETURNING THEM BY THE VOTING DEADLINE.

E. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for **December 18, 2017 at 9:30 a.m.** (prevailing Eastern time). 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. Objections to confirmation of the Plan or proposed modifications to the Plan, if any, must (i) be in writing, (ii) conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, (iii) state the name and address of the objecting party and the amount and nature of the claim or interest of such party, (iv) state with particularity the basis and nature of any objection to the Plan and (v) be filed electronically, together with proof of service, with the United States Bankruptcy Court for the Eastern District of Pennsylvania, 900 Market Street, Suite 400, Philadelphia, Pennsylvania 19107, www.paeb.uscourts.gov, and served on the parties listed in the Confirmation Hearing notice, in each case so as to be actually received on or before 5:00 p.m. (prevailing Eastern time) on **DECEMBER 12, 2017**. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

IV. GENERAL INFORMATION CONCERNING THE DEBTORS

A. Overview and Description of Debtor's Operations Leading to Chapter 11

Debtor, Wordsworth Academy ("Wordsworth"), is a Pennsylvania non-profit organization. Its mission is to provide education, behavioral health and child welfare services to children and youth who have emotional, behavioral and academic challenges so that they are empowered to reach their potential and lead productive, fulfilling lives. Wordsworth is headquartered at 3300 Henry Ave., Philadelphia, PA 19129.

In addition to other programs, Wordsworth provides services through two (2) Community Umbrella Agencies. Wordsworth is the sole member of Debtors, Wordsworth CUA 5 LLC and Wordsworth CUA 10 LLC (together, the “CUAs”), which are Pennsylvania non-profit limited liability companies. The CUAs are part of an initiative of Philadelphia’s Department of Human Services (“DHS”) that began in 2015 to provide a partnership approach to children and families through family-centered, community-based child welfare services. Wordsworth CUA 5 LLC provides services to children and families in the 35th and 39th Police Districts in Philadelphia, encompassing much of North Central Philadelphia. Wordsworth CUA 10 LLC provides services to children and families in the 16th and 19th Police Districts in Philadelphia, encompassing much of West Philadelphia.

Wordsworth was founded in 1952 as a small private school that served students with reading disabilities. Over the years, Wordsworth expanded its services to serve nearly 5,000 children and families annually through several locations in the Philadelphia area. Wordsworth’s services include a state-licensed approved private school. In addition, Wordsworth provides a variety of child welfare and prevention services through the CUAs, Out of School Time Programs, Family First Services for children who have been placed outside of their family homes, Community Residential Rehabilitation Host Homes for children who are unable to live with their own families, Family Based Mental and Behavioral Health Services, School Therapeutic Services, and Multi-Systemic Treatment programs.

In 2016, Wordsworth operated with a budget of \$77,880,000, employed 817 staff members throughout its 13 program areas, and provided services to more than 5,600 children and their families. Wordsworth’s revenues are received from the Commonwealth of Pennsylvania, the School District of Philadelphia and other local school districts, DHS, Community Behavioral Health and a variety of grants and other financial support.

In October of 2016, a resident of Wordsworth’s Ford Road residential facility (the “Ford Road Facility”) died while being restrained by Wordsworth staff. Immediately upon the occurrence of this event and upon learning of allegations of other serious problems at the Ford Road Facility, Wordsworth’s Board of Trustees shuttered the Ford Road Facility and terminated Wordsworth’s then-existing senior management, as well as several other employees. Nevertheless, the events at the Ford Road Facility have resulted in a breach of public trust and threaten the continued support of other Wordsworth programs that have historically proven very successful and are critical to meeting the emotional, behavioral and educational needs of a large number of children and families in the community.

To continue Wordsworth’s important mission and provide a recovery to all who are served by and support Wordsworth, the Debtors made the difficult decision to seek Chapter 11 relief. The Debtors’ Chapter 11 Cases are operational restructuring cases in which the Debtors intend to strengthen their remaining programs, streamline their operations, provide as much recovery as possible to their existing creditors, and continue their mission through an affiliation with PHMC, a non-profit, public health institution that serves the Philadelphia area through a variety of public health and social welfare programs.

B. Management and Employees

1. Management

Don Stewart, Chief Financial Officer of Wordsworth, assumed the additional title and duties of Acting Chief Executive Officer of Wordsworth on June 30, 2017. Prior to June 30, 2017, Mr. Stewart served as Chief Financial Officer of Wordsworth for approximately two and one half years.

Tom Johnson serves as Chairman of Wordsworth's Board of Trustees, a 9 person board that oversees the mission of Wordsworth Academy. Prior to June 30, 2017, Gerald Schatz served as Chairman of the five person Wordsworth CUA 5, LLC Board of Directors and Stephen Figlin served as Chairman of the six person Wordsworth CUA 10, LLC Board of Directors. Post-petition, following the resignation of Mr. Schatz, Mr. Figlin has served as the Chairman of the Board of Directors for Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC.

Natasha Watson serves as the Director of Wordsworth CUA 5, LLC and Cydney Dasent serves as the Director of Wordsworth CUA 10, LLC.

2. Employees/Labor

As of the Petition Date, Debtor Wordsworth employed 619 employees, of whom 501 were full-time employees (the "Full-Time Employees") and approximately 118 were part-time employees (the "Part-Time Employees", and together with the Full-Time Employees, the "Regular Employees"). In addition, Wordsworth employs the services of other individuals who are paid through staffing agencies or who are subcontractors (the "Contractor Employees" and together with the Regular Employees, the "Employees").

None of the Employees are unionized.

C. Summary of Assets

The Debtors filed Schedules with the Bankruptcy Court that detail the assets owned by each of the Debtors, respectively. Such assets include cash on hand, bank accounts, deposits, insurance policies, accounts receivable, real property, equipment, furnishings and supplies, fixtures, and other items of personal property. The Schedules provide asset values on a net book basis, which are not reflective of actual values. The Schedules may be reviewed on the Bankruptcy Court electronic case filing system or during business hours in the offices of the Clerk of the Bankruptcy Court. Information regarding the Debtors' assets is also available in the Liquidation Analysis attached hereto as Appendix C.

D. Historical Financial Information

Attached as Appendix D are the Debtors' audited financial statements for the fiscal year ended June 30, 2016. The Debtors' largest liabilities relate to employee related expenses and benefits obligations, including obligations payable to subcontractors and staffing agencies, which provide a significant number of personnel to the Debtors.

V. THE CHAPTER 11 CASES

A. Continuation of Operations; Stay of Litigation

On June 30, 2017, the Debtors filed petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors' cases are being jointly administered.

The Debtors continue to operate as debtors in possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. The Debtors are authorized to operate their respective organizations and manage their property in the ordinary course, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors. The relief provides the Debtors with the "breathing room" necessary to assess their operations and prevents creditors from obtaining an unfair recovery advantage while the Chapter 11 Cases are pending.

B. First Day Motions

On the first day of the Chapter 11 Cases, the Debtors filed several applications and motions seeking certain relief by virtue of so-called "first day orders." First day motions and orders are intended to facilitate the transition between a debtor's prepetition and post-petition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court. The first day motions filed in the Chapter 11 Cases are typical of motions filed in Chapter 11 cases. Such motions sought, among other things, the following relief:

- joint administration of the Debtors' bankruptcy cases;
- the maintenance of the Debtors' bank accounts and operation of their cash management systems substantially as such systems existed prior to the Petition Date;
- payment of employees' prepetition compensation, benefits and expense reimbursement amounts;
- authority to use cash collateral in the post-petition operation of the Debtors' business;
- authority to obtain post-petition financing with which the Debtors may fund their post-petition operations;
- an extension of the statutory period by which the Debtors must file their Schedules and Statement of Financial Affairs; and

- an extension of the statutory period during which utilities are prohibited from altering, refusing or discontinuing services and/or requiring adequate assurance of payment as a condition of receiving services.

C. Retention of Professionals

The Debtors are represented in the Chapter 11 Cases by Dilworth Paxson LLP (“Dilworth”). The Debtors retained the financial advisory services of Getzler Henrich & Associates LLC (“Getzler Henrich”). Donlin Recano & Company (“Donlin Recano”) was retained to provide claims, noticing and balloting services to the Debtors. Clifton Larson Allen LLP is retained as the Debtors’ auditor.

D. Appointment of Creditors’ Committee and Patient-Care Ombudsman

On July 14, 2017, the Office of the United States Trustee for the Eastern District of Pennsylvania appointed an official committee of unsecured creditors (the “Committee”) to represent the interests of general unsecured creditors in these Chapter 11 Cases. The Committee is represented by Cullen and Dykman LLP and Weir & Partners LLP in these Chapter 11 Cases. Walker Nell Partners, Inc. has been retained to provide financial advisory services to the Committee. A Patient-Care Ombudsman has not been appointed in these Chapter 11 Cases.

E. Significant Restructuring Events

1. Affiliation with PHMC

As of the Petition Date, each of the Debtors had entered into Management Agreements with PHMC and/or Turning Points for Children, an affiliate of PHMC, pursuant to which PHMC and its affiliate provide certain management services to assist the Debtors with their operations until the Debtors obtain confirmation of a Chapter 11 Plan in these Chapter 11 Cases and such Plan becomes Effective.

Debtor Wordsworth, on behalf of itself and its subsidiary Debtors, negotiated an Affiliation Agreement with PHMC, pursuant to which the Debtors will become subsidiaries of PHMC and/or its affiliates on the Effective Date of the Plan and will be operated by PHMC following the Effective Date of the Plan. The Debtors and PHMC are actively working with the Office of the Attorney General for the Commonwealth of Pennsylvania to obtain a No Objection Letter and will pursue approval of the affiliation through the Orphans Court, if necessary. It is expected that the Debtors and PHMC will receive the requisite approvals on or before the Effective Date of the Plan.

To effectuate the Affiliation Agreement, PHMC will be obtaining funding through its lender to retire the Debtor-in-Possession Facilities described below and will provide funding of the Distributable Cash payable to Class 5A, Class 5B and Class 5C Claims under the Plan. PHMC’s lender will acquire the positions presently held by the lenders providing the Debtor-in-Possession Facilities vis-à-vis the Debtors’ assets. Additionally, to the extent that the Debtors’ post-Effective Date revenues are insufficient to pay the Class 4A, Class 4B and Class 4C Subcontractor Claims in addition to the Debtors’ operating expenses, the Exit Facility shall be used to fund payment of the Class 4A, Class 4B and Class 4C Subcontractor Claims as provided

in the Plan. The terms of the Exit Facility are still being negotiated as of the date of this Disclosure Statement and have not yet been agreed upon. Further details will be provided at the Confirmation Hearing.

The Debtors have incorporated the Management Agreement and Affiliation Agreement into their Plan. A copy of the Affiliation Agreement, as may be amended as necessary to consummate the affiliation, is attached as Attachment 1 to the Plan.

2. Debtor-in-Possession Facilities

On June 30, 2017, the Debtors filed the Motion of the Debtors For Entry Of Interim and Final Orders: (I) Authorizing Them To Obtain Post-Petition Financing From Play And Learn Pursuant To Sections 363 And 364 Of Bankruptcy Code, (II) Authorizing Them To Enter Into The Debtor-In-Possession Credit Agreement, And (III) Granting Liens And Administrative Priority Claims To DIP Lender Pursuant To Agreement Section 364 Of Bankruptcy Code And Modifying The Automatic Stay To Implement The Terms Of The DIP Order [Docket No. 20] (the “Initial DIP Financing Motion”). By the Initial DIP Financing Motion, the Debtors obtained approval of a debtor-in-possession financing facility, provided by Learn and Play Inc. t/a Play and Learn (the “Initial DIP Lender”), in an aggregate amount not to exceed \$1,500,000 (the “Initial DIP Loan”). The Debtors determined that the loan was necessary to ensure timely and uninterrupted payment of the Debtors’ ongoing operating expenses, including post-petition wages, salaries and vendor costs, and so that the Debtors would have the necessary liquidity to negotiate longer term DIP Financing to complete a successful reorganization.

The Initial DIP Loan was structured as an initial advance of \$1,000,000 upon interim approval and an additional \$500,000 advance upon final approval of the Initial DIP Financing Motion. The Initial DIP Loan accrues interest at the non-default rate of 7% per annum, payable in arrears. Repayment of the Initial DIP Loan is secured by a second priority lien on and security interest in all of the Debtors’ right, title and interest in the Fort Washington Campus. The Initial DIP Loan is made payable in full by no later than December 31, 2017.

The Initial DIP Loan is guaranteed by Public Health Fund, an affiliate of PHMC.

On August 23, 2017, the Debtors filed the Motion Of The Debtors For Entry Of Interim And Final Orders: (I) Authorizing Them To Obtain Post-Petition Financing From Siena Lending Group LLC Pursuant To Sections 363 And 364 Of The Bankruptcy Code, (II) Authorizing Them To Enter Into The Debtor-In-Possession Loan And Security Agreement, And (III) Granting Liens And Administrative Priority Claims To DIP Lender Pursuant To Section 364 Of Bankruptcy Code And Modifying The Automatic Stay To Implement The Terms Of The DIP Order (Docket No. 221) (the “Siena DIP Financing Motion”). By the Siena DIP Financing Motion, the Debtors obtained approval of a debtor-in-possession financing facility, provided by Siena Lending Group LLC (the “Siena DIP Lender”), in an aggregate amount not to exceed \$5,000,000 (the “Siena DIP Loan”). The Debtors determined that the loan was necessary to ensure timely and uninterrupted payment of the Debtors’ ongoing operating expenses, including post-petition wages, salaries and vendor costs, and so that the Debtors will have the necessary liquidity to complete a successful reorganization. The Siena DIP Loan was in addition to, and did not replace, the Initial Dip Loan.

The Siena DIP Loan was structured as a revolving credit facility with an initial borrowing limit of \$1,500,000 and a limit of \$5,000,000 upon final approval. Borrowing availability under the Siena DIP Loan is based on a formula which takes into account the Debtors' accounts receivable. The Siena DIP Loan accrues interest at the non-default rate of prime rate plus 3% per annum but not less than 7.25% per annum, payable in arrears. Repayment of the Siena DIP Loan is secured by a first lien on accounts receivable and other personal property and a third lien and security interest on the Fort Washington Campus. The Siena DIP Loan is made payable in full by no later than February 28, 2018.

3. Litigation

As of the Petition Date, the Debtors were aware of several pending lawsuits and several additional potential lawsuits in which one or more of the Debtors was named as a defendant. These lawsuits include claims for wrongful death, personal injury, employment liability, and motor vehicle liability.

All of the pending lawsuits and potential lawsuits were stayed as of June 30, 2017. At all relevant times, the Debtors were insured against the liability underlying the lawsuits and were being defended by their carriers in the lawsuits that were pending as of the Petition Date. The Debtors have provided for the pending and potential lawsuits in Classes 3A, 3B and 3C of their Plan. See Article VI, Section (C)(2)(c) below.

VI. SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Overall Structure of the Plan

Under the Plan, Claims against and Interests in the Debtors are divided into Classes according to their relative seniority and other criteria.

If the Plan is confirmed by the Bankruptcy Court and consummated: (a) the Claims in certain Classes will be reinstated or modified and receive distributions equal to the full amount of such Claims, (b) the Claims of certain other Classes will be modified and receive distributions constituting a partial recovery on such Claims, and (c) the Claims in certain other Classes will receive no recovery on such Claims. On the Effective Date and at certain times thereafter, the Debtors or the Distribution Agent will distribute Cash and other property in respect of certain Classes of Claims as provided in the Plan. The Classes of Claims against and Interests in the Debtors created under the Plan, the treatment of those Classes under the Plan and the property to be distributed under the Plan are described below.

B. Substantive Consolidation

The Plan does not provide for the substantive consolidation of the Debtors' assets and liabilities. The Debtors, however, reserve the right to seek substantive consolidation by motion if they conclude that substantive consolidation is necessary or appropriate for effectuation of the Plan.

C. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1122 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims and Priority Tax Claims which, pursuant to section 1123(a)(1), do not need to be classified). The Debtors also are required, under section 1122 of the Bankruptcy Code, to classify Claims against and Interests in the Debtors into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Debtors believe that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a Holder of a Claim or Interest may challenge the Debtors' classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Debtors intend, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting Holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

Except as to Claims specifically Allowed in the Plan, the amount of any Impaired Claim that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claim and accordingly the total Claims ultimately Allowed by the Bankruptcy

Court with respect to each Impaired Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in any Impaired Class. Thus, the value of the property that ultimately will be received by a particular Holder of an Allowed Claim under the Plan may be adversely or favorably affected by the aggregate amount of Claims ultimately Allowed in the applicable Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. The Debtors believe that the consideration, if any, provided under the Plan to Holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority of such Claims and Interests and the fair value of the Debtors' assets. In the event any Class rejects the Plan, the Debtors will seek confirmation of the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code as to any dissenting Class. Section 1129(b) of the Bankruptcy Code permits confirmation of a chapter 11 plan in certain circumstances even if the plan has not been accepted by all Impaired classes of Claims and Interests. Although the Debtors believe that the Plan can be confirmed under section 1129(b) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will find that the requirements to do so have been satisfied.

1. Treatment of Unclassified Claims under the Plan

(a) Administrative Claims

An Administrative Claim is a Claim for: (a) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of any of the Chapter 11 Cases asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code including, but not limited to (i) any actual and necessary post Petition Date cost or expense of preserving the Debtors' Estates or operating the organizations of the Debtors, (ii) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of their respective operations, (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code, and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; (b) any fees or charges assessed against the Debtors' Estates under section 1930 of title 28 of the United States Code; and (c) any Allowed administrative claim or superpriority claim granted to the Initial DIP Lender and/or the Siena DIP Lender.

Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each Holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed, or (iii) a date agreed to in writing by the Debtors and the Holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors, or as the Bankruptcy Court may order.

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on or before the Effective Date by the applicable Debtor.

Applications for compensation for services rendered and reimbursement of expenses incurred by Professionals from the Petition Date through the Effective Date shall be filed no later than forty-five (45) days after the Effective Date. Such applications shall be served on: (a) the Debtors at 3300 Henry Ave, Philadelphia, PA 19129 (Attn: Don Stewart, Chief Financial Officer); (b) Lawrence G. McMichael, Dilworth Paxson LLP, 1500 Market Street, Suite 3500E, Philadelphia, PA 19102, counsel to the Debtors; (c) the Office of the United States Trustee; and (d) S. Jason Teele, Cullen and Dykman LLP, One Riverfront Plaza, Newark, NJ 07102, counsel to the Committee. Applications that are not timely filed will not be considered by the Court. The Debtors or the Distribution Agent may pay any Professional fees and expenses incurred after the Effective Date without any application to the Bankruptcy Court.

(b) Priority Tax Claims

Priority Tax Claims are any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtors that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are (a) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the Bankruptcy Code, (b) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code, (c) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code, (d) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D), (e) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code, (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code.

Priority Tax Claims are Unimpaired. Each Holder of an Allowed Priority Tax Claim shall receive, at the option of the Debtors, in full satisfaction, settlement, release, extinguishment and discharge of such Priority Tax Claim: (a) the amount of such unpaid Allowed Priority Tax Claim in Cash, without interest, on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Priority Tax Claim becomes Allowed, and (iii) a date agreed to by the Debtors and the Holder of such Priority Tax Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Priority Tax Claim and the Debtors or as the Bankruptcy Court may order. Prior to the Effective Date, the Debtors shall have the right to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature.

2. Treatment of Classified Claims and Interests under the Plan

(a) Class 1: Priority Claims

Class 1 Priority Claims are Unimpaired. Each Holder of an Allowed Class 1 Priority Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 1 Claim becomes Allowed, and (iii) a date agreed to by the Debtors and the Holder of such Class 1 Priority Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors.

(b) Class 2: Secured Claims of M&T Bank

Class 2 Secured Claims of M&T Bank are Impaired. The Holder of the Allowed Class 2 Secured Claim against each of the Debtors shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: payment in full by monthly payments over a ten (10) year term commencing on the first day of the month following the Effective Date, based on a twenty-five (25) year amortization schedule and a fixed rate of interest of prime plus one percent as of the date of confirmation of the Plan. The 120th payment shall include the balance of the unpaid principal owed. The Allowed Class 2 Secured Claim shall be secured by a lien on the Fort Washington Campus and on the Debtors' revenues and real property to the same extent and priority as exists on the date on which the Plan is confirmed. On or before the date on which the 120th payment shall become payable, the Debtors intend to refinance the debt owed to M&T Bank to provide payment in full of the Class 2 Secured Claims.

(c) Class 3A, Class 3B and Class 3C: Litigation Claims

Class 3A, Class 3B and Class 3C Claims are Impaired. The Class 3A Claims include all Claims held by any Person or Entity that has or could assert a Claim against Debtor Wordsworth Academy on account of which the Debtors may be insured for any liability associated therewith, regardless whether such Person or Entity has entered into an agreement providing for a waiver of its right to assert its Claim against the Debtors. The Class 3B Claims include all Claims held by any Person or Entity that has or could assert a Claim against Debtor Wordsworth CUA 5, LLC on account of which the Debtors may be insured for any liability associated therewith, regardless whether such Person or Entity has entered into an agreement providing for a waiver of its right to assert its Claim against the Debtors. The Class 3C Claims include all Claims held by any Person or Entity that has or could assert a Claim against Debtor Wordsworth CUA 10, LLC on account of which the Debtors may be insured for any liability associated therewith, regardless whether such Person or Entity has entered into an agreement providing for a waiver of its right to assert its Claim against the Debtors. Claimants shall be deemed to hold an Allowed general unsecured claim against the applicable Debtor's Estate in the amount of \$1.00 for purposes of distributions from the Estates, Article X of the Plan and voting on the Plan and shall be entitled to pursue recovery on their Claims against any insurance coverage available to the Debtors, in full satisfaction, settlement, release, extinguishment and discharge of such Claim.

(d) Class 4A, Class 4B and Class 4C: Subcontractor Claims

Class 4A, Class 4B and Class 4C Subcontractor Claims are Impaired. The Class 4A Claims include all Claims held by a Subcontractor that has or could assert a Claim against Debtor Wordsworth Academy and that are being paid in full pursuant to the Management Agreements and the Affiliation Agreement. The Class 4B Claims include all Claims held by a Subcontractor that has or could assert a Claim against Debtor Wordsworth CUA 5, LLC and that are being paid in full pursuant to the Management Agreements and the Affiliation Agreement. The Class 4C Claims include all Claims held by a Subcontractor that has or could assert a Claim against Debtor Wordsworth CUA 10, LLC and that are being paid in full pursuant to the Management Agreements and the Affiliation Agreement. Each Holder of a Class 4A, Class 4B and/or Class 4C Subcontractor Claim, to the extent not paid in full prior to the Effective Date, shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without payment of interest, of its Claim from the Reorganized Debtors' revenues within six (6) months following the Effective Date of the Plan.

(e) Class 5A, Class 5B and Class 5C: General Unsecured Claims

Class 5A, Class 5B and Class 5C General Unsecured Claims are Impaired. Class 5A General Unsecured Claims against Wordsworth Academy include all Claims, including Rejection Claims and the claim of the City of Philadelphia, if any, to the extent that the City's claim against Debtor Wordsworth Academy is not fully secured by a right of setoff to the extent available under applicable law, that are not: Administrative Claims; Priority Tax Claims; M&T Secured Claims; Priority Claims; Class 3A, Class 3B or Class 3C Litigation Claims; Class 4A, Class 4B or Class 4C Subcontractor Claims; Class 5B or Class 5C General Unsecured Claims; or Class 6 Interests. Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC include all Claims, including Rejection Claims, any unsecured claim held by M&T Bank against Wordsworth CUA 5, LLC, and the claim of the City of Philadelphia, if any, to the extent that the City's claim against Debtor Wordsworth CUA 5, LLC is not fully secured by a right of setoff to the extent available under applicable law, that are not: Administrative Claims; Priority Tax Claims; M&T Secured Claims; Priority Claims; Class 3A, Class 3B or Class 3C Litigation Claims; Class 4A, Class 4B or Class 4C Subcontractor Claims; Class 5A or Class 5C General Unsecured Claims; or Class 6 Interests. Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC include all Claims, including Rejection Claims, any unsecured claim held by M&T Bank against Wordsworth CUA 10, LLC, and the claim of the City of Philadelphia, if any, to the extent that the City's claim against Debtor Wordsworth CUA 10, LLC is not fully secured by a right of setoff to the extent available under applicable law, that are not: Administrative Claims; Priority Tax Claims; M&T Secured Claims; Priority Claims; Class 3A, Class 3B or Class 3C Litigation Claims; Class 4A, Class 4B or Class 4C Subcontractor Claims; Class 5A or Class 5B General Unsecured Claims; or Class 6 Interests. In the aggregate, each Holder of a Class 5A, Class 5B and/or Class 5C Allowed General Unsecured Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim a pro rata share of Distributable Cash following the allowance or disallowance of each Claim asserted as a general unsecured claim against the Debtors' Estates.

The Debtors and Committee believe that none of the Distributable Cash should be paid on account of M&T Bank's Class 5B or Class 5C Claims. M&T disputes and disagrees with the Debtors and Committee's position concerning the use of Distributable Cash to pay M&T's Class

5B and/or Class 5C Claims. If the Bankruptcy Court determines that the Class 2 Claim and/or M&T Bank's Class 5B and/or Class 5C Claims must receive payment from Distributable Cash on account of any unsecured portion of such claim, the Debtors will amend the Plan to provide for a different treatment of Class 2 and/or Class 5 Claims. Any such amendment that results in \$400,000 of Distributable Cash not being available for distribution to Holders of Class 5 Claims, other than M&T Bank, shall be considered to be a material amendment requiring re-solicitation.

(f) Class 6: Interests

Class 6 Interests are Unimpaired. This Class consists of Wordsworth's ownership interest in the CUAs and the membership interests of the Boards in each of the Debtors. Each Holder of an Allowed Class 6 Interest shall retain its Interest only to the extent provided in the Affiliation Agreement and receive no Property or other distribution of value on account of its Interest.

D. Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing will affect the Debtors' or the Distribution Agent's rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment. The Debtors specifically reserve all rights, remedies, claims, defenses and Causes of Action.

Notwithstanding any provision in the Plan or the Confirmation Order to the contrary, with respect to the Debtors' contracts with the City, the City shall retain any right of setoff or recoupment to the extent available under applicable law.

E. Allowed Claims, Distribution Rights and Objections to Claims

1. Allowance Requirement

Only Holders of Allowed Claims are entitled to receive distributions under the Plan. An Allowed Administrative Claim is a Claim or any portion thereof that has been Allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, that was incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases and as to which there is no dispute as to the Debtors' liability, or that has become Allowed by failure to object pursuant to Section 8.05 of the Plan. An Allowed Claim is such Claim or any portion thereof (other than an Administrative Claim) of (a) any Claim against any of the Debtors that has been listed by the Debtors in the Schedules, as such Schedules may have been amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order, or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that at the time of the Effective Date the Debtors have not identified such Claim as being objectionable in part or in whole and no objection to the allowance thereof has been filed by the Claims Objection Deadline; provided, however, that the term Allowed, with reference to any Claim, shall not include (x) any

unliquidated claim or (y) interest or attorneys' fees on or related to any Claim that accrues from and after the Petition Date unless otherwise expressly provided for in the Plan.

2. Timing of Distributions

Except as specifically set forth in the Plan, distributions of Property will be made to Holders of Allowed Claims in accordance with Article III of the Plan. If a Claim is not an Allowed Claim as of the applicable distribution date, distributions will be made only if and when the Claim is Allowed, and then in accordance with Article III of the Plan and, with respect to the cure of defaults for assumed executory contracts and unexpired leases, Section 6.02 of the Plan, and in each case, subject to Article VIII of the Plan. Distributions to be made as of the Effective Date on account of Claims that are Allowed as of the Effective Date and are entitled to receive distributions under the Plan shall be made on the Effective Date or as soon as reasonably practicable thereafter. Distributions to be made after the Effective Date shall be made on dates to be established by the Distribution Agent pursuant to the terms of the Plan, taking into account the establishment of reserves for Disputed Claims and the Distribution Agent's right to defer distributions if the amount of the Cash to be distributed on a particular date is insufficient to justify the costs of effectuating the distribution. Notwithstanding the foregoing, because Class 5A, Class 5B and Class 5C Claims will share, in the aggregate, in a pro rata distribution of the Distributable Cash and the amount of such pro rata distribution cannot be established until all Claims that will be Allowed Class 5A, Class 5B and Class 5C Claims have been determined, distributions on account of Class 5A, Class 5B and Class 5C Claims will be made after the allowance of each Claim filed as a general unsecured claim against each of the Debtors' Estates has been determined.

3. Making of Distributions

Distributions to Holders of Allowed Claims will be made in accordance with Article III of the Plan. On the Effective Date, the Debtors shall deliver cash to the Distribution Agent, if any, who may deposit such cash into the Distribution Account. The Distribution Agent or the Debtors, if no Distribution Agent is appointed, will make Cash distributions in accordance with the Plan. The Distribution Agent or Debtors, as the case may be, shall be entitled to establish reserves for Disputed Claims to provide for payment of such Claims if and when Allowed. If any dispute arises as to the identity of a Holder of an Allowed Claim who is to receive any distribution, the Distribution Agent or the Debtors shall, as appropriate and in lieu of making such distribution to such Holder, delay such distribution until the disposition thereof shall be determined by Final Order of the Bankruptcy Court or by written agreement among the interested parties to such dispute.

Distributions to Holders of Allowed Claims shall be made by the Distribution Agent or Debtors, if no Distribution Agent is appointed: (a) at the last known addresses of such Holders or (b) at the addresses set forth in any written notices of address changes delivered to the Debtors or the Distribution Agent. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Debtors or Distribution Agent is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest.

4. Failure to Negotiate Checks/Unclaimed Distributions

Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within ninety (90) days after the date of issuance. Any amounts returned to the Debtors in respect of such non-negotiated checks shall be forwarded to (if necessary) and held by the Distribution Agent. Requests for reissuance for any such check shall be made directly to the issuer of the check by the Holder of the Allowed Claim with respect to which such check originally was issued. All amounts represented by any voided check will be held until the earlier of: (a) one (1) month after date on which the check is voided, or (b) the date on which the Bankruptcy Court enters the Final Decree, and all requests for reissuance by the Holder of the Allowed Claim in respect of a voided check are required to be made prior to such date. Should the amounts remaining in respect of non-negotiated and/or voided checks exceed \$50,000 as of the date on which the Bankruptcy Court enters the Final Decree, the Debtors, or the Distribution Agent, if any, shall make a second pro rata distribution of such remaining Cash, less the cost of such second distribution, to Holders of Class 5A, Class 5B and Class 5C Claims. Thereafter, all such amounts shall be deemed to be Unclaimed Property, in accordance with Section 5.07 of the Plan, and all Holders of Claims in respect of void checks shall be forever barred, estopped and enjoined from asserting a claim to such funds in any manner against the Debtors or their respective assets, or the Distribution Agent.

With the exception of any second distribution, described above, all Property distributed on account of Claims must be claimed prior to the date on which the Bankruptcy Court enters the Final Decree, or, in the case of a distribution made in the form of a check, must be negotiated and a request for reissuance be made as provided for in Section 5.07 of the Plan. With respect to any second distribution, all Property distributed on account of Claims must be claimed prior to ninety (90) days after the date of issuance of such distribution. All Unclaimed Property will be retained by and will revert to the Debtors. All full or partial payments made by the Debtors and received by the Holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of the Debtors or the Distribution Agent pursuant to the Plan. Nothing contained in the Plan shall require the Debtors or the Distribution Agent to attempt to locate any Holder of an Allowed Claim other than by reviewing the records of the Debtors and any Claims Filed in the Chapter 11 Cases. Pursuant to section 1143 of the Bankruptcy Code, all Claims in respect of Unclaimed Property shall be deemed Disallowed and the Holder of any Claim Disallowed in accordance with Section 5.07 of the Plan will be forever barred, expunged, estopped and enjoined from asserting such Claim in any manner against the Debtors or the Distribution Agent, or their respective assets.

5. Objection Procedures

Unless otherwise ordered by the Court after notice and a hearing, under the Plan, on and after the Effective Date, any party objecting to Claims (other than Claims specifically Allowed in the Plan) shall serve a copy of each such objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than the Claims Objection Deadline. An objection to any Claim shall be deemed properly served on the Holder thereof if the objecting party effects service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Federal Rule of Bankruptcy Procedure 7004, (ii) by first class mail, postage prepaid, on the signatory on the

proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto, or (iii) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Cases.

F. Disposition of Executory Contracts and Unexpired Leases

1. Contracts and Leases Deemed Rejected

The Plan provides that the Debtors' executory contracts and unexpired leases shall be deemed automatically rejected as of the Effective Date, except for any executory contract or unexpired lease that: (a) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (b) that is the subject of a motion to assume or reject pending on the Effective Date, (c) that is assumed, rejected or otherwise treated pursuant to Section 6.03 or Section 6.04 of the Plan, (d) that is listed on Schedule 6.02(a) or 6.02(b) of the Plan or (e) as to which a Treatment Objection has been filed and properly served by the Treatment Objection Deadline. If an executory contract or unexpired lease either (x) has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date or (y) is the subject of a motion to assume or reject pending on the Confirmation Date, then the listing of any such executory contract or unexpired lease on the aforementioned Schedules shall be of no effect.

Notwithstanding the foregoing, the following are the general categories of executory contracts which, unless they fall into one of the categories (a) through (e) in the foregoing paragraph, shall be deemed assumed as of the Effective Date:

- (a) insurance plans;
- (b) certain indemnification obligations to directors, officers or employees employed by any of the Debtors on or after the Petition Date, unless such obligations are contained in an employment agreement that is itself rejected;
- (c) License Agreements; and
- (d) Employee Agreements.

The Debtors, in their sole and absolute discretion, may honor, in the ordinary course of business, their written contracts, agreements, policies, programs and plans for, among other things, compensation, health care benefits, disability benefits, severance benefits, retirement benefits, welfare benefits, relocation programs, life insurance and accidental death and dismemberment insurance, including written contracts, agreements, policies, programs and plans for bonuses and other incentives or compensation for the directors, officers and employees of the Debtors who served in such capacity at any time from and after the Petition Date.

To the extent that the above-listed contracts, agreements, licenses, policies, programs and plans are executory contracts, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless a Treatment Objection is timely filed and properly served, each of them will be deemed assumed (as modified or terminated) as of the Effective Date with a Cure of zero dollars. However,

notwithstanding anything else herein, at the discretion of the Debtors, the assumed executory contracts shall be subject to modification in accordance with the terms thereof.

2. Schedules of Executory Contracts and Unexpired Leases

The Debtors shall set forth their intended treatment of all executory contracts and unexpired leases in Schedules 6.02(a) and 6.02(b) of the Plan, which shall be filed as specified in Article VI of the Plan. The Debtors reserve the right, on or prior to 3:00 p.m. (prevailing Eastern time) on the third Business Day immediately prior to the commencement of the Confirmation Hearing, (i) to amend Schedules 6.02(a) and 6.02(b) in order to add, delete or reclassify any executory contract or unexpired lease or amend a proposed assignment and (ii) to amend the Proposed Cure, in each case with respect to any executory contract or unexpired lease previously listed as to be assumed; provided, however, that if the Confirmation Hearing is adjourned for a period of more than two consecutive calendar days, such amendment right shall be extended to 3:00 p.m. on the Business Day immediately prior to the rescheduled or continued Confirmation Hearing, and this proviso shall apply in the case of any and all subsequent adjournments of the Confirmation Hearing. Pursuant to sections 365 and 1123 of the Bankruptcy Code, and except with respect to executory contracts and unexpired leases as to which a Treatment Objection is properly filed and served by the Treatment Objection Deadline, (i) each of the executory contracts and unexpired leases listed on Schedule 6.02(a) shall be deemed assumed (and, if applicable, assigned) effective as of the Assumption Effective Date specified thereon and the Proposed Cure specified in the notice mailed to each Assumption Party shall be the Cure and shall be deemed to satisfy fully any obligations the Debtors might have with respect to such executory contract or unexpired lease under section 365(b) of the Bankruptcy Code and (ii) each of the executory contracts and unexpired leases listed on Schedule 6.02(b) shall be deemed rejected effective as of the Rejection Effective Date specified thereon.

With respect to any executory contract or unexpired lease first listed on Schedule 6.02(b) later than the date that is ten calendar days prior to the Voting Deadline, the Debtors shall use their best efforts to notify the applicable Rejection Party promptly of such proposed treatment via facsimile, email or telephone at any notice address or number included in the relevant executory contract or unexpired lease or as otherwise timely provided in writing to the Debtors by any such counterparty or its counsel. With respect to any executory contracts or unexpired leases first listed on Schedule 6.02(b) later than the date that is ten calendar days before the Voting Deadline, affected Rejection Parties shall have five calendar days from the date of such amendment to Schedule 6.02(b) to object to Confirmation of the Plan. With respect to any executory contracts or unexpired leases first listed on Schedule 6.02(b) later than the date that is five calendar days prior to the Confirmation Hearing, affected Rejection Parties shall have until the Confirmation Hearing to object to Confirmation of this Plan or amend any vote on the Confirmation of this Plan.

3. Assumption and Rejection Procedures and Resolution of Treatment Objections

(a) Proposed Assumption

With respect to any executory contract or unexpired lease to be assumed pursuant to any provision of the Plan or any Notice of Intent to Assume or Reject, unless an Assumption Party files and properly serves a Treatment Objection by the Treatment Objection Deadline, such executory contract or unexpired lease shall be deemed assumed as of the Assumption Effective Date proposed by the Debtors, without any further notice to or action by the Bankruptcy Court, and any obligation the Debtors may have to such Assumption Party with respect to such executory contract or unexpired lease under section 365(b) of the Bankruptcy Code shall be deemed fully satisfied by the Proposed Cure, if any, which shall be the Cure.

(b) Proposed Rejection

With respect to any executory contract or unexpired lease to be rejected pursuant to any provision of the Plan or any Notice of Intent to Assume or Reject, unless a Rejection Party files and properly serves a Treatment Objection by the Treatment Objection Deadline, such executory contract or unexpired lease shall be deemed rejected as of the Rejection Effective Date proposed by the Debtors without any further notice to or action by the Bankruptcy Court.

(c) Resolution of Treatment Objections

Both on and after the Effective Date, the Debtors may, in their sole discretion, settle Treatment Objections without any further notice to or action by the Bankruptcy Court or any other party (including by paying any agreed Cure amounts).

With respect to each executory contract or unexpired lease as to which a Treatment Objection is timely filed and properly served and that is not otherwise resolved by the parties after a reasonable period of time, the Debtors, in consultation with the Bankruptcy Court, shall schedule a hearing on such Treatment Objection and provide at least 14 calendar days' notice of such hearing to the relevant Assumption Party or Rejection Party. Unless the Bankruptcy Court expressly orders or the parties agree otherwise, any assumption or rejection approved by the Bankruptcy Court notwithstanding a Treatment Objection shall be effective as of the Assumption Effective Date or Rejection Effective Date originally proposed by the Debtors or specified in the Plan.

Any Cure shall be paid as soon as reasonably practicable following the entry of a Final Order resolving an assumption dispute and/or approving an assumption, unless the Debtors file a Notice of Intent to Assume or Reject under Section 6.05(d). No Cure shall be allowed for a penalty rate or default rate of interest, each to the extent not proper under the Bankruptcy Code or applicable law.

(d) Rejection Claims

Any Rejection Claim must be filed with the Claims Agent by the Rejection Bar Date. Any Rejection Claim for which a Proof of Claim is not properly filed and served by the Rejection Bar Date shall be forever barred and shall not be enforceable against the Debtors, or their respective Estates or properties. The Debtors may contest any Rejection Claim in accordance with Section 6.06 of the Plan.

4. Assignment

To the extent provided under the Bankruptcy Code or other applicable law, any executory contract or unexpired lease transferred and assigned pursuant to the Plan shall remain in full force and effect for the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such executory contract or unexpired lease (including those of the type described in section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts or conditions such transfer or assignment.

5. Approval of Assumption, Rejection, Retention or Assignment of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order by the Bankruptcy Court shall, subject to the occurrence of the Effective Date, constitute approval of the rejections, retentions, assumptions and/or assignments contemplated by this Plan pursuant to sections 365 and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease that is assumed (and/or assigned) pursuant to the Plan shall vest in and be fully enforceable by the applicable Debtor in accordance with its terms as of the applicable Assumption Effective Date, except as modified by the provisions of this Plan, any order of the Bankruptcy Court authorizing or providing for its assumption (and/or assignment), or applicable federal law.

The provisions (if any) of each executory contract or unexpired lease assumed and/or assigned pursuant to the Plan that are or may be in default shall be deemed satisfied in full by the Cure, or by an agreed-upon waiver of the Cure. Upon payment in full of the Cure, any and all Proofs of Claim based upon an executory contract or unexpired lease that has been assumed in the Chapter 11 Cases or under the terms of the Plan shall be deemed disallowed and expunged with no further action required of any party or order of the Bankruptcy Court.

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

Unless otherwise provided by the Plan or by separate order of the Bankruptcy Court, each executory contract and unexpired lease that is assumed, whether or not such executory contract or unexpired lease relates to the use, acquisition or occupancy of real property, shall include (i) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (ii) all executory contracts or unexpired leases appurtenant to the premises, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements and any other interests in real estate or rights in remedy related to such premises, unless any of the foregoing agreements has been or is rejected pursuant to an order of the Bankruptcy Court or is otherwise rejected as part of the Plan.

G. Means for Implementation of the Plan

1. Continued Existence/Structure

Except as otherwise provided in the Plan and Affiliation Agreement, on the Effective Date, Wordsworth Academy shall continue to exist as a non-profit entity organized under the laws of the Commonwealth of Pennsylvania and the CUAs shall exist as non-profit entities

organized under the laws of the Commonwealth of Pennsylvania. Each of the Debtor entities shall become a subsidiary of PHMC or its affiliate, Turning Points for Children, as provided in the Affiliation Agreement.

2. Restructuring Distributions

The distributions provided for under the Plan shall be made by the Debtors, on or after the Effective Date, from funds on hand that were (a) obtained from PHMC in the form of Distributable Cash and pursuant to the Affiliation Agreement, (b) from the Siena DIP Facility and/or the Exit Financing provided through PHMC, and (c) future revenues of the Reorganized Debtors. A lender selected by PHMC will provide exit financing to satisfy and replace the Initial DIP Financing Facility and the Siena DIP Financing Facility as well as provide financing to replace the Siena DIP Financing Facility that will be used to fund ongoing operations.

3. Organization Action

The entry of the Confirmation Order shall constitute authorization for the Debtors to take or cause to be taken all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. On or, as applicable, before the Effective Date, the appropriate officers and directors of the Debtors are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan in the name and on behalf of the Debtors.

H. Confirmation and/or Consummation

Described below are certain important considerations under the Bankruptcy Code in connection with confirmation of the Plan.

1. Requirements for Confirmation of the Plan

Before the Plan can be confirmed, the Bankruptcy Court must determine at the Confirmation Hearing that the following requirements for confirmation, set forth in section 1129 of the Bankruptcy Code, have been satisfied:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the Debtors or by a Person acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed

after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

- The Debtors have disclosed (a) the identity and affiliations of (i) any individual proposed to serve, after confirmation of the Plan, as a director, or officer of the Debtors under the Plan, and (ii) any affiliate of the Debtors participating in a joint plan with the Debtors, and (b) the identity of any insider that will be employed or retained by the Debtors and the nature of any compensation for such insider.
- With respect to each Class of Claims or Interests, each Impaired Claim and Impaired Interest Holder either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Interests held by such Holder, property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors liquidated on such date. See Section IX.D.
- The Plan provides that Administrative Claims and Priority Claims other than Priority Tax Claims will be paid in full on the Effective Date and that Priority Tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding five years after the date of assessment of such Claims, of a value, as of the Effective Date, equal to the Allowed Amount of such Claims, except to the extent that the Holder of any such Claim has agreed to a different treatment.
- If a Class of Claims is Impaired under the Plan, at least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by insiders holding Claims in such Class.
- Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors. See Section IX.A.

The Debtors believe that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of chapter 11 and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

Even if all of the foregoing are satisfied, if any Class of Claims is Impaired and votes to reject the Plan, the Debtors must satisfy the applicable “cramdown” standard with respect to that Class. Section 1129(b) of the Bankruptcy Code requires that the plan “not discriminate unfairly” and be “fair and equitable” with respect to such class. In the event any Class votes to reject the Plan, the Debtors believe they will satisfy the cramdown standards in section 1129(b) with respect to any such rejecting class.

2. Conditions to Confirmation Date and Effective Date

The Plan specifies conditions precedent to the Confirmation Date and the Effective Date. Each of the specified conditions must be satisfied or waived in whole or in part by the Debtors, without any notice to parties-in-interest or the Bankruptcy Court and without a hearing.

The conditions precedent to the occurrence of the Confirmation Date, which is the date of entry by the clerk of the Bankruptcy Court of the Confirmation Order, are that the form and substance of the Confirmation Order shall have been approved by the Debtors and various other parties as specified in the Plan.

The conditions that must be satisfied on or prior to the Effective Date, which is the Business Day upon which all conditions to the consummation of the Plan have been satisfied or waived, and is the date on which the Plan becomes effective, are that: (a) the Confirmation Order, in form and substance acceptable to the Debtors and certain other parties, shall have been entered and shall not be stayed from becoming a Final Order; (b) all actions, documents and agreements required to be executed or delivered under the Plan on or prior to the Effective Date shall have been effected and executed as determined by the Debtors and PHMC in their sole and absolute discretion, including execution of documents required by the lender that will provide the funding necessary to satisfy the Initial DIP Financing Facility and the Siena DIP Financing Facility; (c) the Debtors shall have received any authorizations, consents, regulatory approvals, rulings, letters, no-action letters, No Objection Letters and/or approval of its affiliation with PHMC by the Orphans Court, opinions or documents that are necessary to implement the Plan and that are required by law, regulation or order, in each case as determined by the Debtors in their sole and absolute discretion; (d) the Plan Documents shall have been executed and delivered by all of the parties thereto; and (e) the Restructuring Transactions set forth in the Plan have occurred.

I. Effects of Confirmation

1. Vesting of Assets

Upon the Effective Date and conditioned on the occurrence of the Restructuring Transactions, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of each of the Debtors shall vest in each of the respective Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges and other interests, except as otherwise specifically provided in the Plan and Affiliation Agreement. All Liens, Claims, encumbrances, charges and other interests shall be deemed fully released and discharged as of the Effective Date, except as otherwise provided in the Plan.

2. Injunction

(a) Claims and Interests

No Holder of a Claim against any Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, any of the Debtors' affiliates, any of the Debtors' respective successors, if any, or their respective property, except as expressly provided in the Plan. Accordingly, except as otherwise provided in the Plan, the Confirmation Order shall provide, among other things, that no Holder of a Claim against any Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse

against, any affiliate of the Debtors, any of the Debtors' respective successors, if any, or their respective property, except that from and after the Confirmation Date, all Persons who have held, hold, or may hold Claims against or Interests in the Debtors are permanently enjoined from taking any actions against the Distribution Agent, or any of its property, in order to collect, enforce, or recover on account of such Claims or Interests.

(b) Exculpation and Limitation of Liability

The Plan contains standard exculpation provisions applicable to certain of the key parties in interest with respect to their conduct in the Chapter 11 Cases. Specifically, the Plan provides that, none of the Debtors, Distribution Agent or Exculpated Persons shall have or incur any liability to any Person, including, without limitation, any Holder of a Claim or Interest or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or affiliates or any of their successors or assigns, for any act taken or omission made in good faith in connection with, relating to, or arising out of, the Chapter 11 Cases, filing, negotiating, prosecuting, administering, formulating, implementing, confirming or consummating the Plan, or the Property to be distributed under the Plan, including all post-petition activities leading to the promulgation and confirmation of the Plan, the Disclosure Statement (including any information provided or statement made in the Disclosure Statement or omitted therefrom), or any contract, instrument, release or other agreement or document created in connection with or related to the Plan or the administration of the Debtors or these Chapter 11 Cases, provided, however, that the exculpation will not apply to any act of gross negligence or willful misconduct.

3. Releases and Discharge Injunction

(a) Releases by Debtors in Favor of Third Parties

The Plan provides for certain releases to be granted by the Debtors on and as of the Effective Date. Specifically, effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, the Debtors, in their individual capacities and as debtors in possession, will be deemed to have forever released, waived and discharged the Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or the Distribution Agent to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtors, taking place on or prior to the Effective Date, or in any way relating to the Debtors, the Chapter 11 Cases, or the Plan.

(b) Releases by Creditors of Claims

The Plan also provides for certain releases by Holders of Claims and Interests. Effective as of the Effective Date, except as otherwise provided in the Plan or the Confirmation Order,

each Person (excluding any of the Debtors) that has held, currently holds or may hold a Claim or Interest, and any Affiliate of any such Person (as well as any trustee or agent on behalf of each such Person), shall be deemed to have forever waived, released and discharged the Releasees from any and all Claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever (other than the right to enforce the performance of their respective obligations, if any, to the Debtors or the Distribution Agent under the Plan, and the contracts, instruments releases and other agreements delivered under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date, or in any way relating to the Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement other than Claims or liabilities arising out of or relating to any act or omission that constitutes a failure to perform the duty to act in good faith and where such failure to perform constitutes willful misconduct, gross negligence, or fraud.

This release does not extend to any Claim or Cause of Action existing as of the Effective Date, based on (x) the Internal Revenue Code or any other domestic state, city or municipal tax code, (y) any liability that the Person may have as an owner or operator of real property after Confirmation under the environmental laws of the United States or any domestic state, city or municipality or (z) any criminal laws of the United States or any domestic state, city or municipality.

(c) Discharge Injunction

The Plan further provides that, unless otherwise specifically provided therein, on the Effective Date, the Confirmation Order shall constitute an injunction permanently enjoining any Person (excluding any of the Debtors) that has held, currently holds or may hold a Claim, demand, debt, right, Cause of Action or liability that is released pursuant to Section 10.02 of the Plan from enforcing or attempting to enforce any such Claim, demand, debt, right, Cause of Action or liability against any Releasee or any of their respective Property.

(d) No Successor Liability

Except as otherwise expressly provided in the Plan, the Debtors, PHMC and the Distribution Agent do not, pursuant to the Plan or otherwise, assume, agree to perform, pay, or indemnify or otherwise have any responsibilities for any liabilities or obligations of the Debtors or any other party relating to or arising out of the operations of or assets of the Debtors, whether arising prior to, on, or after the Effective Date. Neither PHMC nor the Distribution Agent is, or shall be, a successor to the Debtors by reason of any theory of law or equity, and shall not have any successor or transferee liability of any kind or character.

J. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to, the Chapter 11 Cases to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

- classify, re-classify or establish the priority or secured or unsecured status of any Claim (whether filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim or Interest pursuant to the Plan;
- grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code or otherwise provided for in the Plan, for periods ending on or before the Effective Date;
- determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;
- construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Distribution Agent in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;
- determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;
- hear any application of the Debtors or Distribution Agent to modify the Plan after the Effective Date pursuant to section 1127 of the Bankruptcy Code and the Plan or modify this Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;

- 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, implementation or enforcement of the Plan or the Confirmation Order;
- enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan;
- determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;
- hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- enter a final decree closing the Chapter 11 Cases;
- determine and resolve any and all controversies relating to the rights and obligations of the Distribution Agent in connection with the Chapter 11 Cases;
- allow, disallow, determine, liquidate, reduce, re-classify or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);
- permit the Debtors or the Distribution Agent, to the extent provided for in the Plan, to recover all assets of the Debtors and Property of their respective Estates, wherever located;
- hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtors or the Debtors' respective Estates arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Cases, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

- hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, Filed or commenced after the Effective Date that may be commenced by the Debtors thereafter, including Avoidance Actions, proceedings with respect to the rights of the Debtors to recover Property under sections 542, 543 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any claim or Cause of Action that the Debtors may have; and
- hear any other matter not inconsistent with the Bankruptcy Code.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtors, including with respect to the matters set forth above, nothing in the Plan shall prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

K. Amendment, Alteration and Revocation of Plan

The Debtors may alter, amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date to the extent provided in the Plan. After the Confirmation Date and prior to the substantial consummation of the Plan, and in accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtors may, so long as the treatment of Holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

The Debtors reserve the right, at any time prior to the earlier of Confirmation of the Plan to withdraw the Plan. If the Plan is withdrawn, the Plan shall be null and void and have no force and effect. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

L. Plan Implementation Documents

The documents necessary to implement the Plan include the following:

- Affiliation Agreement

VII. CERTAIN RISK FACTORS TO BE CONSIDERED

The Holders of Claims in Classes 2 through 5 should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

A. General Considerations

The Plan sets forth the means for satisfying the Claims against the Debtors. See Section VI.C. of this Disclosure Statement entitled “Classification and Treatment of Claims and Interests” for a description of the treatments of each class of Claims and Interests. Certain Claims and Interests receive no distributions pursuant to the Plan.

B. Certain Bankruptcy Considerations

Even if all voting Impaired Classes vote in favor of the Plan, and if with respect to any Impaired Class deemed to have rejected the Plan the requirements for “cramdown” are met, the Bankruptcy Court may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtors, (see Section IX.A.), and that the value of distributions to dissenting Holders of Claims and Interests will not be less than the value such Holders would receive if the Debtors liquidated. See Section IX.D. Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. See Appendix C for a liquidation analysis of the Debtors.

C. Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

D. Conditions Precedent to Consummation

The Plan provides for certain conditions that must be satisfied (or waived) prior to confirmation of the Plan and for certain other conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

E. Inherent Uncertainty of Financial Projections

The Projections set forth in Appendix B hereto have been prepared by management of the Debtors in consultation with their financial advisors and cover the projected operations of the Debtors through fiscal year 2020. These Projections are based on numerous assumptions that are an integral part of the Projections, including confirmation and consummation of the Plan in accordance with its terms, realization of the operating strategy of the Debtors, general business and economic conditions, competition, attraction and retention of key employees, and other matters. Certain additional material assumptions may be disclosed on Appendix B, and, if so, the Projections should be read in conjunction with these assumptions.

Although the Projections are presented with numerical specificity and are based on assumptions considered reasonable by the Debtors, the assumptions and estimates underlying the Projections are subject to business, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only the Debtors' educated, good faith estimates and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may increase over time. The projected financial information contained herein should not be regarded as a guaranty by the Debtors, the Debtors' advisors or any other Person that the Projections can or will be achieved. However, the Debtors believe that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved.

F. Certain Tax Considerations

There are a number of income tax considerations, risks and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussions set forth in Article VIII regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan to the Debtors and to Holders of Claims who are entitled to vote to accept or reject the Plan.

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN ANTICIPATED U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTIONS PROPOSED BY THE PLAN TO THE DEBTORS AND HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS SUMMARY IS PROVIDED FOR INFORMATION PURPOSES ONLY AND IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), TREASURY REGULATIONS PROMULGATED THEREUNDER, JUDICIAL AUTHORITIES, AND CURRENT ADMINISTRATIVE RULINGS AND PRACTICE, ALL AS IN EFFECT AS OF THE DATE HEREOF AND ALL OF WHICH ARE SUBJECT TO CHANGE OR DIFFERING INTERPRETATION, POSSIBLY WITH RETROACTIVE EFFECTS THAT COULD ADVERSELY AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW.

THIS SUMMARY DOES NOT ADDRESS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF ITS PARTICULAR FACTS AND CIRCUMSTANCES OR TO CERTAIN TYPES OF HOLDERS OF CLAIMS SUBJECT TO SPECIAL TREATMENT UNDER THE CODE (FOR EXAMPLE, NON-U.S. TAXPAYERS, FINANCIAL INSTITUTIONS, BROKER-DEALERS, INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS, AND THOSE HOLDING CLAIMS THROUGH A PARTNERSHIP OR OTHER PASS-THROUGH ENTITY). IN ADDITION, THIS SUMMARY DOES NOT DISCUSS ANY ASPECTS OF STATE, LOCAL, OR NON-U.S. TAXATION AND DOES NOT ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF CLAIMS THAT ARE UNIMPAIRED UNDER THE PLAN, HOLDERS OF CLAIMS THAT

ARE NOT ENTITLED TO VOTE UNDER THE PLAN, AND HOLDERS OF CLAIMS THAT ARE NOT ENTITLED TO RECEIVE OR RETAIN ANY PROPERTY UNDER THE PLAN.

THE TAX RULES DESCRIBED HEREIN ARE COMPLEX AND THEIR APPLICATION IS UNCERTAIN IN CERTAIN RESPECTS. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES (INCLUDING STATE, LOCAL AND NON-U.S.) OF THE PLAN TO SUCH HOLDER.

A SUBSTANTIAL AMOUNT OF TIME MAY ELAPSE BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE RECEIPT OF A FINAL DISTRIBUTION UNDER THE PLAN. EVENTS SUBSEQUENT TO THE DATE OF THIS DISCLOSURE STATEMENT, SUCH AS ADDITIONAL TAX LEGISLATION, COURT DECISIONS, OR ADMINISTRATIVE CHANGES, COULD AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREUNDER. NO RULING HAS BEEN OR IS EXPECTED TO BE SOUGHT FROM THE INTERNAL REVENUE SERVICE (THE “IRS”) WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OR IS EXPECTED TO BE OBTAINED BY THE DEBTORS WITH RESPECT THERETO.

To ensure compliance with United States Internal Revenue Service Circular 230, (a) any discussion of U.S. federal tax issues in this Disclosure Statement is not intended or written to be relied upon, and cannot be relied upon by Holders, for purposes of avoiding penalties that may be imposed on such Holders under the Code; (b) such discussion is written to support the promotion of the Plan; and (c) each Holder of a claim should seek advice based on such Holder’s particular circumstances from an independent tax advisor.

A. Federal Income Tax Consequences to the Debtors

As non-profit organizations, the Debtors shall incur no U.S. federal income tax obligations as a result of the confirmation and consummation of the Plan and distributions made thereunder. The Debtors’ tax-exempt status as organizations under section 501(c)(3) of the Internal Revenue Code shall remain unaffected by the Plan.

B. Federal Income Tax Consequences to Claim Holders

The U.S. federal income tax consequences to a Holder receiving, or entitled to receive, a payment in partial or total satisfaction of a Claim may depend on a number of factors, including the nature of the Claim, the Holder’s method of accounting, and its own particular tax situation. Because the Holders’ Claims and tax situations differ, Holders should consult their own tax advisors to determine how the Plan affects them for federal, state and local tax purposes, based on their particular tax situations.

Among other things, the U.S. federal income tax consequences of a payment to a Holder may depend initially on the nature of the original transaction pursuant to which the Claim arose. For example, a payment in repayment of the principal amount of a loan is generally not included in the gross income of an original lender.

The U.S. federal income tax consequences of a transfer to a Holder may also depend on whether the item to which the payment relates has previously been included in the Holder's gross income or has previously been subject to a loss or bad debt deduction. For example, if a payment is made in satisfaction of a receivable acquired in the ordinary course of a Holder's trade or business, the Holder had previously included the amount of such receivable payment in its gross income under its method of accounting, and had not previously claimed a loss or bad debt deduction for that amount, the receipt of the payment should not result in additional income to the Holder but may result in a loss. Conversely, if the Holder had previously claimed a loss or bad debt deduction with respect to the item previously included in income, the Holder generally would be required to include the amount of the payment in income.

A Holder receiving a payment under the Plan in satisfaction of its Claim generally may recognize taxable income or loss measured by the difference between (i) the amount of cash and the fair market value (if any) of any property received and (ii) its adjusted tax basis in the Claim. For this purpose, the adjusted tax basis may include amounts previously included in income (less any bad debt or loss deduction) with respect to that item. The character of any income or loss that is recognized will depend upon a number of factors, including the status of the creditor, the nature of the Claim in its hands, whether the Claim was purchased at a discount, whether and to what extent the creditor has previously claimed a bad debt deduction with respect to the Claim, and the creditor's holding period of the Claim. This income or loss may be ordinary income or loss if the distribution is in satisfaction of accounts or notes receivable acquired in the ordinary course of the Holder's trade or business for the performance of services or for the sale of goods or merchandise. Generally, the income or loss will be capital gain or loss if the Claim is a capital asset in the Holder's hands.

Market discount is the amount by which a Holder's tax basis in a debt obligation immediately after its acquisition is exceeded by the adjusted issue price of the debt obligation at such time, subject to a de minimis exception. A Holder generally is required to include gain on the disposition of a market discount debt instrument as ordinary income to the extent of the accrued market discount on the debt instrument.

C. Other Tax Matters

1. Information Reporting and Backup Withholding

Certain payments or distributions pursuant to the Plan may be subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding (at the then applicable rate (currently 28%)) unless the taxpayer: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is supplied to the IRS.

In addition, from an information reporting perspective, Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds.

2. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

IX. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors.

To support their belief in the feasibility of the Plan, the Debtors have prepared and relied upon the Projections with respect to the Debtors' operations post-confirmation, which are annexed to this Disclosure Statement as Appendix B.

The Plan contemplates that the Debtors will become affiliates of PHMC as of the Effective Date. The revenues earned by the Debtors prior to the Effective Date and the replacement financing being provided by PHMC to satisfy the Initial DIP Loan and the Siena DIP Loan, among other obligations, will ensure that the Debtors have sufficient Cash to satisfy all Allowed Claims as and to the extent provided in the Plan, and that no further financial restructuring will be necessary in the foreseeable future. Accordingly, the Debtors believe that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

The Projections were developed by the Debtors' management in consultation with the Debtors' financial advisors.

The Projections, however, are based upon numerous assumptions that are an integral part of the Projections, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, no material adverse changes in applicable legislation or regulations, or the administration thereof, exchange rates or generally accepted accounting principles, general business and economic conditions, competition, absence of material contingent or unliquidated litigation, indemnity or other claims, and other matters. To the extent that the assumptions

inherent in the Projections are based upon future operational decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and the assumptions on which they are based are considered reasonable by the Debtors, the assumptions and estimates underlying the Projections are subject to organizational, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only an educated, good faith estimate and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may be adverse. The Projections should therefore not be regarded as a guaranty by the Debtors or any other Person that the results set forth in the Projections will be achieved. The Projections were prepared by the Debtors, and not by any of their creditors, and the Debtors' creditors make no representations concerning the reasonableness of the Projections. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections. The projected financial information contained herein and in the Projections should not be regarded as a representation or warranty by the Debtors, the Debtors' advisors or any other Person that the Projections can or will be achieved. The Projections should be read together with the assumptions set forth in the Projections and information in Article VII of this Disclosure Statement entitled "Certain Risk Factors to be Considered," which sets forth important factors that could cause actual results to differ from those in the Projections. The Debtors, however, believe that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved.

The Projections for the first 6 months following the Effective Date include payment in full of the Class 4A, 4B and 4C Subcontractor claims. To the extent that such payment in full cannot be funded from operations, the Reorganized Debtors intend to borrow the funds necessary for payment through the Exit Facility.

The Debtors do not intend to update or otherwise revise the Projections, including any revisions to reflect events or circumstances existing or arising after the date of the Projections or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Debtors do not intend to update or revise the Projections to reflect changes in general economic or industry conditions.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This Disclosure Statement and the financial projections contained herein and in the Projections include "forward-looking statements" within the meaning of Section 24A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this Disclosure Statement are forward-looking statements, including, without limitation, financial projections, the statements, and the underlying assumptions, regarding the timing of, completion of and scope of the current restructuring, the Plan, debt and equity market conditions, current and future economic conditions, the potential effects of such matters on the Debtors' operating strategy, results of operations or financial position, and the adequacy of the Debtors' liquidity. The forward-looking statements are based upon current information and expectations. Estimates, forecasts and other statements contained in or implied by the forward-looking statements speak only as of the date on which they are made, are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to evaluate and predict. Although the Debtors believe that the expectations reflected in the forward-looking statements are reasonable, parties

are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Certain important factors that could cause actual results to differ materially from the Debtors' expectations or what is expressed, implied or forecasted by or in the forward-looking statements include developments in the Chapter 11 Cases, adverse developments in the timing or results of the Debtors' business plan (including the time line to emerge from chapter 11), the timing and extent of changes in economic conditions, changes in the awarding of government contracts and grants necessary to operate the Debtors' programs, motions filed or actions taken in connection with the bankruptcy proceedings, the availability of and the Debtors' ability to attract or retain highly skilled subcontractors and other high-quality personnel. Additional factors that could cause actual results to differ materially from the Projections or what is expressed, implied or forecasted by or in the forward-looking statements are stated herein in cautionary statements made in conjunction with the forward-looking statements or are included elsewhere in this Disclosure Statement.

B. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, Holders of Claims in each of Classes 2 through 5 will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

As noted above even if a plan is accepted by each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated.

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor could be liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 case were converted to a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 cases and the chapter 11 cases. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the debtors in their chapter 11 cases that are allowed in the chapter 7 cases, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

Once the bankruptcy court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

The Debtors operate non-profit organizations. As such, they generally cannot be forced to liquidate under chapter 7 of the Bankruptcy Code and, in the event that they were unable to confirm a chapter 11 plan, would be subject to dismissal of their Bankruptcy Cases. In the event of dismissal, or in the event of liquidation, the Debtors would be left with insufficient funds to sustain operations and would need to cease operating and dissolve under state law.

Although not entirely applicable to non-profit entities, for purposes of the best interests test, the Debtors, with the assistance of their financial advisors, prepared a liquidation analysis, annexed hereto as Appendix C (the "Liquidation Analysis"), which concludes that if a forced liquidation of the Debtors' assets under chapter 7 could occur, the aggregate value to be realized by the Debtors' estates would be approximately \$0 (net of repayment the Initial and Siena DIP Loans). All such value would be distributed to Holders of Allowed Class 2 Secured Claims of M&T Bank and no other Holder of a Claim, including unpaid Administrative Priority Claims incurred during the administration of the Debtors' Chapter 11 Cases (other than the Initial and Siena DIP Loans), would receive a distribution. These conclusions are premised upon the assumptions set forth in Appendix C, which the Debtors and their financial advisors believe are reasonable.

The Debtors believe that any liquidation analysis with respect to the Debtors is inherently speculative. The Liquidation Analysis for the Debtors necessarily contains estimates of the net proceeds that would be received from a forced sale of assets, as well as the amount of Claims that would ultimately become Allowed Claims. Claims estimates are based solely upon the

Debtors' books and records and Claims filed to date in these cases. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtors have projected an amount of Allowed Claims that represents an estimate of the chapter 7 liquidation dividend to Holders of Allowed Claims. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

E. Application of the “Best Interests” of Creditors Test

It is impossible to determine with certainty the value each Holder of a Claim will receive under the Plan as a percentage of any Allowed Claim. Notwithstanding the difficulty in quantifying recoveries with precision, the Debtors believe that the financial disclosures and projections contained herein imply the greatest potential recovery to Holders of Claims in Impaired Classes. Accordingly, the Debtors believe that the “best interests” test of section 1129 of the Bankruptcy Code, to the extent that it applies to non-profit debtors, is satisfied. Because the financial disclosures and projections show the Debtors' ability to continue operations as affiliates of PHMC, the Debtors believe that the Plan is in the best interests of their respective missions.

F. Confirmation Without Acceptance of All Impaired Classes: The “Cramdown” Alternative

In the event any Class of Impaired Claims rejects the Plan, the Debtors may seek confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code.

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm a plan at the request of a debtor if the plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank. The Debtors believe the Plan does not discriminate unfairly with respect to the Claims and Interests in Classes 2 through 5.

A plan is “fair and equitable” as to holders of unsecured claims that reject the plan if the plan provides either that: (a) each holder of a claim of such class receives or retains on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is

entitled, any fixed redemption price to which such holder is entitled or the value of such interest or (b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

The Debtors believe that they could, if necessary, meet the “fair and equitable” requirements of section 1129(b) of the Bankruptcy Code with respect to Holders of Claims and Interests in Classes 2 through 5.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims in Classes 2 through 5 the potential for the greatest realization on the Debtors’ assets and, therefore, is in the best interests of such Holders. If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include (a) formulation of an alternative plan or plans of reorganization or (b) dismissal of the Debtors’ Bankruptcy Cases.

A. Alternative Plan(s) of Reorganization

If the requisite acceptances are not received or if the Plan is not confirmed, the Debtors (or, if the Debtors’ exclusive periods in which to file and solicit acceptances of a plan of reorganization have expired, any other party in interest) could attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of the Debtors’ organizations or an orderly liquidation of assets.

The Debtors believe that the Plan enables Creditors to realize the greatest possible value under the circumstances and has the greatest chance to be confirmed and consummated.

B. Liquidation

If no plan is confirmed and if the Debtors, as non-profit entities, could be forced to liquidate or to convert their cases to cases under chapter 7 of the Bankruptcy Code, a trustee would be elected or appointed to liquidate the Debtors’ assets for distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict with certainty how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtors. However, the Debtors believe these proceeds would go entirely to secured, administrative and priority claims, leaving nothing for distribution to general unsecured claims.

The Debtors further believe that a liquidation would cause a substantial diminution in the Debtors’ Estates given (i) the fact that they are relying upon the Affiliation Agreement and ongoing government grants to fund their reorganization, sources which would become unavailable in the event of a cessation of operations, (ii) the fact that their assets would be placed in the control of the Attorney General and unavailable to creditors, and (ii) the substantial premium in the distribution value pursuant to the Plan over the liquidation value of their assets, as well as the additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees. The assets available for distribution to Creditors would be reduced by such additional expenses and by

Claims, some of which would be entitled to priority, arising by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

XI. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

In general, a holder of a claim or interest may vote to accept or to reject a plan if (a) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest, and (b) the claim or interest is "impaired" by the plan but entitled to receive or retain property under the plan.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof or (b) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Classes Entitled to Vote to Accept or Reject the Plan

Holders of Claims and Interests in Classes 2 through 5 are entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is deemed to have accepted the Plan, therefore, the Holders of Claims in such Unimpaired Classes are not entitled to vote to accept or reject the Plan. Consequently, Class 1 is deemed to have accepted the Plan, therefore, none of the Holders of Claims in such Class are entitled to vote to accept or reject the Plan.

C. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court entered an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system or by making written request upon Debtors' counsel.

D. Waivers of Defects, Irregularities, Etc.

All questions with respect to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of ballots will be determined by the Bankruptcy Court. As indicated below under “Withdrawal of Ballots; Revocation,” effective withdrawals of ballots must be delivered to Debtors’ counsel prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to seek rejection of any and all ballots not in proper form. The Debtors further reserve the right to seek waiver of any defects or irregularities or conditions of delivery as to any particular ballot. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) may be invalidated by the Bankruptcy Court.

E. Withdrawal of Ballots; Revocation

Any party who has delivered a valid ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to Debtors’ counsel at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (a) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (b) be signed by the withdrawing party in the same manner as the ballot being withdrawn, (c) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn and (d) be received by Debtors’ counsel in a timely manner via regular mail, overnight mail or hand delivery, at Dilworth Paxson LLP, 1500 Market St., Suite 3500E, Philadelphia, PA 19102, Attn: Christine Chapman-Tomlin. The Debtors, in consultation with the Committee, will determine whether any withdrawals of ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of ballots which is not received in a timely manner by Debtors’ counsel will not be effective to withdraw a previously cast ballot.

Any party who has previously submitted to Debtors’ counsel prior to the Voting Deadline a properly completed ballot may revoke such ballot and change its vote by submitting to Debtors’ counsel prior to the Voting Deadline a subsequent properly completed ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed ballot is received, only the ballot which bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

F. Voting Rights of Disputed Claimants

Holders of Disputed Claims in Classes 2 through 5 whose Claims are asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Distribution Record Date (collectively, the “Disputed Claimants”) are not permitted to vote on the Plan except as provided in the Solicitation Order. Pursuant to the procedures outlined in the Solicitation Order, Disputed Claimants may obtain a ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a “Rule 3018 Motion”). Any such Rule 3018 Motion must be filed and served upon the Debtors’ counsel no later than 5:00 p.m. (Eastern time) on the fourteenth (14th) day after the later of (i) the

Solicitation Date and (ii) the date of service of an objection, if any, to such claim. The ballot of any creditor filing such a motion will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing. Any party timely filing and serving a Rule 3018 Motion will be provided a ballot and be permitted to cast a provisional vote to accept or reject the Plan. If and to the extent that the Debtors and such party are unable to resolve the issues raised by the Rule 3018 Motion prior to the Voting Deadline established by the Bankruptcy Court, then at the Confirmation Hearing the Bankruptcy Court will determine whether the provisional ballot should be counted as a vote on the Plan. Nothing herein affects the Debtors' right to object to any Proof of Claim after the Distribution Record Date.

G. Further Information; Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claim or about the package of materials you received, or if you wish to obtain an additional copy of the Plan or this Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or the Solicitation Order), please contact Debtors' counsel's office at:

If by regular mail, overnight courier or hand delivery:

Dilworth Paxson LLP
Market St., Suite 3500E
Philadelphia, PA 19102
Attn: Christine Chapman-Tomlin

If by telephone:

Christine Chapman-Tomlin
215-575-7224

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all Holders of Claims and Interests in Classes 2 through 5 to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before December 8, 2017, at 5:00 p.m. prevailing Eastern time.

November 8, 2017

WORDSWORTH ACADEMY,
WORDSWORTH CUA 5, LLC,

AND WORDSWORTH CUA 10,
LLC.

By: /s/  11-09-2017

Name: Don Stewart

Title: Chief Financial Officer,
Wordsworth Academy and, as
Authorized Officer pursuant to
Resolution of the Boards of
Directors of Wordsworth CUA 5,
LLC and Wordsworth CUA 10,
LLC

APPENDIX A

[DEBTORS' JOINT CHAPTER 11 PLAN]

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re:	)	
	)	Chapter 11
Wordsworth Academy, et al., ¹	)	
	)	Case No. 17- 14463 (AMC)
Debtors.	)	
	)	Jointly Administered
	)	

DEBTORS' JOINT CHAPTER 11 PLAN

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) hereby submit their Joint Chapter 11 Plan dated as of November 8, 2017.

Dated: Philadelphia, Pennsylvania
 November 8, 2017

DILWORTH PAXSON LLP

Lawrence G. McMichael
Peter C. Hughes
Anne M. Aaronson
Market St., Suite 3500E
Philadelphia, PA 19102
Telephone: (215) 575-7000
Facsimile: (215) 575-7200

*Counsel for the Debtors and
Debtors-in-Possession*

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are: Wordsworth Academy (9031); Wordsworth CUA 5, LLC (0983); and Wordsworth CUA 10, LLC (5980). Wordsworth Academy has an address at 3300 Henry Ave., Philadelphia, PA 19129.

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INTRODUCTION

This joint chapter 11 plan (as may be amended or modified hereafter in accordance with its terms, the “Plan”), dated as of November 8, 2017, is proposed by Debtors Wordsworth Academy (“Wordsworth”), Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC (together, the “CUAs” and, together with Wordsworth, the “Debtors”). Reference is made to the Disclosure Statement, filed on October 6, 2017, as modified on November 8, 2017, accompanying the Plan for a discussion of the Debtors’ history, business, results of operations, historical financial information, properties, projections for future operations and risk factors, a summary and analysis of the Plan, and certain related matters.

SUBJECT TO CERTAIN RESTRICTIONS AND REQUIREMENTS SET FORTH IN SECTION 1127 OF THE BANKRUPTCY CODE, BANKRUPTCY RULE 3019 AND THE PLAN, THE DEBTORS RESERVE THE RIGHT TO ALTER, AMEND, MODIFY, REVOKE OR WITHDRAW THE PLAN PRIOR TO ITS SUBSTANTIAL CONSUMMATION.

Capitalized terms used herein shall have the meanings set forth in Article I hereof. The Debtors have obtained Bankruptcy Court authority to have the Chapter 11 Cases jointly administered for administrative and procedural purposes only and the Plan is being proposed as a joint plan of the Debtors for administrative and procedural purposes only. The Plan is not premised upon the substantive consolidation of the Debtors and nothing herein shall be otherwise construed. The Debtors, however, reserve the right to seek substantive consolidation by motion or amendment to the Plan if they conclude that substantive consolidation is necessary or appropriate for effectuation of the Plan. Claims against, and Interests in, the Debtors (other than Administrative Claims and Priority Tax Claims) are classified in Article II hereof and treated in Article III hereof.

ARTICLE I. DEFINITIONS, INTERPRETATION, AND EXHIBITS.

Section 1.01. Definitions. As used herein:

“Administrative Claim” means a Claim for: (a) any cost or expense of administration (including, without limitation, the Professional Fee Claims) of any of the Chapter 11 Cases asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code including, but not limited to (i) any actual and necessary post Petition Date cost or expense of preserving the Debtors’ respective Estates or operating the Debtors, (ii) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtors in the ordinary course of their respective organizations, (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code, and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; (b) any fees or charges assessed against the Debtors’ respective Estates under section 1930 of title 28 of the United States Code; and (c) Claims of the DIP Lender in connection with the DIP Financing Facility.

“Affiliate” shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

“Affiliation Agreement” means that certain Affiliation Agreement, as may be amended by the parties thereto, a copy of which is attached hereto as Attachment 1, by and between Debtor Wordsworth and PHMC that provides the terms by which the Debtors will become subsidiaries of Public Health Management Corporation and/or its Affiliates as of the Effective Date of this Plan.

“Allowed” means, with reference to any Claim, (a) any Claim against any of the Debtors that has been listed by the Debtors in the Schedules, as such Schedules may have been amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not Disputed or contingent, and with respect to which no contrary Proof of Claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order, or (d) any Claim as to which a Proof of Claim has been timely filed before the Bar Date, provided that at the time of the Effective Date the Debtors have not identified such Claim as being objectionable in part or in whole and no Objection to the allowance thereof has been filed by the Claims Objection Deadline; provided, however, that the term Allowed, with reference to any Claim, shall not include (x) any unliquidated Claim or (y) interest or attorneys’ fees on or related to any Claim that accrues from and after the Petition Date unless otherwise expressly provided for in the Plan.

“Allowed Claim” means a Claim that is Allowed.

“Allowed Interest” means an Interest that is Allowed.

“Assumption Effective Date” means the date upon which the assumption of an executory contract or unexpired lease under this Plan is deemed effective.

“Assumption Party” means a counterparty to an executory contract or unexpired lease to be assumed and/or assigned by the Debtors.

“Avoidance Actions” means any and all Causes of Action which a trustee, debtor in possession, the Estates or other appropriate party in interest may assert under sections 502, 510, 541, 542, 543, 544, 545, 547, 548, 549, 550, 551, or 553 of the Bankruptcy Code (other than those which are released or dismissed as part of and pursuant to the Plan) or under other similar or related state or federal statutes or common law, including fraudulent conveyance laws.

“Ballot” means the ballots, substantially similar to the forms accompanying the Disclosure Statement as such forms shall be subsequently amended by the Debtors, upon which Holders of Impaired Claims and Interests entitled to vote on the Plan shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the instructions regarding voting.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as codified in title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as in effect on the Petition Date, together with all amendments and modifications thereto that subsequently may be made applicable to the Chapter 11 Cases.

“Bankruptcy Court” means the United States Bankruptcy Court for the Eastern District of Pennsylvania or, if such court ceases to exercise jurisdiction over these proceedings, the court or adjunct thereof that exercises jurisdiction over the Chapter 11 Cases.

“Bankruptcy Rules” means: (a) the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended and promulgated under section 2075 of title 28 of the United States Code; (b) the Federal Rules of Civil Procedure, as amended and promulgated under section 2072 of title 28 of the United States Code; (c) any local rules applicable to the Bankruptcy Court; and (d) any standing orders governing practice and procedure issued by the Bankruptcy Court, each as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Chapter 11 Cases or proceedings therein, as the case may be.

“Bar Date” means the applicable bar date by which a Proof of Claim must be filed, as established by an order of the Bankruptcy Court.

“Board(s)” shall mean the members of the Board of Trustees or Board of Directors of each of the Debtors.

“Business Day” means any day which is not a Saturday, a Sunday, a “legal holiday” as defined in Bankruptcy Rule 9006(a), or a day on which banking institutions in the State of Pennsylvania are authorized or obligated by law, executive order or governmental decree to be closed.

“Cash” means money, currency and coins, negotiable checks, balances in bank accounts and other lawful currency of the United States of America and its equivalents.

“Causes of Action” means any and all actions, Claims, rights, defenses, third-party claims, damages, executions, demands, crossclaims, counterclaims, suits, choses in action, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims whatsoever, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, Disputed, undisputed, secured or unsecured and whether asserted or assertable directly, indirectly or derivatively, at law, in equity or otherwise, accruing to the Debtors, including, but not limited to, the Avoidance Actions.

“Chapter 11 Cases” means the cases under chapter 11 of the Bankruptcy Code commenced by the Debtors in the Bankruptcy Court on the Petition Date.

“Claim” shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

“Claims Objection Deadline” means the latest of: (a) 120 days after the Effective Date; (b) 75 days after the date on which any Claim is filed; or (c) such other date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clauses (a) and (b) above.

“Class” means each class, subclass or category of Claims or Interests as classified in Article II of the Plan.

“Classes 2 through 5” means Classes 2, 3A, 3B, 3C, 4A, 4B, 4C, 5A, 5B, and 5C, the Claims in which Classes are Impaired under the Plan.

“Committee” means the official committee of unsecured creditors appointed in the Debtors’ Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code by the United States Trustee, as the membership of such committee is from time to time constituted and reconstituted.

“Committee Members” means the creditors appointed to serve as members of the Committee in the Debtors’ Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code by the United States Trustee.

“Confirmation” means the entry by the Bankruptcy Court of the Confirmation Order.

“Confirmation Date” means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court with respect to the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and 9021.

“Confirmation Hearing” means the hearing held before the Bankruptcy Court to consider Confirmation of the Plan pursuant to sections 1128 and 1129 of the Bankruptcy Code.

“Confirmation Order” means the order entered by the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

“Creditor” means any Person that is the Holder of any Claim against any of the Debtors.

“Cure” means a distribution made in the ordinary course of business following the Effective Date pursuant to an executory contract or unexpired lease assumed under section 365 or 1123 of the Bankruptcy Code (i) in an amount equal to the Proposed Cure (including if such Proposed Cure is zero dollars) or (ii) if a Treatment Objection is filed with respect to the applicable Proposed Cure, then in an amount equal to the unpaid monetary obligations owing by the Debtors and required to be paid pursuant to section 365(b) of the Bankruptcy Code, as may be (x) determined by Final Order or (y) otherwise agreed upon by the parties.

“Debtors” shall have the meaning set forth in the Introduction.

“Disallowed” means, with respect to any Claim or Interest or portion thereof, any Claim against or Interest in the Debtors which: (a) has been withdrawn, in whole or in part, by agreement of the Debtors and the Holder thereof; (b) has been withdrawn, in whole or in part, by the Holder thereof; or (c) has been disallowed, in whole or part, by Final Order of a court of competent jurisdiction. In each case a Disallowed Claim or a Disallowed Interest is disallowed only to the extent of disallowance or withdrawal.

“Disclosure Statement” means the Debtors’ Disclosure Statement with Respect to the Chapter 11 Plan originally filed on October 6, 2017, as approved by the Bankruptcy Court on November 8, 2017, including all exhibits, appendices, schedules and annexes, if any, attached thereto, as submitted by the Debtors, as the same may be altered, amended, supplemented or modified from time to time, and which was prepared and distributed in accordance with sections 1125 and 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018.

“Disputed” means any Claim or Interest that has been neither Allowed nor Disallowed.

“Disputed Claim” means a Claim, or any portion thereof, that is Disputed. For purposes of the Plan, a Claim that has been neither Allowed nor Disallowed shall be considered a Disputed Claim.

“Distributable Cash” means the sum of \$400,000 being provided by PHMC to the Debtors to fund pro rata distributions in the aggregate to Allowed Class 5A, Allowed Class 5B and Allowed Class 5C Claims as provided in the Plan, to be deposited into one or more Distribution Accounts.

“Distribution Account” means any account or accounts maintained by the Distribution Agent (defined below) into which Distributable Cash will be delivered, and the proceeds therefrom will be distributed in accordance with the Plan.

“Distribution Account Claims” shall have the meaning set forth in Section 5.03 herein.

“Distribution Agent” means such Entity or Entities, including the Debtors, that may be designated, in accordance with Rule 3016-1(e) of the Local Rules of the United States Bankruptcy Court for the Eastern District of Pennsylvania, by the Debtors to make distributions in accordance with the Plan.

“Effective Date” means a date to be selected by the Debtors which shall be between the first Business Day and the tenth Business Day following the date on which all conditions to consummation set forth in Article IX of the Plan have been satisfied or waived (if capable of being duly and expressly waived), provided that no stay of the Confirmation Order is then in effect. The Debtors shall file a notice of the occurrence of the Effective Date on the docket in these Chapter 11 Cases.

“Employee Agreement” means any agreement by and between one or more of the Debtors and any employee who was employed by one or more of the Debtors on or after the Petition Date and remains employed by one or more of the Debtors on the date on which the Plan is confirmed.

“Entity” means any individual, corporation, limited or general partnership, joint venture, association, joint stock company, limited liability company, estate, trustee, United States Trustee, unincorporated organization, government, governmental unit (as defined in the Bankruptcy Code), agency or political subdivision thereof.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rules issued thereunder.

“Estates” means the estates created in the Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code upon commencement of the Chapter 11 Cases.

“Exculpated Persons” means to the maximum extent permitted by the Bankruptcy Code and applicable law: (a) the Debtors; (b) the members of the Committee solely in their capacity as members of the Committee; (c) the Initial DIP Lender; (d) the Siena DIP Lender; (e) PHMC; and (f) as to the parties listed in (a) through (e), any of their respective members, officers, directors, shareholders, employees, advisors, attorneys or agents acting in such capacity on or after the Petition Date.

“Exit Facility” shall mean exit financing facility provided by the Exit Lender to be utilized to satisfy (in full) the Siena DIP Financing Facility and the Initial DIP Financing Facility and such other uses as Debtors and PHMC may determine and which shall be secured by the Debtors’ assets to the same extent and priority presently securing the Siena DIP Financing Facility and the Initial DIP Financing Facility. The Exit Facility shall replace the Siena DIP Financing Facility, providing financing up to \$5,000,000, to enable the Debtors to fund operations and debt service, including any projected reduction in cash flow as the Debtors transition to become affiliates of PHMC under the Affiliation Agreement following the Effective Date of the Plan. The Terms of the Exit Facility are still being negotiated and have not been agreed upon as of the date of this Plan; further details will be provided at the Confirmation Hearing.

“Exit Lender” means the lender selected by PHMC in consultation with the Debtors who shall provide Effective Date financing to the Reorganized Debtors.

“Final Decree” means the final decree entered by the Bankruptcy Court after the Effective Date and pursuant to section 350(a) of the Bankruptcy Code and Bankruptcy Rule 3022, which will be entered no earlier than 120 days following the entry of the Confirmation Order.

“Final Order” means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket of such court, the operation or effect of which has not been stayed, reversed, vacated, modified or amended, and as to which order or judgment (or any revision, modification, or amendment thereof) of the time to appeal, petition for certiorari, or seek review or rehearing has expired and as to which no appeal, petition for certiorari, or petition for review or rehearing was filed or, if filed, remains pending; provided, however, that the possibility that a motion may be filed pursuant to Rules 9023 or 9024 of the Bankruptcy Rules or Rules 59 or 60(b) of the Federal Rules of Civil Procedure shall not mean that an order or judgment is not a Final Order.

“Ford Road Facility” means the real property leased pre-petition by the Debtors at 3905 Ford Road, Philadelphia, PA 19131.

“General Unsecured Claims” means all Claims, including Rejection Claims and the claims of the City of Philadelphia, to the extent that the City’s claims against any of the Debtors is not fully secured by a right to setoff to the extent permitted by applicable law, that are not: Administrative Claims; Priority Tax Claims; M&T Secured Claims; Priority Claims; Class 3A, Class 3B or Class 3C Litigation Claims; Class 4A, Class 4B or Class 4C Subcontractor Claims; or Interests.

“Holder” means an Entity holding a beneficial interest in a Claim or Interest and, when used in conjunction with a Class or type of Claim or Interest, means a holder of a beneficial interest in a Claim or Interest in such Class or of such type.

“Impaired” means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

“Impaired Claim” means a Claim which is Impaired.

“Initial DIP Financing Facility” means the post-petition financing facility in the aggregate amount of up to \$1,500,000 provided to the Debtors by Learn and Play Inc. t/a Play and Learn pursuant to the Initial DIP Financing Order and related documents.

“Initial DIP Financing Order” means the Final Order entered by the Bankruptcy Court on July 26, 2017 [Docket No. 149], authorizing the Debtors to enter into the Initial DIP Financing Facility pursuant to section 364 of the Bankruptcy Code, and any extensions or amendments thereof.

“Initial DIP Lender” means Learn and Play Inc. t/a Play and Learn.

“Insider” shall have the meaning set forth in section 101(31) of the Bankruptcy Code.

“Insurance Plans” means the Debtors’ insurance policies and any agreements, documents or instruments relating thereto entered into prior to the Petition Date.

“Interests” means any and all equity interests, ownership interests or shares in the Debtors issued by the Debtors prior to the Petition Date.

“Liens” means, with respect to any asset or Property (or the rents, revenues, income, profits or proceeds therefrom), and in each case, whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise: (a) any and all mortgages, liens, pledges, attachments, charges, leases evidencing a capitalizable lease obligation, conditional sale or other title retention agreement, or other security interest or encumbrance or other legally cognizable security devices of any kind in respect of any asset or Property, or upon the rents, revenues, income, profits or proceeds therefrom; or (b) any arrangement, express or implied, under which any Property is transferred, sequestered or otherwise identified for the purpose of subjecting or making available the same for the payment of debt or performance of any other obligation in priority to the payment of General Unsecured Creditors.

“Litigation Claims” means any personal injury, wrongful death or other claim held by any person or entity, the underlying events as to which occurred prior to the Petition Date that was unliquidated, contingent or disputed as of the Petition Date and as to which the Debtors may be covered by insurance for any potential liability.

“Management Agreements” means those certain Transition Management Agreements dated June 26, 2017 by and between one or more of the Debtors and PHMC and/or Turning Points for Children that were assumed by the Debtors in these Bankruptcy Cases.

“M&T Bank” means M&T Bank, which holds a mortgage on the real property owned by Debtor Wordsworth Academy, located at 2101 Pennsylvania Avenue, Fort Washington, PA 19034, and a lien on the Debtors’ receivables and personal property.

“Notice of Intent to Assume or Reject” means a notice delivered by the Debtors pursuant to Article VI of the Plan stating an intent to assume or reject an executory contract or unexpired lease and including a proposed Assumption Effective Date or Rejection Effective Date, as applicable, and, if applicable, a Proposed Cure and/or a proposed amendment.

“Objection” means any objection, application, motion, complaint or any other legal proceeding seeking, in whole or in part, to Disallow, determine, liquidate, classify, reclassify or establish the priority, expunge, subordinate or estimate any Claim (including the resolution of any request for payment of any Administrative Claim) or Interest other than a Claim or an Interest that is Allowed.

“Person” means and includes a natural person, individual, partnership, corporation (as defined in section 101(a) of the Bankruptcy Code), or organization including, without limitation, corporations, limited partnerships, limited liability companies, general partnerships, joint ventures, joint stock companies, trusts, land trusts, business trusts, unincorporated organizations or associations, or other organizations, irrespective of whether they are legal entities, governmental bodies (or any agency, instrumentality or political subdivision thereof), or any other form of legal entities; provided, however, “Person” does not include governmental units, except a governmental unit that (a) acquires an asset from a Person (i) as a result of the operation of a loan guarantee agreement or (ii) as receiver or liquidating agent of a Person; (b) is a guarantor of a pension benefit payable by or on behalf of a Debtor or an Affiliate of a Debtor of; or (c) is the legal or beneficial owner of an asset of (i) an employee pension benefit plan that is a governmental plan, as defined in section 414(d) of the Internal Revenue Code of 1986 or (ii) an eligible deferred compensation plan, as defined in section 457(b) of the Internal Revenue Code of 1986, shall be considered for purposes of section 1102 of the Bankruptcy Code to be a Person with respect to such asset or such benefit.

“Petition Date” means June 30, 2017.

“PHMC” means Public Health Management Corporation.

“Plan” means this joint Chapter 11 Plan dated as of November 8, 2017, including all exhibits, appendices, schedules and annexes, if any, attached hereto, as submitted by the Debtors, as such Plan may be altered, amended, supplemented or modified from time to time in

accordance with the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Confirmation Order and the terms and conditions of the Plan.

“Plan Documents” means, collectively, the Disclosure Statement, the Plan, the Confirmation Order, and any exhibit to the Plan.

“Play and Learn Lease” means that certain Lease Agreement Dated July 7, 2003 by and between Learn and Play, t/a Play and Learn and the Debtors for the property located at 200 Camp Hill Road, Fort Washington, Pennsylvania 19034 as otherwise described in the Play and Learn Lease.

“Priority Claims” means any Claim against the Debtors entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Claim.

“Priority Tax Claim” means any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code.

“Professional Fee Claim” means an Allowed Claim for compensation and/or reimbursement of expenses pursuant to sections 327, 328, 330, 331 or 503(b) of the Bankruptcy Code relating to services incurred on and after the Petition Date and prior to and including the Effective Date in connection with an application by the Professionals in the Chapter 11 Cases made to and approved by the Bankruptcy Court.

“Professionals” means any professional employed in these Chapter 11 Cases pursuant to sections 327 or 1103 of the Bankruptcy Code or any Professional entitled to compensation pursuant to sections 327, 328, 330, 331, 503(b)(2) or (4), or 1103 of the Bankruptcy Code.

“Proof of Claim” means a proof of claim filed against any of the Debtors in the Chapter 11 Cases.

“Property” means all assets or property of the Debtors’ respective Estates of any nature whatsoever, real or personal, tangible or intangible, including contract rights, accounts and Causes of Action, previously or now owned by the Debtors, or acquired by the Debtors’ respective Estates, as defined in section 541 of the Bankruptcy Code.

“Proposed Cure” means, with respect to a particular executory contract or unexpired lease, the consideration that the Debtors propose (i) on the notices sent to Assumption Parties listed on Schedule 6.02(a) or (ii) on a Notice of Intent to Assume or Reject, in each case as full satisfaction of the Debtors’ obligations with respect to such executory contract or unexpired lease pursuant to section 365(b) of the Bankruptcy Code.

“Rejection Bar Date” means the earlier of (a) the date set by the Bankruptcy Court for the filing of a Rejection Claim or (b) thirty days from the date on which the relevant executory contract or unexpired lease is effectively rejected by the Debtors.

“Rejection Claims” means: (a) Claims of any non-Debtor counterparty to any unexpired lease of nonresidential real property or any executory contract arising on account of the rejection of such lease or contract during the administration of these Chapter 11 Cases under section 365 of the Bankruptcy Code or pursuant to the Plan; and (b) any Claims arising from the termination of or withdrawal from any pension plan of the Debtors qualified under ERISA.

“Rejection Effective Date” means (a) the date on which an final order is entered with respect to the rejection of an executory contract or unexpired lease during the administration of these Chapter 11 Cases under section 365 of the Bankruptcy Code, or (b) the date upon which the rejection of an executory contract or unexpired lease under this Plan is deemed effective, which shall not be later than 60 calendar days after the Effective Date unless otherwise agreed by the relevant Rejection Party.

“Rejection Party” means a counterparty to an executory contract or unexpired lease to be rejected by the Debtors under this Plan or during the administration of the Debtors’ Chapter 11 Cases.

“Releasees” means each of: (a) the Initial DIP Lender; (b) the Siena DIP Lender; (c) the Committee and the members thereof, solely in their capacity as members of the Committee; (d) the Debtors; (e) PHMC; and (f) with respect to each of the foregoing entities in clauses (a) through (e), such entities’ subsidiaries, Affiliates, managed accounts or funds, endowments, officers, directors, members, attorneys, current and former members of any advisory boards, current and former holders of member interests in any of the Debtors, principals, Insiders (as defined in the Bankruptcy Code), employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other Professionals, solely in their respective capacities as representatives of any of the foregoing.

“Restructuring Transactions” means the transactions described in Article VII of the Plan, which are necessary to fund the distributions on account of Claims and Interests as set forth in the Plan.

“Schedules” means the schedules of assets and liabilities and statements of financial affairs filed by any of the Debtors in the Chapter 11 Cases, as required by section 521 of the Bankruptcy Code, as the same may have been or may be amended, modified or supplemented.

“Secured Claim” means any Claim arising before the Petition Date that is: (a) secured in whole or part, as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law on Property in which the Debtors’ respective Estates has an interest and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law; or (b) subject to setoff under section 553 of the Bankruptcy Code, but, with respect to both case (a) and (b), only to the extent of the value of the assets or Property securing any such Claim or the amount subject to setoff, as the case may be.

“Securities Act” means the Securities Act of 1933, as amended.

“Siena DIP Financing Facility” means the post-petition financing facility in the aggregate amount not to exceed \$5,000,000 provided to the Debtors by the Siena DIP Lender pursuant to the Siena DIP Financing Order and related documents.

“Siena DIP Financing Order” means the Final Order entered by the Bankruptcy Court on September 20, 2017 [Docket No. 300], authorizing the Debtors to enter into the Siena DIP Financing Facility pursuant to section 364 of the Bankruptcy Code, and any extensions or amendments thereof.

“Siena DIP Lender” means Siena Lending Group, LLC.

“Subcontractor Claims” means any claim held by a staffing agency or subcontractor, each of which is listed on Attachment 2 to the Plan.

“Tax” means any tax, charge, fee, levy, impost or other assessment by any federal, state, local or foreign governmental authority, including, without limitation, income, excise, property, sales, transfer, employment, payroll, franchise, profits, license, use, ad valorem, estimated, severance, stamp, occupation and withholding tax, together with any interest, penalties, fines or additions attributable to, imposed on, or collected by any such federal, state, local or foreign governmental authority.

“Treatment Objection” means an objection to the Debtors’ proposed assumption or rejection of an executory contract or unexpired lease pursuant to the provisions of this Plan (including an objection to the proposed Assumption Effective Date or Rejection Effective Date, the Proposed Cure and/or any proposed assignment, but not including an objection to any Rejection Claim) that is properly filed with the Bankruptcy Court and served in accordance with the Case Management Order by the Applicable Treatment Objection Deadline.

“Treatment Objection Deadline” means the deadline for filing and serving a Treatment Objection, which deadline shall be 4:00 p.m. (prevailing Eastern Time) on, (i) with respect to an executory contract or unexpired lease listed on Schedule 6.02(a) or 6.02(b), the 15th calendar day after the relevant Schedule is filed and notice thereof is mailed, (ii) with respect to an executory contract or unexpired lease the proposed treatment of which has been altered by an amended or supplemental Schedule 6.02(a) or 6.02(b), the 15th calendar day after such amended or supplemental schedule is filed and notice thereof is mailed, (iii) with respect to an executory contract or unexpired lease for which a Notice of Intent to Assume or Reject is filed, the 15th calendar day after such notice is filed and notice thereof is mailed and (iv) with respect to any other executory contract or unexpired lease, including any to be assumed or rejected by category pursuant to Sections 6.01, 6.03 or 6.04 of the Plan (without being listed on Schedule 6.02(a) or 6.02(b)), the deadline for objections to confirmation of the Plan established pursuant to the Approval Order or other order of the Bankruptcy Court.

“Trustee’s Fee Claims” means any fees assessed against the Debtors’ Estates pursuant to section 1930(a)(6) of title 28 of the United States Code.

“Unclaimed Property” means any distribution, including any second distribution, of Cash or any other Property made to the Holder of an Allowed Claim pursuant to the Plan that

is returned to the Debtors or the Distribution Agent as undeliverable and no appropriate forwarding address is received prior to the date on which the Final Decree is entered in the Chapter 11 Cases, in the case of a distribution made in the form of a check, is not negotiated and no request for reissuance is made as provided for in Section 5.07 of the Plan.

“Unimpaired” means any Claim that is not Impaired within the meaning of section 1124 of the Bankruptcy Code.

“United States Trustee” means the United States Trustee appointed under section 581(a)(3) of title 28 of the United States Code to serve in the Eastern District of Pennsylvania.

“Voting Deadline” means the date and time that shall be set by the Bankruptcy Court for the submission of ballots voting in favor of or against the Plan, notice of which shall be mailed to Holders of Claims in Classes entitled to vote on the Plan.

Section 1.02. Rules of Interpretation. All references to “the Plan” herein shall be construed, where applicable, to include references to this document and all its exhibits, appendices, schedules and annexes, if any (and any amendments thereto made in accordance with the Bankruptcy Code). Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan as a whole and not to any particular paragraph, subparagraph, or clause contained in the Plan. The words “includes” and “including” are not limiting and mean that the things specifically identified are set forth for purposes of illustration, clarity or specificity and do not in any respect qualify, characterize or limit the generality of the class within which such things are included. The captions and headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Any term used in the Plan that is not defined in the Plan, either in Article I hereof or elsewhere, but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in (and shall be construed in accordance with the rules of construction under) the Bankruptcy Code or the Bankruptcy Rules (with the Bankruptcy Code controlling in the case of a conflict or ambiguity). Without limiting the preceding sentence, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply to the Plan, unless superseded herein. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) and Section 12.15 hereof shall apply, but Bankruptcy Rule 9006(a) shall govern.

Section 1.03. Exhibits. All Exhibits, including all schedules and attachments, to the Plan are incorporated into and are a part of the Plan as if set forth in full herein, regardless of when filed.

ARTICLE II. CLASSIFICATION OF CLAIMS AND INTERESTS

Section 2.01. Generally Pursuant to Section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. A Claim or an Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the

description of the Class and is classified in a different Class to the extent the Claim or Interest qualifies within the description of that different Class. A Claim or Interest is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and such Claim or Interest has not been paid, released, settled or otherwise satisfied prior to the Effective Date. Any and all interdebtor Claims filed by Wordsworth against either of the CUAs or by either of the CUAs against Wordsworth are not classified and, on the Effective Date, shall be waived and discharged.

Section 2.02. Unclassified Claims. In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims (including Claims of the Initial DIP Lender in connection with the Initial DIP Financing Facility and the Siena DIP Lender in connection with the Siena DIP Financing Facility) and Priority Tax Claims are not classified and are excluded from the Classes designated in this Article II of the Plan. The treatment accorded Administrative Claims and Priority Tax Claims is set forth in Article III of the Plan.

Section 2.03. Unimpaired and Unimpaired Classes. The Plan classifies certain Unimpaired Claims and Unimpaired Interests that are not entitled to vote on the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, each Holder of a Claim or Interest in an Unimpaired Class is conclusively presumed to have accepted the Plan in respect of such Claims or Interests and is not entitled to vote to accept or reject the Plan. The Plan also classifies certain Impaired Claims that are entitled to vote on the Plan.

Class 1 is Unimpaired and consists of all Priority Claims.

Class 2 is Impaired and consists of the Secured Claims of M&T Bank against each of the Debtors.

Class 3A, Class 3B and Class 3C are Impaired and consist of the Litigation Claims against Wordsworth Academy, Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC, respectively.

Class 4A, Class 4B and Class 4C are Impaired and consist of the Subcontractor Claims against Wordsworth Academy, Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC, respectively.

Class 5A, Class 5B and Class 5C are Impaired and consist of the General Unsecured Claims against Wordsworth Academy, Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC, respectively. These Classes of General Unsecured Claims include all Claims against the applicable Debtor, including Rejection Claims and any unsecured claim held by the City of Philadelphia after setoff of amounts owed by and between the parties thereto to the extent permitted by applicable law, that are not: Administrative Claims, Priority Tax Claims, Secured Claims, Priority Claims, Class 3A Litigation Claims, Class 3B Litigation Claims, Class 3C Litigation Claims, Class 4A Subcontractor Claims, Class 4B Subcontractor Claims, Class 4C Subcontractor Claims or Class 6 Interests.

Class 6 is Unimpaired and consists of the Interests of Wordsworth in the CUAs, as well as the membership interests of the Boards in each of the Debtors.

ARTICLE III.
PROVISIONS FOR TREATMENT OF CLASSES OF
CLAIMS AND INTERESTS

Section 3.01. Satisfaction of Claims and Interests. The treatment of and consideration to be received by Holders of Allowed Claims or Allowed Interests pursuant to this Article III and the Plan shall be in full satisfaction, settlement, release, extinguishment and discharge of their respective Claims against or Interests in the Debtors and the Debtors' respective Estates, except as otherwise provided in the Plan or the Confirmation Order.

Section 3.02. Unclassified Claims, Classified Unimpaired and Impaired Claims. Administrative Claims and Priority Tax Claims of each Debtor are treated by each Debtor in accordance with section 1129(a)(9)(A) and section 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are Unimpaired under the Plan and, in accordance with section 1123(a)(1) of the Bankruptcy Code, are not designated as Classes of Claims for purposes of this Plan and for purposes of sections 1123, 1124, 1126 and 1129 of the Bankruptcy Code. In addition, Class 1 Claims are classified as Classes of Claims that are Unimpaired. In accordance with section 1126(f) of the Bankruptcy Code, the Holders of Claims in such Classes are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan. Claims in Classes 2 through 5 are Impaired and the Holders thereof are entitled to vote to accept or reject the Plan on account of such Allowed Claims.

Section 3.03. Administrative Claims. Administrative Claims are Unimpaired. Unless otherwise provided for herein, each Holder of an Allowed Administrative Claim shall receive, from the Debtor against whom such Claim has been Allowed, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash, without interest, on or as soon as reasonably practicable after the latest to occur of (i) the Effective Date, (ii) the date on which such Administrative Claim becomes Allowed, or (iii) a later date agreed to in writing by the Debtor and the Holder of such Administrative Claim; or (b) such other treatment on which is favorable to the Debtor such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtor, or as the Bankruptcy Court may order.

Section 3.04. Priority Tax Claims. Priority Tax Claims are Unimpaired. Each Holder of an Allowed Priority Tax Claim shall receive, from and at the option of the Debtor against whom such Claim is allowed, in full satisfaction, settlement, release, extinguishment and discharge of such Priority Tax Claim: (a) the amount of such unpaid Allowed Priority Tax Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Priority Tax Claim becomes Allowed, and (iii) a later date agreed to by the Debtor and the Holder of such Priority Tax Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Priority Tax Claim and the Debtor or as the Bankruptcy Court may order. Prior to the Effective Date, the Debtors, by mutual agreement, shall have the right to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature.

Section 3.05. Class 1: Priority Claims. Class 1 Priority Claims are Unimpaired. Each Holder of an Allowed Class 1 Priority Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash, without interest, on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Class 1 Claim becomes Allowed, and (iii) a date agreed to by the Debtors or by mutual agreement, as the case may be, and the Holder of such Class 1 Priority Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors. This Class includes the priority wage and benefit Claims that the Debtors were authorized to pay pursuant to the Bankruptcy Court's Order of July 6, 2017 [Docket No. 62].

Section 3.06. Class 2: Secured Claim of M&T Bank. Class 2 Secured Claims are impaired. The Holder of the Allowed Class 2 Secured Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, 119 monthly payments over a ten (10) year term commencing on the first day of the month following the Effective Date, based on a twenty-five (25) year amortization schedule and a fixed rate of interest of prime plus one percent as of the date of confirmation of the Plan. The 120th payment shall include the balance of the unpaid principal owed. Until payment in full of the Class 2 Secured Claims, the Holder of the Allowed Class 2 Secured Claim will retain its liens on the Debtors' real property located at 2101 Pennsylvania Ave., Fort Washington, PA 19034, the Debtors' accounts receivable, personal property and other assets to the same extent and priority as exists on the date of confirmation of this Plan. None of the Distributable Cash shall be paid on account of the Class 2 Claim.

Section 3.07. Class 3A: Litigation Claims against Wordsworth Academy. Class 3A Litigation Claims against Wordsworth Academy are Impaired. Each holder of a Class 3A Claim shall receive an Allowed general unsecured claim in the amount of \$1.00 for purposes of distribution, Article X of the Plan, and for voting purposes. Class 3A Litigation Claims shall receive payment from any available insurance coverage, in full satisfaction, settlement, release, extinguishment and discharge of such Claim. The Debtors and the Estates shall have no further liability on such Claims. All rights of Class 3A Claimants against the Debtors and the Estates shall be governed by the Stipulation Regarding Tort Claims executed by such Claimant, if any, which is incorporated herein by reference.

Section 3.08. Class 3B: Litigation Claims against Wordsworth CUA 5, LLC. Class 3B Litigation Claims against Wordsworth CUA 5, LLC are Impaired. Each holder of a Class 3B Claim shall receive an Allowed general unsecured claim in the amount of \$1.00 for purposes of distribution, Article X of the Plan, and for voting purposes. Class 3B Litigation Claims shall receive payment from any available insurance coverage, in full satisfaction, settlement, release, extinguishment and discharge of such Claim. The Debtors and the Estates shall have no further liability on such Claims. All rights of Class 3B Claimants against the Debtors and the Estates shall be governed by the Stipulation Regarding Tort Claims executed by such Claimant, if any, which is incorporated herein by reference.

Section 3.10. Class 3C: Litigation Claims against Wordsworth CUA 10, LLC. Class 3C Litigation Claims against Wordsworth CUA 10, LLC are Impaired. Each holder of a Class 3C Claim shall receive an Allowed general unsecured claim in the amount of \$1.00 for purposes of distribution, Article X of the Plan, and for voting purposes. Class 3C Litigation

Claims shall receive payment from any available insurance coverage, in full satisfaction, settlement, release, extinguishment and discharge of such Claim. The Debtors and the Estates shall have no further liability on such Claims. All rights of Class 3C Claimants against the Debtors and the Estates shall be governed by the Stipulation Regarding Tort Claims executed by such Claimant, if any, which is incorporated herein by reference.

Section 3.12. Class 4A: Subcontractor Claims against Wordsworth Academy. Class 4A Subcontractor Claims against Wordsworth Academy are Impaired. Each Holder of an Allowed Class 4A Subcontractor Claim against Wordsworth Academy shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without interest, from the Reorganized Debtors' operating revenues. The Debtors anticipate that the staffing agencies will be paid in full prior to the Effective Date, any remaining Subcontractor Claims that are not paid in full prior to the Effective Date will receive payment over a period of six (6) months following the Effective Date until all Subcontractor Claims have been paid in full.

Section 3.13. Class 4B: Subcontractor Claims against Wordsworth CUA 5, LLC. Class 4B Subcontractor Claims against Wordsworth CUA 5, LLC are Impaired. Each Holder of an Allowed Class 4B Subcontractor Claim against Wordsworth CUA 5, LLC shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without interest, from the Reorganized Debtors' operating revenues. The Debtors anticipate that the staffing agencies will be paid in full prior to the Effective Date, any remaining Subcontractor Claims that are not paid in full prior to the Effective Date will receive payment over a period of six (6) months following the Effective Date until all Subcontractor Claims have been paid in full.

Section 3.15. Class 4C: Subcontractor Claims against Wordsworth CUA 10, LLC. Class 4C Subcontractor Claims against Wordsworth CUA 10, LLC are Impaired. Each Holder of an Allowed Class 4C Subcontractor Claim against Wordsworth CUA 10, LLC shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without interest, from the Reorganized Debtors' operating revenues. The Debtors anticipate that the staffing agencies will be paid in full prior to the Effective Date, any remaining Subcontractor Claims that are not paid in full prior to the Effective Date will receive payment over a period of six (6) months following the Effective Date until all Subcontractor Claims have been paid in full.

Section 3.17. Class 5A: General Unsecured Claims against Wordsworth Academy. Class 5A General Unsecured Claims against Wordsworth Academy are Impaired. Each Holder of a Class 5A Allowed General Unsecured Claim against Wordsworth Academy shall receive, along with Allowed General Unsecured Claims in Classes 5B and 5C, in full satisfaction, settlement, release, extinguishment and discharge of such Claim a pro rata amount of Distributable Cash upon the determination of the allowance of all Claims included in Class 5A, Class 5B and Class 5C.

Section 3.18. Class 5B: General Unsecured Claims against Wordsworth CUA 5, LLC. Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC are Impaired. Each Holder of a Class 5B Allowed General Unsecured Claim against Wordsworth CUA 5, LLC shall receive, along with Allowed General Unsecured Claims in Classes 5A and 5C, in full satisfaction, settlement, release, extinguishment and discharge of such Claim a pro rata amount

of Distributable Cash upon the determination of the allowance of all Claims included in Class 5A, Class 5B and Class 5C. The Debtors assign a value of \$0.00 to any Class 5B Claim held by M&T Bank against Wordsworth CUA 5, LLC and/or Wordsworth CUA 10, LLC and take the position M&T Bank will not receive a distribution from the Distributable Cash. M&T Bank disputes and disagrees with this treatment and the Debtors' position concerning the use of Distributable Cash to pay M&T's unsecured claims. If the Bankruptcy Court determines that the Class 2 Claim and/or M&T Bank's Class 5B and/or Class 5C Claims must receive payment from Distributable Cash on account of any unsecured portion of such claim, the Debtors will amend the Plan to provide for a different treatment of Class 2 and/or Class 5 Claims. Any such amendment that results in \$400,000 of Distributable Cash not being available for distribution to Holders of Class 5 Claims, other than M&T Bank, shall be considered to be a material amendment requiring re-solicitation.

Section 3.20. Class 5C: General Unsecured Claims against Wordsworth CUA 10, LLC. Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC are Impaired. Each Holder of a Class 5C Allowed General Unsecured Claim against Wordsworth CUA 10, LLC shall receive, along with Allowed General Unsecured Claims in Classes 5A and 5B, in full satisfaction, settlement, release, extinguishment and discharge of such Claim a pro rata amount of Distributable Cash upon the determination of the allowance of all Claims included in Class 5A, Class 5B and Class 5C. The Debtors assign a value of \$0.00 to any Class 5B Claim held by M&T Bank against Wordsworth CUA 5, LLC and/or Wordsworth CUA 10, LLC and take the position M&T Bank will not receive a distribution from the Distributable Cash. M&T Bank disputes and disagrees with this treatment and the Debtors' position concerning the use of Distributable Cash to pay M&T's unsecured claims. If the Bankruptcy Court determines that the Class 2 Claim and/or M&T Bank's Class 5B and/or Class 5C Claims must receive payment from Distributable Cash on account of any unsecured portion of such claim, the Debtors will amend the Plan to provide for a different treatment of Class 2 and/or Class 5 Claims. Any such amendment that results in \$400,000 of Distributable Cash not being available for distribution to Holders of Class 5 Claims, other than M&T Bank, shall be considered to be a material amendment requiring re-solicitation.

Section 3.22. Class 6: Interests. Class 6 Interests are Unimpaired. Each Holder of an Allowed Class 6 Interest shall retain its Interest only to the extent provided in the Affiliation Agreement and receive no Property or other distribution of value on account of its Interest.

ARTICLE IV. ACCEPTANCE OR REJECTION OF THE PLAN; CRAMDOWN

Section 4.01. Acceptance by Impaired Classes of Claims and Interests. Pursuant to Section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if: (a) the Holders of at least two-thirds (2/3) in dollar amount of the Allowed Claims actually voting in such Class (other than Claims held by any Holder designated pursuant to section 1126(e) of the Bankruptcy Code) have timely and properly voted to accept the Plan, and (b) more than one-half (1/2) in number of the Holders of such Allowed Claims actually voting in such Class (other than Claims held by any Holder designated pursuant to section 1126(e) of the Bankruptcy Code) have timely and properly voted to accept the Plan, without consideration of

the vote of any Insiders. Holders of Claims that are included in a Class that is entitled to vote but are unliquidated shall be entitled to vote and their claims shall be assigned the value of \$1.00 for voting purposes only.

Section 4.02. Voting Classes. Except as otherwise required by the Bankruptcy Code or the Bankruptcy Rules, the Holders of Claims in Classes 2 through 5 shall be entitled to vote to accept or reject the Plan in accordance with Section 4.01 of the Plan. Classes of Claims Unimpaired under the Plan (Priority Claims (Class 1)) shall not be entitled to vote to accept or reject the Plan, and shall be conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Administrative Claims and Priority Tax Claims are Unimpaired and not classified under the Plan and hence are not entitled to vote to accept or reject the Plan pursuant to section 1126(g) of the Bankruptcy Code.

Section 4.03. Ballot Instructions. Each Holder of a Claim or Interest entitled to vote on the Plan will be asked to complete and return a Ballot to the Debtors, which will compile the votes so received. Any questions as to the validity, form, and eligibility (including time of receipt) of Ballots will be resolved by the Bankruptcy Court upon application or at the Confirmation Hearing.

Section 4.04. Cramdown. If all applicable requirements for Confirmation of the Plan are met as set forth in section 1129(a)(1) through (13) of the Bankruptcy Code as applied to nonprofit entities except subsection (8) thereof, the Debtors may request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, notwithstanding the requirements of section 1129(a)(8) thereof, on the bases that the Plan is fair and equitable, and does not discriminate unfairly, with respect to each Class of Claims or Interests that is Impaired under, and has not accepted, the Plan.

ARTICLE V.

PROVISIONS GOVERNING DISTRIBUTIONS UNDER THE PLAN

Section 5.01. Timing of Distributions. Except as specifically set forth in the Plan, distributions of Property will be made to Holders of Allowed Claims in accordance with Article III of the Plan. If a Claim is not an Allowed Claim as of the applicable distribution date, distributions will be made only if and when the Claim is Allowed, and then in accordance with Article III of the Plan and, with respect to the cure of defaults for assumed executory contracts and unexpired leases, Section 6.02 of the Plan, and in each case, subject to Article VIII of the Plan. Distributions to be made as of the Effective Date on account of Claims that are Allowed as of the Effective Date and are entitled to receive distributions under the Plan shall be made on the Effective Date or as soon as reasonably practicable thereafter. Distributions to be made after the Effective Date shall be made on dates to be established by the Distribution Agent pursuant to the terms of this Plan, taking into account the resolution of Disputed Claims and the Distribution Agent's right to defer distributions if the amount of the Cash to be distributed on a particular date is insufficient to justify the costs of effectuating the distribution.

Section 5.02. Distributions to Holders of Allowed Claims. Except as otherwise provided herein, the Distribution Agent shall make all distributions required under the Plan in a manner consistent with the Plan. Distributions to Holders of Allowed Claims will be made in

accordance with Article III of the Plan. On the Effective Date, the Debtors shall deliver Cash to the Distribution Agent, who will deposit such Cash into the Distribution Account. From the Distribution Account, the Distribution Agent will make Cash distributions in accordance with the Plan. If any dispute arises as to the identity of a Holder of an Allowed Claim who is to receive any distribution, the Distribution Agent or the Debtors shall, as appropriate and in lieu of making such distribution to such Holder, delay such distribution until the disposition thereof shall be determined by Final Order of the Bankruptcy Court or by written agreement among the interested parties to such dispute.

Section 5.03. Distribution Account. One or more Distribution Accounts shall be established the Distribution Agent to receive the Distributable Cash necessary to fund the Plan. On, or as soon as reasonably practicable after, the Effective Date the Distribution Agent shall make Cash distributions from the Distribution Account in accordance with the Plan (collectively, the "Distribution Account Claims"). Each Distribution Account shall be extinguished following payment of all distributions made therefrom in accordance with the Plan.

Section 5.04. Delivery of Distributions. Distributions to Holders of Allowed Claims shall be made by the Distribution Agent: (a) at the last known addresses of such Holders or (b) at the addresses set forth in any written notices of address changes delivered to the Debtors or the Distribution Agent. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Distribution Agent is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest.

Section 5.05. Method of Cash Distributions. Any Cash payment to be made pursuant to the Plan may be made by check, wire transfer, or as otherwise required or provided in any relevant agreement or applicable law at the option of the Distribution Agent.

Section 5.06. Failure to Negotiate Checks. Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within ninety (90) days after the date of issuance. Any amounts returned to the Debtors in respect of such non-negotiated checks shall be forwarded to (if necessary) and held by the Distribution Agent. Requests for reissuance for any such check shall be made directly to the issuer of the check by the Holder of the Allowed Claim with respect to which such check originally was issued. All amounts represented by any voided check will be held until the earlier of: (a) one (1) month after date on which the check is voided, or (b) the date on which the Bankruptcy Court enters the Final Decree, and all requests for reissuance by the Holder of the Allowed Claim in respect of a voided check are required to be made prior to such date. Thereafter, all such amounts shall be deemed to be Unclaimed Property, in accordance with Section 5.07 of the Plan, and all Holders of Claims in respect of void checks shall be forever barred, estopped and enjoined from asserting a claim to such funds in any manner against the Debtors or their respective assets, or the Distribution Agent.

Section 5.07. Unclaimed Distributions. All Property distributed on account of Claims must be claimed prior to the date on which the Bankruptcy Court enters the Final Decree, or, in the case of a distribution made in the form of a check, must be negotiated and a request for reissuance be made as provided for in Section 5.06 of the Plan. If, on the date on which the

Bankruptcy Court enters the Final Decree, the amount of Unclaimed Property exceeds \$50,000, the Distribution Agent shall make a second Distribution, less the costs incurred to make such Distribution, to holders of Allowed Class 5 Claims. All Unclaimed Property, as of the later of: (a) the date on which the Final Decree is entered or, (b) if a second Distribution is made pursuant to this section, ninety (90) days following issuance of the checks comprising the second Distribution, shall be retained by and will revert to the Debtors. All full or partial payments made by the Debtors and received by the Holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of the Debtors or the Distribution Agent pursuant to the Plan. Nothing contained in the Plan shall require the Debtors or the Distribution Agent to attempt to locate any Holder of an Allowed Claim other than by reviewing the records of the Debtors and any Claims filed in the Chapter 11 Cases. Pursuant to section 1143 of the Bankruptcy Code, all Claims in respect of Unclaimed Property shall be deemed Disallowed and the Holder of any Claim Disallowed in accordance with this Section 5.07 will be forever barred, expunged, estopped and enjoined from asserting such Claim in any manner against the Debtors or the Distribution Agent, or their respective assets.

Section 5.08. Limitation on Distribution Rights. If a claimant holds more than one Claim in any one Class, all Claims of the claimant in that Class will be aggregated into one Claim and one distribution will be made with respect to the aggregated Claim.

Section 5.09. Compliance With Tax Requirements. In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the Debtors or the Distribution Agent, as appropriate, shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Debtors or the Distribution Agent within thirty (30) days from the date of such request, the Debtors or the Distribution Agent, at their or its option, may withhold the amount required and distribute the balance to such Person or decline to make such distribution until the information is received.

Section 5.10. De Minimis Distributions. No Cash payment of less than one (\$1.00) dollar shall be made to any Holder of an Allowed Claim on account of such Allowed Claim.

ARTICLE VI.

EXECUTORY CONTRACTS AND UNEXPIRED LEASES; INDEMNIFICATION OBLIGATIONS; BENEFIT PROGRAMS

Section 6.01. Rejection of Executory Contracts and Unexpired Leases. Pursuant to sections 365 and 1123 of the Bankruptcy Code, except as otherwise set forth in this Article VI, each executory contract and unexpired lease to which any Debtor is a party shall be deemed automatically rejected by the Debtors effective as of the Effective Date, except for any executory contract or unexpired lease (i) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) that is the subject of a motion to assume or reject pending on the Effective Date, (iii) that is assumed, rejected or otherwise treated

pursuant to Section 6.03 or Section 6.04 of the Plan, (iv) that is listed on Schedule 6.02(a) or 6.02(b) of the Plan, or (v) as to which a Treatment Objection has been filed and properly served by the Treatment Objection Deadline. If an executory contract or unexpired lease either (x) has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date or (y) is the subject of a motion to assume or reject pending on the Confirmation Date, then the listing of any such executory contract or unexpired lease on the aforementioned Schedules shall be of no effect.

Section 6.02. Schedules of Executory Contracts and Unexpired Leases.

(a) Schedules 6.02(a) and 6.02(b) of this Plan shall represent the Debtors' good faith belief regarding the intended treatment of all executory contracts and unexpired leases listed thereon. The Debtors reserve the right, on or prior to 3:00 p.m. (prevailing Eastern time) on the third Business Day immediately prior to the commencement of the Confirmation Hearing, (i) to amend Schedules 6.02(a) and 6.02(b) in order to add, delete or reclassify any executory contract or unexpired lease or amend a proposed assignment and (ii) to amend the Proposed Cure, in each case with respect to any executory contract or unexpired lease previously listed as to be assumed; *provided, however*, that if the Confirmation Hearing is adjourned for a period of more than two consecutive calendar days, such amendment right shall be extended to 3:00 p.m. on the Business Day immediately prior to the rescheduled or continued Confirmation Hearing, and this proviso shall apply in the case of any and all subsequent adjournments of the Confirmation Hearing. Pursuant to sections 365 and 1123 of the Bankruptcy Code, and except with respect to executory contracts and unexpired leases as to which a Treatment Objection is properly filed and served by the Treatment Objection Deadline, (i) each of the executory contracts and unexpired leases listed on Schedule 6.02(a) shall be deemed assumed (and, if applicable, assigned) effective as of the Assumption Effective Date specified thereon and the Proposed Cure specified in the notice mailed to each Assumption Party shall be the Cure and shall be deemed to satisfy fully any obligations the Debtors might have with respect to such executory contract or unexpired lease under section 365(b) of the Bankruptcy Code and (ii) each of the executory contracts and unexpired leases listed on Schedule 6.02(b) shall be deemed rejected effective as of the Rejection Effective Date specified thereon. The Debtors reserve the right to object to any Treatment Objection.

(b) The Debtors shall file initial versions of Schedules 6.02(a) and 6.02(b) and any amendments thereto with the Bankruptcy Court and shall serve all notices thereof only on the relevant Assumption Parties and Rejection Parties and the Committee. With respect to any executory contract or unexpired lease first listed on Schedule 6.02(b) later than the date that is ten calendar days prior to the Voting Deadline, the Debtors shall use their best efforts to notify the applicable Rejection Party promptly of such proposed treatment via facsimile, email or telephone at any notice address or number included in the relevant executory contract or unexpired lease or as otherwise timely provided in writing to the Debtors by any such counterparty or its counsel.

(c) With respect to any executory contracts or unexpired leases first listed on Schedule 6.02(b) later than the date that is ten calendar days before the Voting Deadline, affected Rejection Parties shall have five calendar days from the date of such amendment to Schedule 6.02(b) to object to Confirmation of this Plan. With respect to any executory contracts or

unexpired leases first listed on Schedule 6.02(b) later than the date that is five calendar days prior to the Confirmation Hearing, affected Rejection Parties shall have until the Confirmation Hearing to object to Confirmation of this Plan or amend any vote on the Confirmation of this Plan.

(d) The listing of any contract or lease on Schedule 6.02(a) or 6.02(b) is not an admission that such contract or lease is an executory contract or unexpired lease.

Section 6.03. Categories of Executory Contracts and Unexpired Leases to be Assumed.

Pursuant to sections 365 and 1123 of the Bankruptcy Code, each of the executory contracts and unexpired leases within the following categories shall be deemed assumed as of the Effective Date (and the Proposed Cure with respect to each shall be zero dollars), except for any executory contract or unexpired lease (i) that has been previously assumed or rejected pursuant to an order of the Bankruptcy Court, (ii) that is the subject of a motion to assume or reject pending on the Confirmation Date, (iii) that is listed on Schedule 6.02(a) or 6.02(b), (iv) that is otherwise expressly assumed or rejected pursuant to the terms of this Plan or (v) as to which a Treatment Objection has been filed and properly served by the Treatment Objection Deadline.

(a) Insurance Plans. Subject to the terms of the first paragraph of this Section 6.03, each Insurance Plan shall be deemed assumed effective as of the Effective Date. Nothing contained in this Section 6.03(a) shall constitute or be deemed a waiver of any Cause of Action that the Debtors may hold against any entity, including, without limitation, the insurer under any of the Debtors' Insurance Plans. Except as provided in the previous sentence, all Proofs of Claim on account of or in respect of any agreement covered by this Section 6.03(a) shall be deemed withdrawn automatically and without any further notice to or action by the Bankruptcy Court.

(b) Certain Indemnification Obligations. Each Indemnification Obligation to a director, officer or employee that was employed by any of the Debtors in such capacity on or after the Petition Date shall be deemed assumed effective as of the Effective Date; provided, however, that any Indemnification Obligation contained in an Employee Agreement that is rejected pursuant to Section 6.04 shall also be deemed rejected. Each Indemnification Obligation that is deemed assumed pursuant to the Plan shall (i) remain in full force and effect, (ii) not be modified, reduced, discharged, impaired or otherwise affected in any way, (iii) be deemed and treated as an executory contract pursuant to sections 365 and 1123 of the Bankruptcy Code regardless of whether or not Proofs of Claim have been filed with respect to such obligation and (iv) survive Unimpaired and unaffected irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date.

Notwithstanding anything contained in this Plan, the Debtors may in their sole discretion (but have no obligation to) honor each Indemnification Obligation to a director, officer or employee that was no longer employed by any of the Debtors in such capacity on or after the Petition Date, unless such obligation (i) shall have been previously rejected by the Debtors by Final Order of the Bankruptcy Court, (ii) is the subject of a motion to reject pending on or before

the Confirmation Date, (iii) is listed on Schedule 6.02(b) or (iv) is otherwise expressly rejected pursuant to the terms of the Plan or any Notice of Intent to Assume or Reject.

For the avoidance of doubt, notwithstanding any of the foregoing or anything contained in this Plan, this Section 6.03(b) shall not be construed to impart any liability upon PHMC on account of such Indemnification Obligations or any related liabilities and such Indemnification Obligations shall not be deemed assumed by PHMC.

(c) License Agreements. Subject to the terms of the first paragraph of this Section 6.03, any and all License Agreements pursuant to which the Debtors operate their programs, shall be deemed assumed effective as of the Effective Date. Nothing contained in this Section 6.03(d) shall constitute or be deemed a waiver of any defense or Cause of Action that the Debtors may hold against any individual or entity, including, without limitation, any counterparty to a License Agreement.

Section 6.04. Other Categories of Agreements and Policies.

(a) Employee Agreements. Pursuant to sections 365 and 1123 of the Bankruptcy Code, each Employee Agreement entered into prior to the Petition Date with an employee who was employed by one of the Debtors on the Petition Date shall be deemed assumed effective as of the Effective Date, except for any Employee Agreement (i) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, (ii) that is the subject of a motion to assume or reject pending on the Confirmation Date, (iii) that is listed on Schedule 6.02(a) or 6.02(b) of the Plan, (iv) that is otherwise expressly assumed or rejected pursuant to the terms of the Plan, or (v) as to which a Treatment Objection has been filed and properly served by the Treatment Objection Deadline.

(b) Employee Benefits. As of the Effective Date, whether or not such employee benefits are provided for in an Employee Agreement that has been rejected in these Chapter 11 Cases (by operation of this Plan or otherwise), the Debtors, in their sole and absolute discretion, may honor, in the ordinary course of business, the Debtors' written contracts, agreements, policies, programs and plans for, among other things, compensation, health care benefits, disability benefits, severance benefits, retirement benefits, welfare benefits, relocation programs, life insurance and accidental death and dismemberment insurance, including written contracts, agreements, policies, programs and plans for bonuses and other incentives or compensation for the directors, officers and employees of any of the Debtors who served in such capacity at any time. To the extent that the above-listed contracts, agreements, policies, programs and plans are executory contracts, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless a Treatment Objection is timely filed and properly served, each of them will be deemed assumed (as modified or terminated) as of the Effective Date with a Cure of zero dollars. However, notwithstanding anything else herein, at the discretion of the Debtors, the assumed plans shall be subject to modification in accordance with the terms thereof.

The Debtors may execute amended Employee Agreements with certain of their employees on or before the Confirmation Date subject to the approval of the Bankruptcy Court.

Section 6.05. Assumption and Rejection Procedures and Resolution of Treatment Objections.

(a) Proposed Assumptions.

(i) With respect to any executory contract or unexpired lease to be assumed pursuant to any provision of this Plan or any Notice of Intent to Assume or Reject, unless an Assumption Party files and properly serves a Treatment Objection by the Treatment Objection Deadline, such executory contract or unexpired lease shall be deemed assumed as of the Assumption Effective Date proposed by the Debtors, without any further notice to or action by the Bankruptcy Court, and any obligation the Debtors may have to such Assumption Party with respect to such executory contract or unexpired lease under section 365(b) of the Bankruptcy Code shall be deemed fully satisfied by the Proposed Cure, if any, which shall be the Cure.

(ii) Any objection to the assumption of an executory contract or unexpired lease that is not timely filed and properly served shall be denied automatically and with prejudice (without the need for any objection by the Debtors and without any further notice to or action, order or approval by the Bankruptcy Court), and any Claim relating to such assumption shall be forever barred from assertion and shall not be enforceable against any Debtor or its Estate or properties without the need for any objection by the Debtors and without any further notice to or action, order or approval by the Bankruptcy Court, and any obligation the Debtors may have under section 365(b) of the Bankruptcy Code (over and above any Proposed Cure) shall be deemed fully satisfied, released and discharged, notwithstanding any amount or information included in the Schedules or any Proof of Claim.

(b) Proposed Rejections.

(i) With respect to any executory contract or unexpired lease to be rejected pursuant to any provision of this Plan or any Notice of Intent to Assume or Reject, unless a Rejection Party files and properly serves a Treatment Objection by the Treatment Objection Deadline, such executory contract or unexpired lease shall be deemed rejected as of the Rejection Effective Date proposed by the Debtors without any further notice to or action by the Bankruptcy Court.

(ii) Any objection to the rejection of an executory contract or unexpired lease that is not timely filed and properly served shall be deemed denied automatically and with prejudice (without the need for any objection by the Debtors and without any further notice to or action, order or approval by the Bankruptcy Court).

(c) Resolution of Treatment Objections.

(i) Both on and after the Effective Date, the Debtors may, in their sole discretion, settle Treatment Objections without any further notice to or action by the Bankruptcy Court or any other party (including by paying any agreed Cure amounts).

(ii) With respect to each executory contract or unexpired lease as to which a Treatment Objection is timely filed and properly served and that is not otherwise

resolved by the parties after a reasonable period of time, the Debtors, in consultation with the Bankruptcy Court, shall schedule a hearing on such Treatment Objection and provide at least 14 calendar days' notice of such hearing to the relevant Assumption Party or Rejection Party. Unless the Bankruptcy Court expressly orders or the parties agree otherwise, any assumption or rejection approved by the Bankruptcy Court notwithstanding a Treatment Objection shall be effective as of the Assumption Effective Date or Rejection Effective Date originally proposed by the Debtors or specified in the Plan.

(iii) Any Cure shall be paid as soon as reasonably practicable following the entry of a Final Order resolving an assumption dispute and/or approving an assumption, unless the Debtors file a Notice of Intent to Assume or Reject under Section 6.05(d).

(iv) No Cure shall be allowed for a penalty rate or default rate of interest, each to the extent not proper under the Bankruptcy Code or applicable law.

(d) Reservation of Rights. If a Treatment Objection is filed with respect to any executory contract or unexpired lease sought to be assumed or rejected by any of the Debtors, the Debtors reserve the right (i) to object to such Treatment Objection; (ii) to seek to assume or reject such agreement at any time before the assumption, rejection, assignment or Cure with respect to such agreement is determined by Final Order, and (iii) to the extent a Final Order is entered resolving a dispute as to Cure or the permissibility of assignment (but not approving the assumption of the executory contract or unexpired lease sought to be assumed), to seek to reject such agreement within 14 calendar days after the date of such Final Order, in each case by filing with the Bankruptcy Court and serving upon the applicable Assumption Party or Rejection Party, as the case may be, a Notice of Intent to Assume or Reject.

Section 6.06. Rejection Claims. With respect to any executory contract or unexpired lease that is rejected by the Debtors pursuant to this Plan or during the administration of these Chapter 11 Cases, the Rejection Party shall file a Rejection Claim on or before the Rejection Bar Date. Any Rejection Claim for which a Rejection Claim is not properly filed and served by the Rejection Bar Date shall be forever barred and shall not be enforceable against the Debtors, or their respective Estates or properties. The Debtors reserve the right to contest any Rejection Claim, which dispute shall be resolved by the Bankruptcy Court prior to the allowance of the disputed Rejection Claim.

Section 6.07. Assignment. To the extent provided under the Bankruptcy Code or other applicable law, any executory contract or unexpired lease transferred and assigned pursuant to this Plan shall remain in full force and effect for the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such executory contract or unexpired lease (including those of the type described in section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts or conditions such transfer or assignment. To the extent provided under the Bankruptcy Code or other applicable law, any provision that prohibits, restricts or conditions the assignment or transfer of any such executory contract or unexpired lease or that terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or unexpired lease to terminate, modify, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon any such transfer and assignment constitutes an unenforceable anti-assignment provision and is void and of no force or effect.

Section 6.08. Approval of Assumption, Rejection, Retention or Assignment of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order by the Bankruptcy Court shall, subject to the occurrence of the Effective Date, constitute approval of the rejections, retentions, assumptions and/or assignments contemplated by this Plan pursuant to sections 365 and 1123 of the Bankruptcy Code.

(a) Each executory contract and unexpired lease that is assumed (and/or assigned) pursuant to the Plan shall vest in and be fully enforceable by the applicable Debtor in accordance with its terms as of the applicable Assumption Effective Date, except as modified by the provisions of this Plan, any order of the Bankruptcy Court authorizing or providing for its assumption (and/or assignment), or applicable federal law.

(b) The provisions (if any) of each executory contract or unexpired lease assumed and/or assigned pursuant to the Plan that are or may be in default shall be deemed satisfied in full by the Cure, or by an agreed-upon waiver of the Cure. Upon payment in full of the Cure, any and all Proofs of Claim based upon an executory contract or unexpired lease that has been assumed in the Chapter 11 Cases or under the terms of the Plan shall be deemed disallowed and expunged with no further action required of any party or order of the Bankruptcy Court.

Section 6.09. Modifications, Amendments, Supplements, Restatements or Other Agreements.

Unless otherwise provided by this Plan or by separate order of the Bankruptcy Court, each executory contract and unexpired lease that is assumed, whether or not such executory contract or unexpired lease relates to the use, acquisition or occupancy of real property, shall include (i) all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease and (ii) all executory contracts or unexpired leases appurtenant to the premises, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements and any other interests in real estate or rights in remedy related to such premises, unless any of the foregoing agreements has been or is rejected pursuant to an order of the Bankruptcy Court or is otherwise rejected as part of the Plan.

Modifications, amendments, supplements and restatements to pre-petition executory contracts and unexpired leases that have been executed by the Debtors during the Chapter 11 Cases and actions taken in accordance therewith (i) do not alter in any way the pre-petition nature of the executory contracts and unexpired leases, or the validity, priority or amount of any Claims against the Debtors that may arise under the same, (ii) are not and do not create postpetition contracts or leases, (iii) do not elevate to administrative expense priority any Claims of the counterparties to the executory contracts and unexpired leases against any of the Debtors and (iv) do not entitle any entity to a Claim under any section of the Bankruptcy Code on account of the difference between the terms of any pre-petition executory contracts or unexpired leases and subsequent modifications, amendments, supplements or restatements.

Section 6.10. Play and Learn Lease. Notwithstanding anything to the contrary in this Article VI of this Plan or otherwise, the Play and Learn Lease: (i) has been assumed by Order of the Bankruptcy Court dated July 26, 2017 [Docket No. 146] effective as of August 26, 2017 and (ii) shall be treated as an assumed contract/unexpired lease for all purposes by the Debtors, Reorganized Debtors and PHMC consistent with the terms and conditions of the Order of the Bankruptcy Court dated July 26, 2017 [Docket No. 146].

ARTICLE VII. MEANS FOR IMPLEMENTATION OF THE PLAN

Section 7.01. Continued Existence. Except as otherwise provided in the Plan, each Debtor shall, as a Reorganized Debtor, continue to exist after the Effective Date as a separate legal entity to the extent provided in the Affiliation Agreement, each with all the powers of a nonprofit corporation under the laws of the Commonwealth of Pennsylvania and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law. Pursuant to the Affiliation Agreement, the Reorganized Debtors shall become subsidiaries of PHMC and shall be operated as subsidiaries of PHMC.

Section 7.02. Restructuring Transactions. On or as of the Effective Date, the distributions provided for under the Plan shall be effectuated pursuant to the following transactions described in this Article VII of the Plan (the “Restructuring Transactions”), all of which shall occur in seriatim (and all of which are conditions concurrent to the occurrence of the Effective Date of this Plan), and the documentation for which shall be satisfactory to the Debtors and PHMC:

(a) The Siena DIP Financing Facility shall be paid in full (including all principal, interest, fees and expenses) and upon receipt of such payment, all liens securing the same shall be released;

(b) The Initial DIP Financing Facility shall be paid in full (including all principal, interest, fees and expenses) and upon receipt of such payment all liens securing it shall be released;

(c) The Management Agreements shall terminate and the Affiliation Agreement shall become effective, with the Debtors being authorized, including through a No Objection Letter or approval of the Orphans Court, if necessary, to take any actions necessary to consummate the affiliation with PHMC and its affiliates pursuant to the terms of the Affiliation Agreement.

(d) PHMC shall provide the Distribution Agent with the Distributable Cash to fund payments to Classes 5A, 5B and 5C as provided in the Plan.

(e) Execution of all loan documents required by the Exit Lender for the Exit Facility.

Section 7.03. Other Transactions. In addition, except as otherwise set forth in the Plan, any or all of the Debtors may engage in any other transactions deemed necessary or

appropriate to effectuate the Plan (including, without limitation, merging, dissolving or transferring assets among them).

Section 7.04. Organizational Action. The entry of the Confirmation Order shall constitute authorization for the Debtors to take or to cause to be taken all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. On or (as applicable) before the Effective Date, the appropriate officers and managers of the Debtors are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name and on behalf of the Debtors.

Section 7.05. Negotiations in Good Faith for the Purchase of Certain Property. Following the Effective Date, the Reorganized Debtors, PHMC and Public Health Fund shall negotiate in good faith with the Initial DIP Lender for the sale or lease at fair market value of the subject leased property in the Play and Learn Lease as well as certain adjacent lands owned by the Debtors.

ARTICLE VIII.

PRESERVATION OF CAUSES OF ACTION AND RIGHT TO DEFEND AND CONTEST

Section 8.01. Preservation of Rights. Except to the extent that any Claim is Allowed during the Chapter 11 Cases or expressly by this Plan, the Confirmation Order, or other order of the Bankruptcy Court, nothing, including, but not limited to, the failure of the Debtors to object to a Claim or Interest for any reason during the pendency of the Chapter 11 Cases, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtors, with respect to any Claim or Interest, including, but not limited to, all rights of the Debtors to contest or defend themselves against such Claims or Interests in any lawful manner or forum when and if such Claim or Interest is sought to be enforced by the Holder thereof. Notwithstanding any provision in the Plan or the Confirmation Order to the contrary, with respect to the Debtors' contracts with the City, the City shall retain any right of setoff or recoupment to the extent available under applicable law.

Section 8.02. Rights of Action. Except as otherwise provided in the Plan or the Confirmation Order, all Avoidance Actions shall automatically revert to and become the property of the Reorganized Debtors. The Reorganized Debtors will waive the right to enforce and prosecute such Avoidance Actions against any Person or Entity that arose before the Effective Date, other than those expressly preserved or retained as part of or pursuant to the Plan or Confirmation Order, unless the Person or Entity pursues a claim, other than an Allowed Claim, against the Debtors or the Estates. For the avoidance of doubt, it is the Debtors intention that all claims and causes of action by and against the Debtors be resolved through the Plan and that Avoidance Actions be waived as part of the claims allowance process. Accordingly, Avoidance Actions are expressly preserved against any Person or Entity only to the extent that such Person or Entity asserts a claim or cause of action, other than an Allowed Claim, against the Debtors and only until such asserted claim or cause of action becomes an Allowed Claim or is

Disallowed, whether by agreement of the Debtors and such Person or Entity or by order of a court of competent jurisdiction.

Section 8.03. Setoffs. Except to the extent that any Claim is Allowed, the Debtors or the Distribution Agent, as applicable, may, but shall not be required to, set off against any Claims and the payments or distributions to be made pursuant to the Plan in respect of such Claims, any and all debts, liabilities, Causes of Action and Claims of every type and nature whatsoever which the Estates, the Debtors or the Distribution Agent may have against such Creditors, but neither the failure to do so nor the allowance of any such Claims, whether pursuant to the Plan or otherwise, shall constitute a waiver or release by the Debtors or the Distribution Agent of any such Claims or Causes of Action the Debtors or the Distribution Agent may have against such Creditors.

Section 8.04. No Payment or Distribution Pending Allowance. All references to Claims and amounts of Claims refer to the amount of the Claim Allowed by agreement of the Debtors or the Distribution Agent and the Holder of such Claim, by operation of law, by Final Order, or by this Plan. Notwithstanding any other provision in the Plan, no payment or distribution shall be made on account of or with respect to any Claim to the extent it is a Disputed Claim unless and until the Disputed Claim becomes an Allowed Claim.

Section 8.05. Resolution of Disputed Claims. Unless otherwise ordered by the Court after notice and a hearing, the Debtors shall have the right, on and after the Effective Date, to File Objections to Claims (except those specifically Allowed by this Plan) and shall serve a copy of each such objection upon the Holder of the Claim to which the Objection is made as soon as practicable, but in no event later than the applicable Claims Objection Deadline. The foregoing deadlines may be extended by order of the Court. An Objection to any Claim shall be deemed properly served on the Holder thereof if the Debtors or Distribution Agent effects service in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Federal Rule of Bankruptcy Procedure 7004; (b) by first class mail, postage prepaid, on the signatory on the Proof of Claim or other representative identified in the Proof of Claim or any attachment thereto; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Cases.

Section 8.06. Late Filed Claims Deemed Disputed. Any claim filed after the applicable Bar Date shall be deemed a Disputed Claim until such time, if any, that such Claim becomes an Allowed Claim or a Disallowed Claim by order of the Bankruptcy Court.

ARTICLE IX. CONDITIONS TO CONSUMMATION OF THE PLAN

Section 9.01. Conditions to Confirmation.

The following are conditions precedent to Confirmation of the Plan that must be satisfied or waived in accordance with Section 9.03 of the Plan:

(a) The Bankruptcy Court shall have entered a Confirmation Order in form and substance acceptable to the Debtors, PHMC, Siena DIP Lender and Initial DIP Lender (and which in all cases provides for the satisfaction of the Siena DIP Financing Facility and Initial DIP Financing Facility on the Effective Date.

(b) The Exit Lender shall have committed to provide financing sufficient to satisfy the Siena DIP Financing Facility and Initial DIP Financing Facility in full.

Section 9.02. Conditions to Effectiveness. The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in accordance with Section 9.03 of this Plan:

(a) The Confirmation Order, in form and substance acceptable to the Debtors and PHMC, shall have been entered and shall not be stayed;

(b) All actions, documents and agreements necessary to implement the Plan, including receipt by the Debtors of the Distributable Cash, shall have been effected or executed as determined by the Debtors and PHMC in their sole and absolute discretion, including execution of all loan documents required by the Exit Lender for the Exit Facility;

(c) The Debtors shall have received any authorizations, consents, regulatory approvals, rulings, letters, no-action letters, No Objection Letters or approval of its affiliation from the Orphans Court, if necessary, opinions or documents that are necessary to implement the Plan and that are required by law, regulation or order, in each case as determined by the Debtors and PHMC in their sole and absolute discretion;

(d) The Amended and Restated Articles of Incorporation in accordance with Sections 3 and 7 of the Affiliation Agreement shall have been filed with the Department of State for the Commonwealth of Pennsylvania; and

(e) The occurrence of the Restructuring Transactions.

Section 9.03. Waiver of Conditions to Confirmation or Effectiveness. Upon written notice to the Committee, the Debtors may waive any of the conditions set forth in Section 9.01 and Section 9.02 hereof at any time, without any notice to other parties-in-interest or the Bankruptcy Court and without any formal action other than proceeding to confirm and/or consummate the Plan; provided, however, that notwithstanding the foregoing, Debtors and PHMC may not waive the conditions set forth in Sections 9.01(a), (b) and 9.02(e) without the express consent of Siena DIP Lender and Initial DIP Lender. The failure to satisfy any condition prior to the Confirmation Date or the Effective Date may be asserted by the Debtors, in their sole and absolute discretion (with written notice to the Committee), as a reason not to seek Confirmation or declare an Effective Date, regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors, in their sole discretion). The failure of the Debtors, in their sole discretion, to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right shall be deemed an ongoing right, which may be asserted at any time.

ARTICLE X. EFFECTS OF CONFIRMATION

Section 10.01. Vesting of Assets. Upon the Effective Date, and conditioned upon the occurrence of the Restructuring Transactions, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of each of the Debtors shall vest in the Reorganized Debtors, subject to the terms and conditions of the Affiliation Agreement, free and clear of all Claims, Liens, encumbrances, charges and other interests, except as otherwise specifically provided in the Plan. All Liens, Claims, encumbrances, charges and other interests shall be deemed fully released and discharged as of the Effective Date, except as otherwise provided in the Plan. As of the Effective Date, subject to the terms of the Affiliation Agreement, the Reorganized Debtors may operate their organizations and may use, acquire and dispose of property and settle and compromise Claims and Interests without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code.

(a) Injunction Discharged Claims. Pursuant to section 1141(d) the Bankruptcy Code, Confirmation will discharge Claims against the Debtors. No Holder of a Claim against any Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, any of the Debtors' respective successors or their respective property, except as expressly provided herein. Accordingly, except as otherwise provided herein, the Confirmation Order shall provide, among other things, that no Holder of a Claim against any Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, any of the Debtors' respective successors or their respective property, except that from and after the Confirmation Date, all Persons who have held, hold, or may hold Claims against the Debtors are permanently enjoined from taking any of the following actions against the Debtors, or any of their property on account of such Claims: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien or encumbrance; and (iv) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, that nothing contained herein shall preclude such Persons from exercising their rights pursuant to and consistent with the terms of the Plan. By accepting distributions pursuant to the Plan, each Holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section 10.02.

(b) Exculpation and Limitation of Liability. Except as otherwise specifically provided in the Plan, to the maximum extent permitted by the Bankruptcy Code and applicable law, neither the Distribution Agent, the Debtors, nor any Exculpated Person shall have or incur any liability to any Person, including, without limitation, any Holder of a Claim or Interest or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates or any of their successors or assigns, for any act taken or omission made in connection with, relating to, or arising out of, the Chapter 11 Cases, filing, negotiating, prosecuting, administering, formulating, implementing, soliciting support or acceptance of, confirming or consummating this Plan or the Property to be distributed under this Plan, including all activities leading to the promulgation and Confirmation of the Plan, the Disclosure Statement (including any information provided or statement made in the Disclosure

Statement or omitted therefrom), or any contract, instrument, release or other agreement or document created in connection with or related to the Plan or the administration of the Debtors or these Chapter 11 Cases, *provided, however*, that the foregoing exculpation shall not apply to any act of gross negligence or willful misconduct made in connection with, relating to, or arising out of, the Chapter 11 Cases..

Section 10.02. Releases.

(a) Releases by Debtors. Effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors, in their individual capacities and as debtors in possession, will be deemed to have forever released, waived and discharged the Releasees from any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or the Distribution Agent to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtors, taking place on or prior to the Effective Date, or in any way relating to the Debtors, the Chapter 11 Cases, or the Plan.

(b) Releases by Holders of Claims and Interests. Effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, in consideration for the obligations of the Debtors under the Plan and the payments, contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each Person (excluding any of the Debtors) that has held, currently holds or may hold a Claim or Interest, and any Affiliate of any such Person (as well as any trustee or agent on behalf of each such Person), shall be deemed to have forever waived, released and discharged the Releasees from any and all Claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever (other than the right to enforce the performance of their respective obligations, if any, to the Debtors or the Distribution Agent under the Plan, and the contracts, instruments releases and other agreements delivered under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date or in any way relating to the Debtors, the Chapter 11 Cases, the Plan or the Disclosure Statement other than Claims or liabilities arising out of or relating to any act or omission that constitutes a failure to perform the duty to act in good faith and where such failure to perform constitutes willful misconduct, gross negligence, or fraud; provided, that this Section 10.02(b) shall not release any Person from any Claim or Cause of Action existing as of the Effective Date, based on (x) the Internal Revenue Code or any other domestic state, city or municipal tax code, (y) any liability that the Person may have as an owner or operator of real property after Confirmation under the environmental laws of the United States or any domestic state, city or municipality or (z) any criminal laws of the United States or any domestic state, city or municipality.

(c) Injunction. Except as otherwise specifically provided herein, on the Effective Date, the Confirmation Order shall constitute an injunction permanently enjoining any Person (excluding any of the Debtors) that has held, currently holds or may hold a Claim, demand, debt, right, Cause of Action or liability that is released pursuant to this Section 10.02 of the Plan from enforcing or attempting to enforce any such Claim, demand, debt, right, Cause of Action or liability against any Releasee or any of their respective Property.

Section 10.03. Other Documents and Actions. The Debtors are authorized to execute such documents and take such other action as is necessary to effectuate the transactions provided for in the Plan.

Section 10.04. Term of Injunctions or Stays. Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under sections 105(a) or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Section 10.05. Preservation of Insurance. Except as necessary to be consistent with the Plan, the Plan and the discharge provided herein shall not diminish or impair: (a) the enforceability of insurance policies that may cover Claims against the Debtors or any other Person or Entity; or (b) the continuation of workers' compensation programs in effect, including self-insurance programs.

Section 10.06. Guaranties. Notwithstanding the existence of guaranties by the Debtors of obligations of any Entity or Entities, and the Debtors' joint obligations with another Entity or Entities with respect to the same obligations, all Claims against the Debtors based upon any such guaranties shall be satisfied, discharged and released in the manner provided in this Plan and the Holders of Claims shall be entitled to only one distribution with respect to any given obligation of the Debtors.

Section 10.07. Subordination Rights. Any distributions under the Plan shall be received and retained free of and from any obligations to hold or transfer the same to any other Creditor, and shall not be subject to levy, garnishment, attachment or other legal process by any Holder by reason of claimed contractual subordination rights, which rights shall be waived and the Confirmation Order shall constitute an injunction enjoining any Person from enforcing or attempting to enforce any contractual, legal or equitable subordination rights to Property distributed under the Plan, in each case other than as provided in the Plan.

Section 10.08. No Successor Liability. Except as otherwise expressly provided in the Plan and Affiliation Agreement (but prior to the Effective Date, subject to the terms of the Siena DIP Financing Facility and Initial DIP Financing Facility), none of the Debtors, PHMC or the Distribution Agent, pursuant to the Plan or otherwise, assumes, agrees to perform, pays, or indemnifies or otherwise has any responsibility for any liabilities or obligations of the Debtors or any other party relating to or arising out of the operations of or assets of the Debtors, whether arising prior to, on, or after the Effective Date. Neither PHMC nor the Distribution Agent is, or shall be, a successor to the Debtors by reason of any theory of law or equity, and shall not have any successor or transferee liability of any kind or character except as expressly provided in the Plan.

ARTICLE XI.
RETENTION OF JURISDICTION

Section 11.01. Exclusive Jurisdiction of Bankruptcy Court. Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to the Chapter 11 Cases to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

(a) classify or establish the priority or secured or unsecured status of any Claim (whether filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim pursuant to the Plan;

(b) grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code or otherwise provided for in the Plan, for periods ending on or before the Effective Date;

(c) determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;

(d) ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;

(e) construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Distribution Agent in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;

(f) determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;

(g) hear any application of the Distribution Agent or the Debtors to modify the Plan after the Effective Date pursuant to section 1127 of the Bankruptcy Code and Section 12.04 hereof or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement,

the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;

(h) 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, implementation or enforcement of the Plan or the Confirmation Order;

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

(j) determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan;

(k) determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(l) hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;

(m) hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

(n) enter one or more Final Decrees closing each of the Chapter 11 Cases;

(o) determine and resolve any and all controversies relating to the rights and obligations of the Distribution Agent in connection with the Chapter 11 Cases;

(p) allow, disallow, determine, liquidate or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);

(q) permit the Debtors or the Distribution Agent, to the extent provided for in the Plan, to recover all assets of the Debtors and Property of their respective Estates, wherever located;

(r) hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtors or the Debtors' respective Estates arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Cases, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code; and

(s) hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, filed or commenced after the Effective Date that may be commenced by the Debtors or the Distribution Agent thereafter, including Avoidance Actions, proceedings with respect to the rights of the Debtors or the Distribution Agent to recover Property under sections 502, 510, 541, 542, 543, 544, 545, 547, 548, 550, 551 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any Claim or Cause of Action that the Debtors may have had.

Section 11.02. Failure of Bankruptcy Court to Exercise Jurisdiction. If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtors, including with respect to the matters set forth above in Section 11.01 hereof, this Article XI shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

ARTICLE XII. MISCELLANEOUS PROVISIONS

Section 12.01. Binding Effect of Plan. The provisions of the Plan shall be binding upon and inure to the benefit of the Debtors, the Estates, the Distribution Agent, any Holder of any Claim or Interest treated herein or any Person named or referred to in the Plan, and each of their respective heirs, executors, administrators, representatives, predecessors, successors, assigns, agents, officers and directors, and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by the Plan.

Section 12.02. Withdrawal of the Plan. The Debtors reserve the right, at any time prior to Confirmation of the Plan, to withdraw the Plan. If the Plan is withdrawn, the Plan shall be null and void and have no force and effect. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

Section 12.03. Final Order. Except as otherwise expressly provided in the Plan, any requirement in the Plan for a Final Order may be waived by the Debtors, in their sole discretion, provided, however, that in the event the Debtors determine in good faith that any such waiver would constitute a breach of the Debtors' fiduciary duties, the Debtors may seek to prevent any such waiver by seeking an order of the Bankruptcy Court on an expedited basis upon written notice to the Bankruptcy Court. No such waiver shall prejudice the right of any party in interest to seek a stay pending appeal of any order that is not a Final Order.

Section 12.04. Modification of the Plan. The Debtors may amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date; provided, however, that such amendment or modification may not alter the provisions of Sections 7.02, 9.01, or 9.02 without the consent of Siena DIP Lender and Initial DIP Lender. After the Confirmation Date and prior to the substantial consummation of the Plan, and in accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtors may, so long as the treatment of Holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in

the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

Section 12.05. Business Days. If any payment or act under the Plan is required to be made or performed on a date that is a Saturday, Sunday, Federal or Bank Holiday, then the making of such payment or the performance of such act may be completed on the next succeeding business day, but shall be deemed to have been completed as of the required date.

Section 12.06. Severability. Should the Bankruptcy Court determine, prior to the Confirmation Date, that any provision of the Plan is either illegal on its face or illegal as applied to any Claim or Interest, such provision shall be unenforceable as to all Holders of Claims or Interests or to the specific Holder of such Claim or Interest, as the case may be, as to which such provision is illegal. Unless otherwise determined by the Bankruptcy Court, such a determination of unenforceability shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan.

Section 12.07. Governing Law. EXCEPT TO THE EXTENT THAT THE BANKRUPTCY CODE OR BANKRUPTCY RULES OR OTHER FEDERAL LAWS ARE APPLICABLE, AND SUBJECT TO THE PROVISIONS OF ANY CONTRACT, INSTRUMENT, RELEASE, INDENTURE OR OTHER AGREEMENT OR DOCUMENT ENTERED INTO IN CONNECTION WITH THE PLAN, THE CONSTRUCTION, IMPLEMENTATION AND ENFORCEMENT OF THE PLAN AND ALL RIGHTS AND OBLIGATIONS ARISING UNDER THE PLAN SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT GIVING EFFECT TO CONFLICTS-OF-LAW PRINCIPLES WHICH WOULD APPLY THE LAW OF A JURISDICTION OTHER THAN THE COMMONWEALTH OF PENNSYLVANIA.

Section 12.08. Post-Effective Date Status of the Committee. Unless previously dissolved by the Office of the United States Trustee, the Committee shall continue in existence until the Effective Date, with the Debtors to pay the reasonable fees and expenses of the Committee and its professionals through the Effective Date. The Committee shall have standing to participate in proceedings brought by its respective professionals or, if applicable, members, for allowance of fees and/or reimbursement of expenses as permitted by law. Except as provided in this Section 12.08 or above, the Committee shall be dissolved on the Effective Date, and the members, attorneys, accountants, and other professionals thereof shall be released and discharged of and from all further authority, duties, responsibilities, liabilities, and obligations related to, or arising from, the Chapter 11 Cases, the Plan, or its implementation. Notwithstanding the occurrence of the Effective Date and the dissolution of the Committee, the Debtors will not seek to close these Chapter 11 cases until the expiration of seven (7) months following the Effective Date.

Section 12.09. Payment of Statutory Fees. All U.S. Trustee's Fee Claims, as determined, if necessary, by the Bankruptcy Court at the hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date by the Debtors.

Section 12.10. Post-Confirmation Operating Reports. To the extent required, the Debtors shall File quarterly operating reports as required by the United States Trustee until such time as a Final Decree or other order is entered under section 350(a) of the Bankruptcy Code closing the Bankruptcy Cases.

Section 12.11. Notices. Any notice required or permitted to be provided under this Plan to the Debtors, or any request for information with respect to the Plan, shall be in writing and served by either (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery or (c) reputable overnight delivery service, freight prepaid, to be addressed as follows:

Wordsworth Academy
3300 Henry Avenue
Philadelphia, PA 19129
Attn: Don Stewart
Email: dstewart@wordsworth.org

With copies to:

Dilworth Paxson LLP
1500 Market Street
Suite 3500E
Philadelphia, PA 19102
Attn.: Lawrence G. McMichael
Email: lmcmichael@dilworthlaw.com

Section 12.12. Filing of Additional Documents. Draft forms of certain Plan Documents and certain other documents, agreements, instruments, schedules and exhibits specified in the Plan shall, where expressly so provided for in this Plan, be contained in Plan supplements filed from time to time, all of which shall be filed with the Bankruptcy Court no later than 10 calendar days prior to the Voting Deadline. Unless otherwise expressly provided in the Plan, the Debtors shall remain free to modify or amend any such documents after such date. Upon filing with the Bankruptcy Court, the Plan supplements may be inspected in the office of the clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Interests may also obtain a copy of the Plan supplements from Debtors' counsel or the Bankruptcy Court's Website (located at www.paeb.uscourts.gov).

Section 12.13. Section 1125 of the Bankruptcy Code. The Debtors have, and upon Confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code and (b) the Debtors (and each of their respective Affiliates, officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and Professionals), have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, and purchase of any securities offered and sold under the Plan, and are not, and on account of such offer, issuance, sale, solicitation, and/or purchase will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, or purchase of any securities offered and sold under the Plan.

Section 12.14. Section 1146 Exemption. To the fullest extent permitted under section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, if any, or the execution, delivery or recording of an instrument of transfer under the Plan, or the revesting, transfer or sale of any real or other Property of or to the Debtors or the Distribution Agent, shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, mortgage recording tax, intangible tax or similar tax.

Section 12.15. Time. Unless otherwise specified herein, in computing any period of time prescribed or allowed by the Plan, the Day of the act or event from which the designated period begins to run shall not be included. The last Day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the end of next succeeding Day that is a Business Day. Otherwise, the provisions of Bankruptcy Rule 9006 shall apply.

Section 12.16. No Attorneys' Fees. No attorneys' fees will be paid by the Debtors with respect to any Claim or Interest except as expressly specified herein or by order of the Bankruptcy Court.

Section 12.17. No Injunctive Relief. No Claim or Interest shall under any circumstances be entitled to specific performance or other injunctive, equitable or other prospective relief.

Section 12.18. Continued Confidentiality Obligations. Pursuant to the terms thereof, members of and advisors to the Committee, any other Holder of a Claim or Interest, and their respective predecessors, successors and assigns shall continue to be obligated and bound by the terms of any confidentiality agreement executed by them in connection with these Chapter 11 Cases or the Debtors, to the extent that such agreement, by its terms, may continue in effect after the Confirmation Date.

Section 12.19. No Admissions or Waivers. Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed an admission or waiver by the Debtors with respect to any matter set forth herein, including, without limitation, liability on any Claim or Interest or the propriety of any classification of any Claim or Interest.

Section 12.20. Entire Agreement. The Plan, together with the Plan Documents (and all Exhibits to the Plan and any Plan supplements that may be filed), sets forth the entire agreement and undertakings relating to the subject matter hereof and supersedes all prior discussions and documents. The Debtors shall not be bound by any terms, conditions, definitions, warranties, understandings, or representations with respect to the subject matter hereof, other than as expressly provided for herein or as may hereafter be agreed to by the parties in writing.

Section 12.21. Waiver. The Debtors reserve the right to waive any provision of this Plan to the extent such provision is for the sole benefit of the Debtors and/or their officers or directors.

Section 12.22. Bar Date for Professionals. Applications for compensation for services rendered and reimbursement of expenses incurred by Professionals from the Petition Date through the Effective Date shall be filed no later than forty-five (45) days after the Effective Date. Such applications shall be served on: (a) the Debtors; (b) Lawrence G. McMichael, Dilworth Paxson LLP, 1500 Market Street, Suite 3500E, Philadelphia, PA 19102, counsel to the Debtors; (c) the Office of the United States Trustee; and (d) S. Jason Teele, Cullen and Dykman LLP, One Riverfront Plaza, Newark, NJ 07102, counsel to the Committee. Applications that are not timely filed will not be considered by the Court. The Debtors or the Distribution Agent may pay any Professional fees and expenses incurred on or after the Effective Date without any application to the Bankruptcy Court.

The Debtors hereby request Confirmation of the Plan pursuant to section 1129(a) or section 1129(b) of the Bankruptcy Code.

Dated: November 8, 2017

WORDSWORTH ACADEMY,
WORDSWORTH CUA 5, LLC,
WORDSWORTH CUA 10, LLC

By: _____
Name: Don Stewart
Title: Chief Financial Officer and Acting
Chief Executive Officer,
Wordsworth Academy and
Authorized Officer pursuant to the
Resolution of the Boards of Directors
of Wordsworth CUA 5, LLC and
Wordsworth CUA 10, LLC

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WORDSWORTH ACADEMY,
WORDSWORTH CUA 5, LLC,
WORDSWORTH CUA 10, LLC

By:

Name: Don Stewart

Title: Chief Financial Officer and Acting
Chief Executive Officer,
Wordsworth Academy and
Authorized Officer pursuant to the
Resolution of the Boards of Directors
of Wordsworth CUA 5, LLC and
Wordsworth CUA 10, LLC

Schedule 6.02(a)

Wordsworth Academy et al
List of Assumed Contracts/Agreements

Contractor/Agreement	Type	Sub-Type	Primary Programs
Arrimour Group	Vendor	Landscape	FW
Dunn Corporate Resources	Vendor	Unemployment tax consultant	HR / agency
Interstate Fleet	Vendor	commercial MV lease	FR
General Healthcare Resources (GHR)	Vendor	Staffing Agency	Acute Services
Therapy Source	Vendor	Staffing Agency	agency
ADP	Vendor	payroll	Agency
US Medical	Vendor	Staffing Agency	Acute Services/BHRS/FW
Netsmart	Vendor	training LMS	Agency
Earthscapes	Vendor	snow removal	FW
MST Services	Vendor	license fee renewal	MST
Iron Mountain	Vendor	Record retention and shredding	Agency
Credible	Vendor	EMR Provider	Agency
Med Flex	Vendor	Medical waste	FW- school
Serenity ERP	Vendor		
Staffing Plus	Vendor	Staffing Agency	Acute Services/BHRS
TAS Message	Vendor	answering service for patients	
American Alarm Technology	Vendor	swipe cards	IT
Enhanced Connections LLC	Vendor		
Squeaky Clean	Vendor	Janitorial	Agency
Patient Calls	Vendor	oncall phone service	FFS and CUA
Barricuda	Vendor	Computer security	IT
Verizon	Vendor	Cell phones	Agency
Abington Speech	Vendor	Staffing Agency	
Axion	Vendor	Staffing Agency	
FMA	Vendor	Staffing Agency	Acute Services
Binary Research	Vendor	Web design	CUA
PowerSchool	Vendor	electronic school records	APS
4041 Corporation	Landlord		Lancaster Lease
Career Builder	Vendor	Staffing Agency	Agency
Wells Fargo	Vendor	copier leases	

Schedule 6.02(b)

[To be filed]

Attachment 1

[Affiliation Agreement]

AFFILIATION AGREEMENT

THIS AGREEMENT, made this 26th day of June, 2017 (the "**Execution Date**"), by and between PUBLIC HEALTH MANAGEMENT CORPORATION ("**PHMC**"), a Pennsylvania nonprofit corporation, and WORDSWORTH ACADEMY ("**Wordsworth**"), a Pennsylvania nonprofit corporation. PHMC and Wordsworth shall be referred to individually as a "**Party**" and collectively as the "**Parties**" herein.

WITNESSETH:

WHEREAS, PHMC is a Pennsylvania nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"), engaged in the conduct and the management of activities relating to health care and the delivery and improvement of health care services; and

WHEREAS, Wordsworth is a Pennsylvania nonprofit corporation exempt from federal income tax under Code Section 501(c)(3) and is organized and operated for religious, charitable, scientific, literary and educational purposes to provide quality education, treatment, and care to children and families with special needs; and

WHEREAS, the Parties desire to affiliate with each other in furtherance of their respective charitable and tax-exempt purposes, under and subject to terms and conditions of this Agreement, as a result of which PHMC will become the sole member and parent of Wordsworth.

NOW, THEREFORE, the Parties hereto, in consideration of the foregoing and of the mutual covenants contained herein, and intending to be legally bound hereby, agree as follows:

1. Affiliation.

A Subject to the terms of this Agreement, PHMC and Wordsworth shall affiliate with each other so that, in addition to the relationship and respective obligations of the Parties described herein, pursuant to a separate written agreement (the "**Management Agreement**"), PHMC shall provide to Wordsworth certain back office, administrative and other support, including management, operational services, and access to information technology and other resources (the "**Services**"). Upon the filing of Wordsworth's Amended and Restated Articles of Incorporation (the "**Articles**") in accordance with Sections 3 and 7 below, PHMC shall become the sole member and parent of Wordsworth, and Wordsworth shall become a membership subsidiary of PHMC (the "**Affiliation**"). PHMC's rights as the sole member and parent of Wordsworth are subject to the provisions of applicable law, the terms of Wordsworth's Articles and By-laws as adopted pursuant to the terms of this Agreement, and the terms of this Agreement. The Wordsworth name shall be changed to a name mutually satisfactory to PHMC and Wordsworth. The Wordsworth corporate entity shall be maintained as a separate entity (with a rebranded name) for a minimum of two (2) years barring a critical event such as a major financial loss, force majeure or other catastrophic event after the Effective Date (defined below).

B. Subject to the terms of this Agreement, Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC shall affiliate with PHMC's subsidiary entity Turning Points for Children ("TPFC") pursuant to the terms of this Agreement. Upon the filing of Wordsworth's Amended and Restated Certificates of Organization for both Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC (the "Certificates") and in accordance with Sections 3 and 7 below, TPFC shall become the sole member and parent of Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC, and Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC shall become a membership subsidiary of TPFC (the "TPFC Affiliation"). TPFC's rights as the sole member and parent of Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC are subject to the provisions of applicable law, the terms of Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC, Certificates and Operating Agreements as adopted pursuant to the terms of this Agreement.

2. Effective Date. The Affiliation shall be effective on the date the Articles are filed and accepted with the Pennsylvania Department of State (the "Effective Date"). The Articles shall be filed with the Department of State on the Plan Effective Date (as defined below). Prior to the Effective Date, PHMC shall perform the Services and receive the compensation for such Services pursuant to the Management Agreement.

3. Amendment of Governing Documents; AG Approval. As soon as practicable after the Execution Date, the Parties shall jointly provide formal written notice of the intent to consummate the Affiliation to the Pennsylvania Office of the Attorney General, Charitable Trusts and Organizations Section (the "PA AG"), requesting a letter of no-objection (the "No Objection Letter"). Upon receipt of the No Objection Letter and on the Plan Effective Date, Wordsworth shall cause its Articles to be amended and restated to provide that PHMC shall be Wordsworth's sole member, by amending and restating the Articles in the form attached as Exhibit A; Wordsworth shall cause its By-laws to be amended and restated so that the By-laws attached to this Agreement as Exhibit B are the By-laws (the "Wordsworth By-laws") of Wordsworth in effect on the Effective Date; and Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC shall cause the Certificates to be amended and restated to provide that TPFC shall be the sole member of both Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC in accordance with the forms attached hereto as Exhibit C and each of its Operating Agreements to be amended and restated so that the Amended and Restated Operating Agreements attached as Exhibit D are the Operating Agreements of Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC respectively as of the Effective Date.

4. Management Agreement. Wordsworth acknowledges that, effective and to be implemented as of June 26, 2017, Wordsworth and PHMC will enter into a mutually agreeable Management Agreement, pursuant to which PHMC shall provide the Services to Wordsworth, as more fully described in the Management Agreement.

5. Governance.

A. As provided for in Section 7.3 of the Wordsworth By-laws PHMC shall appoint all Directors, but for a term of at least two (2) year, at least three (3) of the members of the post-affiliation Wordsworth Board of Directors shall be persons who were members of the pre-affiliation Wordsworth Board of Directors.

B. As provided for in Section 5.6 of the Wordsworth By-laws, PHMC, as the sole member of Wordsworth, shall have reserved powers of approval of PHMC for "fundamental transactions" such as mergers, acquisitions, dissolution and mortgages, and other extraordinary actions to be taken by Wordsworth.

D. On and after the Effective Date, PHMC shall appoint one (1) member of the pre-affiliation Wordsworth Board of Directors to the Board of Directors of PHMC for a minimum of one (1) full term, in accordance with the Bylaws of PHMC, and one (1) member of the pre-affiliation Wordsworth Board of Directors to the Board of Directors of Turning Points for Children for a minimum of one full (1) term, in accordance with the Bylaws of such PHMC subsidiary.

6. Charitable and Financial Provisions. On and after the Effective Date, to the fullest extent practicable using reasonable efforts and subject to the terms of this Agreement, PHMC shall:

A. maintain Wordsworth's education, behavioral and treatment programs ("Programs") following the Effective Date so long as the financial viability of the Programs remains reasonably satisfactory. Wordsworth's education programs shall be maintained for a minimum of two (2) years, barring a critical event such as a loss of licensure, an act of God, or a major financial loss, and the Fort Washington school property shall be retained as an asset of Wordsworth for at least an equal period (subject to the Play and Learn lease and standing operational practices between the landlord and the tenant, and subject to the possibility that an additional portion of the property may be sold to the existing Play and Learn tenant.) and barring a critical event such as a loss of licensure, an act of God, or a major financial loss.

B. use its best efforts to retain current employees and specifically key managerial staff of the Programs in compliance with PHMC's existing policies and procedures governing its existing staff; *provided, however*, that such employment is conditional upon the financial ability of the Programs to provide for the salaries of such employees and key managerial staff;

C. extend to Wordsworth additional credit or arrange additional lines of credit of not less than \$1,000,000, as reasonably needed to sustain charitable programs which are financially viable, but which may have cash flow issues, for example, due to payor payment delays and such payment is in conjunction with the provisions provided in Section 7F herein.

D. use best efforts to retain the Wordsworth honorariums established for the Affiliation as described on Schedule 6D attached hereto and made a part hereof.

E. ensure that Wordsworth's current donor-restricted funds, as described on Schedule 6E attached hereto and made a part hereof, will be used solely to support Wordsworth, in a manner that is consistent with any applicable donor restrictions on such funds.

7. Chapter 11 Bankruptcy.

A. PHMC acknowledges that the Board of Directors of Wordsworth has determined (i) to seek a financial restructuring through a chapter 11 plan of reorganization (the

"Reorganization") pursuant to sections 1125, 1126 and 1145 of the Bankruptcy Code, 11 U.S.C. §§101 et seq., and (ii) to file a petition for Reorganization (the "Petition") with the United States Bankruptcy Court for the Eastern District of Pennsylvania (the "Bankruptcy Court") on or before June 30, 2017 with the intent to submit a full Plan of Reorganization (the "Plan") on or after June 30, 2017 which will incorporate the terms of this Agreement.

B. PHMC hereby consents to the filing of the Petition with the Bankruptcy Court.

C. As a condition precedent to consummate the Affiliation, the Plan and the Bankruptcy Court's Order confirming the Plan shall be acceptable to PHMC in PHMC's sole discretion. Without limiting the foregoing, the Parties acknowledge that, except to the extent expressly assumed by PHMC as part of the Plan, PHMC will require for its acceptance of any Plan the discharge of any and all prepetition unsecured claims associated with Wordsworth.

D. The Articles shall be filed with the Pennsylvania Department of State on the date on which all conditions to consummation of the Plan have been satisfied (or waived) (the "Plan Effective Date").

E. The Certificates shall be filed the Pennsylvania Department of State on the date immediately following on which all conditions to consummation of the Plan have been satisfied (or waived) (the "Plan Effective Date").

F. As of the Plan Effective Date, PHMC shall replace Wordsworth's line of credit in full so long as PHMC's bank has approved the replacement subject to adequate borrowing base certificate collateral.

G. As of the Plan Effective Date, PHMC shall obtain any necessary mortgage financing required to replace Wordsworth's current mortgage financing so long as PHMC's bank has approved the replacement subject to approved collateral to support the real estate mortgage requirements.

8. PHMC Warranties. PHMC represents and warrants to Wordsworth as follows:

A. PHMC is a nonprofit corporation duly organized, validly existing, in good standing and subsisting under the laws of the Commonwealth of Pennsylvania and has all requisite corporate power and authority to carry on its activities and to execute, deliver and perform this Agreement and the transactions and Affiliation contemplated hereby. This Agreement has been duly authorized by proper corporate action of PHMC and constitutes the valid and binding obligation of PHMC, enforceable against PHMC in accordance with its terms.

B. PHMC is exempt from federal income taxes as a public charity under Sections 501(c)(3) and 509(a)(1) of the Code and is duly registered as a charitable organization with the Pennsylvania Department of State, Bureau of Corporations and Charitable Organizations. Such status is not currently subject to, and to the best of PHMC's knowledge is not threatened to be made subject to, any administrative or other proceeding by the Internal Revenue Service or any other governmental agency.

9. Wordsworth Warranties. As of the Effective Date, Wordsworth will provide to PHMC the representations and warranties attached hereto as Exhibit C, duly certified by authorized officers of Wordsworth. The authorized officers of Wordsworth shall sign and issue, without personal liability, a Certificate to PHMC certifying that the representations and warranties as contained in Exhibit C are, to the best of each said officer's knowledge, information and belief after reasonable inquiry, true and correct in all material respects.

10. PHMC Conditions Precedent to Closing. Notwithstanding anything herein to the contrary, the obligations of PHMC to consummate the Affiliation are subject to the fulfillment, on or prior to the Effective Date, of the following conditions precedent unless (but only to the extent) waived in writing by PHMC prior to the Effective Date:

A. Representations and Warranties. Wordsworth shall deliver Exhibit C to this Agreement duly executed by the Executive officers of Wordsworth. The representations and warranties of Wordsworth contained in Exhibit C shall be true and correct in all material respects as of the Effective Date.

B. Governmental Approvals. Except for any documents required to be filed, or consents, authorizations, orders, or approvals required to be issued after the Effective Date, all consents, authorizations, orders, and approvals of (or filings or registrations with) any Government Authority required in connection with the execution, delivery, and performance of this Agreement shall have been obtained or made by Wordsworth including but not limited to:

(i) the consents and/or notification letters from the contracting agencies disclosed on Schedule 9.B(ii)(b);

(ii) the No Objection Letter; and

(iii) if review of the Court of Common Pleas of Philadelphia County, Orphans' Court Division (the "**Orphans' Court**") is required by the PA AG, the issuance of an order by the Orphans' Court stating that the Affiliation would not constitute a diversion of the Wordsworth assets from the purposes for which they were donated, granted, or devised within the meaning of Section 5547(b) of the Pennsylvania Nonprofit Corporation Law of 1988, as amended (the "**Act**").

C. Resolutions. Wordsworth shall deliver certified Resolutions of the Wordsworth Board approving the Affiliation, this Agreement, and related documents.

D. No Change in Tax Status. Wordsworth shall have experienced no material adverse change in its financial condition or tax status, other than the filing of a Chapter 11 bankruptcy proceeding.

E. Plan of Reorganization and Order Confirming the Plan. The Plan and the Bankruptcy Court's Order confirming the Plan shall be acceptable to PHMC.

11. Wordsworth Conditions Precedent to Closing. Notwithstanding anything herein to the contrary, the obligations of Wordsworth to consummate the Affiliation are subject to the

fulfillment, on or prior to the Effective Date, of the following conditions precedent unless (but only to the extent) waived in writing by Wordsworth prior to the Effective Date:

A. Representations and Warranties. The representations and warranties of PHMC contained in this Agreement shall be true and correct in all material respects as of the Execution Date and Effective Date.

B. Resolutions. PHMC shall deliver to Wordsworth a certified Resolution of its Board of Directors approving the Affiliation, this Agreement and related documents.

C. No Change in Tax Status. PHMC shall have experienced no material adverse change in its tax status.

D. Replacement of Line of Credit. As of the Plan Effective Date, PHMC shall replace Wordsworth's current M & T Bank line of credit in full.

E. Replacement of Mortgage Financing. As of the Plan Effective Date, PHMC shall obtain any necessary mortgage financing required to replace Wordsworth's current mortgage financing.

12. Mutual Covenants; Indemnification; Confidentiality; Termination.

A. Operations. Wordsworth and PHMC each covenant and agree that, during the period from the Execution Date to the Effective Date each will:

(i) continue to carry out its charitable operations in the ordinary course and in accordance with its articles of incorporation, bylaws, and applicable laws and regulations; provided, however, that: (A) Wordsworth may file as the debtor in a Chapter 11 bankruptcy proceeding prior to the Effective Date; (B) if an action conducted in the ordinary course of Wordsworth's charitable operations conflicts with any provision of the Management Agreement or this Agreement other than this Section 11.A (such a provision, a "**Conflicting Provision**"), Wordsworth shall act in accordance with the Conflicting Provision, (C) Wordsworth shall not enter into any agreement, contract, or commitment, written or oral, pursuant to which Wordsworth will be a party or by which Wordsworth will be bound after the Effective Date, without the prior written notice to PHMC, and (D) Wordsworth will not sell, transfer, or assign any Program assets or incur any debt without prior written approval of PHMC;

(ii) obtain the approval of the other Party before issuing any press release regarding the Affiliation; and

(iii) in good faith use all reasonable efforts to obtain satisfaction of conditions to closing as provided for in Sections 10 and 11 of this Agreement.

B. Indemnification.

(i) Each Party shall defend, indemnify, and hold wholly harmless the other Party, its officers, directors, employees, agents, or independent contractors, from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal), and expenses (including, without limitation, reasonable attorneys' fees

and fees of expert consultants and witnesses) that such Party incurs as a result of, or with respect to any misrepresentation or breach of warranty by such Party under this Agreement or any material breach by such Party of, or any failure by the Party to perform, any covenant or agreement of, or required to be performed by, such Party under this Agreement.

(ii) Each party shall defend, indemnify, and hold wholly harmless the other party, its officers, directors, employees, agents, or independent contractors, from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal), and expenses (including, without limitation, reasonable attorneys' fees and fees of expert consultants and witnesses) that the party to be indemnified incurs which relate to or arise out of negligent or willful misconduct, breach of agreement, or omissions attributable to the other party prior to the Effective Date.

C. Confidentiality.

(a) Each Party agrees that both prior and subsequent to the Effective Date, or in the event the Affiliation is terminated in accordance with Section 12.D, it will maintain the confidentiality of all confidential information, documents, or instruments delivered to it by the other Party hereto or its agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions, and covenants hereof (the "**Confidential Information**") and will only disclose such Confidential Information to its duly authorized officers, members, directors, representatives, and agents (including consultants, attorneys, and accountants of each Party) and applicable Governmental Authorities in connection with any required notification or application for approval or exemption therefrom.

(b) Each Party hereto agrees that if the transactions contemplated hereby are not consummated, it will return all Confidential Information to the other Party or destroy such Confidential Information at the other parties' direction.

(c) Each Party hereto recognizes that any breach of this Section 12.C would result in irreparable harm to the other Party and that such Party shall be entitled to an injunction to prohibit any such breach or anticipated breach, without the necessity of posting a bond, cash, or otherwise, in addition to all of its other legal and equitable remedies.

(d) Nothing in this Section 11.C, however, shall prohibit the use of such Confidential Information for such governmental filings as in the opinion of a Party's counsel are required by law or are otherwise required to be disclosed pursuant to applicable state or federal law.

D. Termination Prior to the Effective Date. This Agreement shall terminate and cease to be effective with respect to the Parties if, prior to the Effective Date:

(i) the Affiliation jeopardizes the tax-exempt status, reputation, property, or financing (or interest on income thereon) of PHMC or Wordsworth, as determined in such Party's sole discretion;

(ii) if the Orphans' Court refuses to approve the Affiliation or otherwise issues an order stating that the Affiliation would constitute a diversion of the Wordsworth assets from the purposes for which they were donated, granted, or devised within the meaning of Section 5547(b) of the Act;

(iii) without the consent of the other Party, a receiver, liquidator, or trustee of either Party is appointed by court order;

(iv) without the consent of the other Party, either Party is adjudicated bankrupt or insolvent;

(v) without the consent of the other Party, the property of either Party is sequestered by a court order;

(vi) without the consent of the other Party, a voluntary petition is filed with respect to either Party under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction;

(vii) the proposed Affiliation is deemed illegal;

(viii) without the consent of the other Party, either Party makes an assignment for the benefit of its creditors; or

(ix) any Party shall elect to terminate the Management Agreement prior to the Plan Effective Date.

13. No Assumption of Liabilities. The Affiliation provided for in this Agreement extends only to the establishment of PHMC as Wordsworth's sole member, with each Party retaining its corporate identity. Neither Party is assuming or intends to assume any of the liabilities or obligations of the other under any circumstances, and no such assumption of liability shall be implied.

14. Further Assurances and Cooperation. Each Party shall take such action, execute and deliver such documents and provide such cooperation as the other may reasonably request to effectuate the terms of this Agreement and the transactions contemplated hereby, with the least disruption to the business and affairs of the Parties reasonably practicable.

15. Survival.

A. Representations and Warranties. All representations and warranties made in this Agreement shall survive the consummation of the transactions provided for in this Agreement. Each representation and warranty contained herein is independent of all other representations and warranties contained herein and must be independently and separately complied with and satisfied. Exceptions or qualifications to any representations and warranties contained herein shall not be construed as exceptions or qualifications to any other representation or warranty. No representation or warranty shall be deemed to have been waived, affected, or impaired by any investigation made by any Party to this Agreement, provided that no Party shall claim a breach of representation or warranty by the other Party if

the claiming Party had actual knowledge of the facts constituting the breach as of the date of this Agreement.

B. Survival Upon Termination. Sections 12.B, 12.C, 13, 15, 18, 19, 20, and 21 shall survive the termination of this Agreement.

16. General Terms.

A. The paragraph headings of this Agreement are for convenience of reference only and do not form a part of the terms and conditions of this Agreement or give full notice thereof.

B. Neither Party may assign or transfer all or any portion of this Agreement, voluntarily, involuntarily, by operation of law or otherwise, without the prior written consent of the other Party, and any attempted assignment or transfer to the contrary shall be null and void and have no effect.

17. Entire Agreement. This Agreement contains the entire understanding between the Parties with respect to the subject matter hereof, and may not be amended or modified in any manner except by a written agreement, duly executed by the Party to be charged.

18. Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be addressed to the receiving Party's address set forth below or to such other address as a Party may designate by notice hereunder, and shall be delivered (i) by hand, (ii) by a nationally recognized overnight courier, or (iii) by first class mail or by registered or certified mail, return receipt requested, postage prepaid.

If to PHMC: Public Health Management Corporation
Centre Square East
1500 Market Street
Philadelphia, PA 19102
Attention: Jill Schulson, Esq.

If Wordsworth: Wordsworth Academy
3300 Henry Avenue
Philadelphia, PA 19129
Attention: Don Stewart

All notices, requests, consents and other communications hereunder shall be deemed to have been given upon receipt, except that if sent by certified or registered mail the date of delivery shall be the date of delivery specified on the receipt.

19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws.

20. Severability. Any term or provision of this Agreement that is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability without

rendering invalid or unenforceable the remaining terms and provisions of this Agreement. In all such cases, the Parties shall use their commercially reasonable efforts to substitute a valid, legal and enforceable provision that, insofar as practicable, implements the original purposes and intents of this Agreement.

21. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a Party to this Agreement.

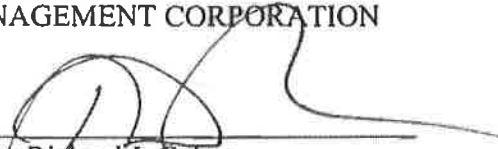
22. Counterparts; Delivery by Facsimile. This Agreement may be executed in counterparts and by each Party hereto on a separate counterpart, both of which when so executed shall be deemed to be an original and both of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by email or facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

23. Brokerage. Each Party represents and warrants to the other that it has not dealt with any broker or agent in connection with the negotiation or execution of this Agreement and shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.

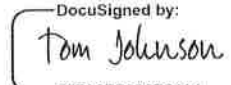
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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

PUBLIC HEALTH
MANAGEMENT CORPORATION

By: 
Name: Richard J. Cohen
Title: President
Date: 6/26/17

WORDSWORTH ACADEMY

By: 
Name: Thomas Johnson
Title: Chairperson
Date: 6/27/2017

Schedules:

Schedule 6D: Honorarium
Schedule 6E: Restricted Funds

Exhibits:

Exhibit A: Amended and Restated Articles of Incorporation of Wordsworth Academy

Exhibit B: By-laws of Wordsworth Academy

Exhibit C: Amended and Restated Certificates of Organization of Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC

Exhibit D: Amended and Restated Operating Agreements of Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC

Exhibit E: Certificate of Representations and Warranties of Wordsworth

SCHEDULE 6D

Honorarium

1. The Fort Washington campus shall continue in honorarium to be called the "Gerald Schatz Education Center" in name and signage so long as the campus is used for educational purposes.

SCHEDULE 6E

Restricted Funds

None.

EXHIBIT A

Amended and Restated Articles of Incorporation

PENNSYLVANIA DEPARTMENT OF STATE
BUREAU OF CORPORATIONS AND CHARITABLE ORGANIZATIONS
ARTICLES OF AMENDMENT- DOMESTIC CORPORATION
(15 Pa.C.S.)

NONPROFIT CORPORATION (§ 5915)

In compliance with the requirements of the applicable provisions (relating to articles of amendment), the undersigned, desiring to amend its articles, hereby states that:

1. The name of the Corporation is: Wordsworth Academy.
2. The address of the Corporation's current registered office in this Commonwealth is 2001 Pennsylvania Avenue, Fort Washington, Montgomery County PA.
3. The statute by or under which the Corporation was incorporated was the Pennsylvania Nonprofit Corporation Law of 1933, P.L. 289, as amended, and these Amended and Restated Articles of Incorporation ("Amended & Restated Articles") conform with the requirements of the Pennsylvania Nonprofit Corporation Law of 1988.
4. The Corporation was incorporated by Decree of the Department of State on: August 3, 1970.
5. These Amended & Restated Articles shall be effective upon filing.
6. These Amended & Restated Articles supersede the Corporation's original Articles of Incorporation and all amendments thereto.
7. These Amended & Restated Articles were adopted by the Corporation's Board of Directors pursuant to 15 Pa. C.S. § 5914(b).
8. The Corporation is organized exclusively for charitable, educational, religious, or scientific purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("Code") (or corresponding section of any future Federal tax code.)
9. Notwithstanding any other provision of these Amended & Restated Articles, the powers and activities of the Corporation shall be subject to the following restrictions and limitations:

A. The Corporation shall not carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(a) of the Code and described in Section 501(c)(3) of the Code, or by an organization described under Section 170(c)(2) of the Code, contributions to which are deductible under Sections 170(a), 2055(a)(2), and 2522(a)(2) of the Code, nor shall the Corporation engage in any year in which it may be a "private foundation," as defined in Section 509 of the Code, in any act prohibited by Section 4941(d) or 4943(c) of the Code, or do any act, or fail to do any acts, that will result in the imposition of tax on the Corporation under Sections 4942, 4944, or 4945 of the Code.

B. The Corporation is not authorized to conduct the affairs of the Corporation in any manner or for any purpose that would cause the Corporation to lose its tax-exempt status under the provisions of the Code.

C. No part of the net earnings of this Corporation shall ever inure to the benefit of, or be distributable to, any of its members, directors, or officers or any other private person, except that reasonable compensation may be paid for services rendered to or for the Corporation in carrying out its purposes.

D. Except as authorized by Section 501(h) of the Code and a proper election filed thereunder, no substantial part of the activities of the Corporation shall consist of carrying on propaganda or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, whether by the publication or distribution of statements or otherwise.

10. The term for which the Corporation is to exist is perpetual.

11. The Corporation is organized on a non-stock basis.

12. The Corporation shall have one member, which shall be Public Health Management Corporation, a Pennsylvania nonprofit corporation.

13. Upon dissolution of this Corporation, the Corporation's assets shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Code, i.e., charitable, educational, religious, or scientific or corresponding section of any future federal tax code, or shall be distributed to the Federal government, or to a state or local government for a public purpose.

14. These Articles may be amended as provided in the Bylaws of the Corporation. The ByLaws shall govern the operation of this Corporation unless any ByLaw conflicts with these Articles of Incorporation, in which case the Articles of Incorporation shall be controlling.

IN TESTIMONY WHEREOF, the undersigned Corporation has caused these Amended and Restated Articles of Incorporation to be signed by a duly authorized officer thereof this day of
, 2017.

6/27/2017

WORDSWORTH ACADEMY

DocuSigned by:

Tom Johnson

F77A9EB890D24A1...

[NAME], [TITLE]

EXHIBIT B

By-laws

**BYLAWS
OF
WORDSWORTH ACADEMY
A Pennsylvania Nonprofit Corporation**

ARTICLE 1- DEFINITIONS

Section 1.1. Definitions.

The following terms used in these Bylaws shall have the meanings set forth below:

- A. "Act" means the Pennsylvania Nonprofit Corporation Law of 1988, as amended.
- B. "Board" means the Board of Trustees of the Corporation.
- C. "Code" means the Internal Revenue Code of 1986, as amended.
- D. "Corporation" means Wordsworth Academy.
- E. "Member" means Public Health Management Corporation.
- F. "Trustee" means an individual serving on the Board who fulfills the duties of a director under the Act.

ARTICLE 2 – PURPOSES

Section 2.1. Purposes.

The purposes of the Corporation are set forth in its Articles of Incorporation.

ARTICLE 3 - OFFICES

Section 3.1. Offices.

The registered office of the Corporation shall be located in Pennsylvania. The Corporation may have any number of other offices at such places as the Board may determine.

ARTICLE 4 - SEAL

Section 4.1. Seal.

The Corporation may use a Corporate Seal. The Corporate Seal shall bear the name of the Corporation, the year of its incorporation and the words "Corporate Seal, Pennsylvania".

ARTICLE 5 - MEMBER

Section 5.1. Classes.

The Corporation shall have one (1) class of Member.

Section 5.2. Sole Member.

The Corporation shall have one (1) Member. The sole Member shall be Public Health Management Corporation, a tax-exempt organization under Section 501(c)(3) and 509(a)(1) or 509(a)(2) of the Code. In the event that the sole Member at any time ceases to be a tax-exempt organization, the Member shall designate a substitute tax-exempt organization under Section 501(c)(3) and 509(a)(1) or 509(a)(2) of the Code within sixty (60) days of the change of a tax-exempt designation.

Section 5.3. Voting Rights.

The Member shall be entitled to one (1) membership vote. Except as otherwise provided in these Bylaws, the Member shall exercise its voting and other rights as a Member through its President, or by a representative authorized by its President to act on behalf of the Member, following approval of the Board of Directors of the Member.

Section 5.4. No Dues and Assessments.

There shall be no initiation fees, dues, or assessments of any kind payable by the Member.

Section 5.5. Nontransferable.

Membership in the Corporation is not transferable.

Section 5.6. Reserved Powers of Member.

In addition to the rights accorded to the Member pursuant to Sections 7.3, 7.5, and 7.6 of these Bylaws, the approval of the Member shall be required for any of the following actions by the Corporation (each, a "Reserved Power"):

- (a) amendment to the Corporation's Articles of Incorporation or Bylaws;
- (b) substantial changes to the charitable and educational mission of the Corporation;
- (c) the authorization of a plan of voluntary dissolution or division or the revocation of a plan of dissolution or division previously approved by the Member;
- (d) the adoption of an agreement or plan of merger;
- (e) the sale, lease, or exchange of all or substantially all of the Corporation's assets;
- (f) the formation of a subsidiary of the Corporation;

- (g) the creation of additional classes of membership in the Corporation or the admission of additional members of the Corporation, except as provided above;
- (h) the approval of the annual budget of the Corporation;
- (i) the approval of the tax and/or regulatory filings of the Corporation;
- (j) the approval of the reviewed or audited financial statements of the Corporation;
- (k) the approval of expenditures in excess of a ten percent (10%) variance in the total annual budget;
- (l) major strategic decisions; and
- (m) the approval of significant material contracts.

ARTICLE 6 - MEETINGS OF MEMBER

Section 6.1. Consent of Member in Lieu of Meeting.

Any action required or permitted to be taken at a meeting of the Member may be taken without a meeting by written consent of the Member in record form. The written consent shall set forth the action so taken and must be filed with the minutes of the proceedings of the Member.

Section 6.2. Annual Meeting.

The annual meeting of the Member, for the appointment of Trustees and the transaction of any other business which may be brought before the meeting, shall be held not more than one hundred and twenty (120) days after the end of the Corporation's fiscal year, the date to be determined by the Member.

Section 6.3. Special Meetings of Member.

Special meetings of the Member may be called at any time by the President, the Board, or the Member. Upon written request of any person entitled to call a special meeting, the Secretary shall: (a) fix the date and time of the meeting, which shall be held not more than sixty (60) days after receipt of the request; and (b) give notice to the Member. If the Secretary neglects or refuses to fix the meeting date or give notice within thirty (30) days after receipt of the written request for the special meeting, the person or persons calling the meeting may do so.

Section 6.4. Notice of Meetings of Member.

Written notice of every meeting of the Member shall be given by, or at the direction of, the Secretary to the Member at least five (5) days prior to the date of the meeting, unless a greater period of notice is required by the Act in a particular case. In the case of special meetings of the Member, the notice shall specify the general nature of the business to be transacted.

ARTICLE 7 - BOARD OF TRUSTEES

Section 7.1. Board of Trustees.

The business and affairs of the Corporation shall be managed under the direction of the Board. The powers of the Corporation shall be exercised by, or under the authority of, the Board except as otherwise provided by statute, the Articles of Incorporation, these Bylaws, or a resolution adopted by the Board. The members of the Board shall be relieved of liability imposed upon members of boards of directors by law for managerial acts or omissions with respect to any recommendation of the Board with respect to which the Member has a Reserved Power and the recommendation of the Board is not consented to or approved by the Member.

Section 7.2. Qualifications of Trustees.

Each Trustee shall be a natural person at least eighteen (18) years of age who need not be a resident of Pennsylvania.

Section 7.3. Number and Election of Trustees.

The Board shall consist of a minimum of five (5) Trustees and a maximum of twenty-one (21) Trustees and shall be appointed by the Member at its annual meeting; *provided, however*, that during the two (2) year period following the effective date of the Affiliation Agreement (the "Effective Date") between the Corporation and the Member (the "Post-Effective Date Period"), the Board shall consist of: (a) three (3) Trustees who shall be elected jointly by the Board and the Member, with such election effective as of the Effective Date; and (b) nine (9) Trustees appointed by the Member (the "Member-Appointed Trustees"), with such appointment effective as of the Effective Date.

Section 7.4. Term of Office.

Each Trustee shall hold office until: (a) the expiration of the term for which he or she was appointed and until his or her successor has been appointed and qualified; or (b) his or her earlier death, resignation, or removal. Following the conclusion of the Post-Effective Date Period, the Trustees shall be elected for terms of two (2) years; *provided, however*, that no Trustee shall serve more than four (4) consecutive terms.

Section 7.5. Vacancies.

Vacancies in the Board, including vacancies resulting from: (a) an increase in the number of Trustees; or (b) the death, resignation, or removal of a Trustee, shall be filled by the Member at any time; *provided, however*, that during the Post-Effective Date Period, any vacancy occurring among the Trustees who were elected jointly by the Board and the Member shall be filled by a person selected jointly by the Board and the Member. Each person so appointed to fill a vacancy shall be a Trustee to serve for the balance of the term of the vacant position.

Section 7.6. Removal of Trustees.

Except during the Post-Effective Date Period, any Trustee may be removed from office, without assigning any cause, by the Member at any time. If any Trustee is removed, the resulting vacancy may be filled immediately by the Member.

Section 7.7. Resignations.

Any Trustee may resign at any time by giving written notice to the Secretary. The resignation shall be effective upon receipt by the Secretary or at such subsequent time as may be specified in the notice of resignation.

Section 7.8. Compensation of Trustees.

Members of the Board are volunteering their time and talents and shall serve without monetary compensation. A Trustee may also be a salaried employee or agent of the Corporation. The Board may authorize the advance or reimbursement to a Trustee of actual reasonable expenses incurred in carrying out his or her duties as a Trustee.

Section 7.9. Voting Rights.

Each Trustee shall be entitled to one (1) vote.

ARTICLE 8 - COMMITTEES

Section 8.1. Establishment and Powers.

The Board may, by resolution adopted by a majority of the Trustees, establish one (1) or more committees to consist of one (1) or more Trustees of the Corporation. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all of the powers and authority of the Board, except that no committee, including the Executive Committee shall have any power or authority as to the following:

- (a) the submission to the Member of any action requiring approval of the Member under the Act;
- (b) the filling of vacancies in the Board;
- (c) the adoption, amendment, or repeal of the Bylaws;
- (d) the amendment or repeal of any resolution of the Board; or
- (e) action on matters committed by the Bylaws or by resolution of the Board to another committee of the Board.

Section 8.2. Status of Committee Action.

Except as otherwise provided in Section 8.1, the term "Board of Trustees" or "Board," when used in any provision of these Bylaws relating to organization or procedures of or the manner of taking action by the Board, shall be construed to include and refer to any Executive Committee or other committee of the Board, and any provision of these Bylaws relating or referring to action to be taken by the Board or the procedure required therefor shall be satisfied

by the taking of corresponding action by a committee of the Board to the extent authority to take the action has been delegated to the committee.

Section 8.3. Term.

Each committee of the Board shall serve at the pleasure of the Board.

Section 8.4. Committee Organization.

Except as otherwise provided by the Board, each committee shall be chaired by a Trustee and shall establish its own operating procedures. Each committee shall keep regular minutes of its proceedings and report the same to the Board at each regular meeting. Each committee shall determine its times and places of meetings.

Section 8.5. Executive Committee.

The Executive Committee shall be composed of the officers of the Corporation; *provided, however,* that during the Post-Effective Date Period, the Executive Committee shall be composed of a majority of Member-Appointed Trustees. During the Post-Effective Date Period, the Executive Committee shall be authorized to act for the Board between its regular meetings with respect to any matters requiring immediate action. After the Post-Effective Date Period, except as otherwise provided by these Bylaws or by resolution of the Board, the Executive Committee shall have and may exercise all of the powers and authority of the Board in the management of the Corporation.

ARTICLE 9 - MEETINGS OF TRUSTEES

Section 9.1. Place of Meetings.

The Board may hold its meetings at such places as the Board may appoint or as may be designated in the notice of the meeting.

Section 9.2. Annual Meeting.

Unless the Board provides by resolution for a different time, the annual meeting of the Board shall take place immediately after the annual meeting of the Member. The newly constituted Board shall meet at any place and time designated in a notice given as provided in Section 11.1, for the purposes of organization, election of officers, and the transaction of other business.

Section 9.3. Regular Meetings.

The Board may hold its regular meetings, which shall occur at least four times per year, at such place and time as shall be designated by resolution of the Board. If the date fixed for any regular meeting is a legal holiday under the laws of Pennsylvania, the meeting shall be held on the next succeeding business day or at such other time as may be determined by resolution of the

Board. The Board shall transact such business as may properly be brought before its meetings. Notice of regular meetings need not be given.

Section 9.4. Special Meetings of the Board.

The President, any two (2) Trustees, or the Member may call special meetings of the Board which shall be held at such time and place as shall be designated in the call for the meeting. Five (5) days' notice of any special meeting shall be given to each Trustee pursuant to Section 11.1 or by telephone. Such notice shall state the time and place of such special meeting but need not state the purpose of the special meeting.

Section 9.5. Quorum.

A majority of Trustees shall constitute a quorum for the transaction of business. The acts of a majority of the Trustees present and voting at a meeting at which a quorum is present shall be the acts of the Board.

Section 9.6. Participation in Meetings.

One (1) or more Trustees may participate in a meeting of the Board or a committee thereof by means of conference telephone or other electronic technology by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence in person at the meeting.

Section 9.7. Organization.

Every meeting of the Board shall be presided over by the President, or in the absence of the President, the Vice President, or in the absence of the President and the Vice President, a chair chosen by a majority of the Trustees present. The Secretary, or in his or her absence, a person appointed by the chair, shall act as secretary.

Section 9.8. Consent of Trustees in Lieu of Meeting.

Any action required or permitted to be approved at a meeting of the Trustees may be approved without a meeting, if a consent or consents to the action in record form are signed, before, on, or after the effective date of the action, by all Trustees in office on the date the last consent is signed. The consent or consents must be filed with the Secretary of the Corporation.

ARTICLE 10 – OFFICERS

Section 10.1. Number.

The Officers of the Corporation shall include a President, a Secretary, and a Treasurer. The Officers may include one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as the Board may determine by resolution. The same person may hold any number of offices.

Section 10.2. Qualifications of Officers.

The Officers shall be natural persons at least eighteen (18) years of age who are Trustees.

Section 10.3. Election and Term of Office.

The Officers of the Corporation shall be elected by the Board at any meeting of the Board for terms of two (2) years; *provided, however*, that no Officer shall serve more than four (4) consecutive terms. Each Officer shall hold office until: (a) the later of the term for which he or she was elected or until his or her successor has been elected and qualified; or (b) until his or her earlier death, resignation, or removal.

Section 10.4. Removal of Officers.

The Board may remove any Officer, without assigning any cause, whenever in its judgment the best interests of the Corporation will be served.

Section 10.5. Vacancies.

Vacancies in Officer positions resulting from: (a) the creation of additional Officer positions; or (b) the death, resignation, or removal of an Officer, shall be filled by a majority vote of the Trustees, though less than a quorum. Each person so elected shall be an Officer to serve for the balance of the term.

Section 10.6. Resignations.

Any officer may resign at any time by giving written notice to the Secretary. The resignation shall be effective upon receipt by the Secretary or at such subsequent time as may be specified in the notice of resignation.

Section 10.7. The President.

The President shall have general supervision over the business and operations of the Corporation, subject to the control of the Board. The President shall chair all meetings of the Board, the Executive Committee, and the Member. The President shall execute in the name of the Corporation, deeds, mortgages, bonds, contracts, and other instruments authorized by the Board, except in cases where the execution thereof shall be expressly delegated by the Board to some other Officer or agent of the Corporation. In general, the President shall perform all duties incident to the office of President, as specified by the Act, and such other duties as may be assigned by the Board.

Section 10.8. Vice Presidents.

In the absence or disability of the President or when so directed by the President, any Vice President may perform all the duties of the President, and, when so acting, shall have all the

powers of, and be subject to all the restrictions upon, the President. Each Vice President shall perform such other duties as may be assigned by the Board or the President.

Section 10.9. The Secretary.

The Secretary shall attend all meetings of the Board and of the Member. The Secretary shall record all votes of the Board and of the Member and the minutes of the meetings of the Board and of the Member in a book or books to be kept for that purpose. The Secretary shall see that required notices of meetings of the Board and of the Member are given and that all records and reports are properly kept and filed by the Corporation. The Secretary shall be the custodian of the seal of the Corporation and shall see that it is affixed to all documents to be executed on behalf of the Corporation under its seal. In general, the Secretary shall perform all duties incident to the office of Secretary and such other duties as may be assigned by the Board or the President.

Section 10.10. Assistant Secretaries.

In the absence or disability of the Secretary, or when so directed by the Secretary, any Assistant Secretary may perform all the duties of the Secretary, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Secretary. Each Assistant Secretary shall perform such other duties as may be assigned by the Board, the President, or the Secretary.

Section 10.11. The Treasurer.

The Treasurer shall be responsible for corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation. The Treasurer shall have full authority to receive and give receipts for all money due and payable to the Corporation, and to endorse checks, drafts, and warrants in its name and on its behalf and to give full discharge for the same. The Treasurer shall deposit all funds of the Corporation, except such as may be required for current use, in such banks or other places of deposit as the Board may designate. In general, the Treasurer shall perform all duties incident to the office of Treasurer and such other duties as may be assigned by the Board or the President.

Section 10.12. Assistant Treasurers.

In the absence or disability of the Treasurer, or when so directed by the Treasurer, any Assistant Treasurer may perform all the duties of the Treasurer, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Treasurer. Each Assistant Treasurer shall perform such other duties as may be assigned by the Board, the President, or the Treasurer.

Section 10.13. Compensation of Officers.

The Officers of the Corporation are volunteering their time and talents and will serve without monetary compensation. The Board may authorize the advance or reimbursement to an Officer of actual reasonable expenses incurred in carrying out his or her duties as an Officer.

ARTICLE 11 - NOTICE

Section 11.1. Written Notice.

Any notice required to be given to any person shall be given to the person, either personally or by sending a copy thereof:

- (a) By first class or express mail, postage prepaid, or courier service, charges prepaid, to the person's postal address appearing on the books of the Corporation or, in the case of Trustees, supplied by the person to the Corporation for the purposes of notice. Notice under this subparagraph shall be deemed to have been given when deposited in the United States mail or with a courier service for delivery to that person.
- (b) By facsimile transmission, e-mail, or other electronic communication to the person's facsimile number or address for e-mail or other electronic communications supplied by the person to the Corporation for the purpose of notice. Notice under this subparagraph shall be deemed to have been given to the person entitled thereto when sent.

A notice of meeting shall specify the day, hour, and geographic location, if any, of the meeting and any other information required by the Act. Except as otherwise provided by the Act or these Bylaws, when a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting, or of the business to be transacted at an adjourned meeting other than by announcement at the meeting at which such adjournment is taken.

Section 11.2. Waiver by Writing.

Whenever any notice is required to be given, a waiver thereof that is filed with the Secretary of the Corporation in record form, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

Section 11.3. Waiver by Attendance.

Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

ARTICLE 12 – CONFLICTS OF INTEREST

Section 12.1. Interested Trustees and Officers.

A contract or transaction between the Corporation and the Member, Trustees, or Officers or between the Corporation and another domestic or foreign corporation for profit or not for profit, partnership, joint venture, trust, or other association in which one (1) or more of its directors, trustees, or officers are Trustees or Officers, or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the Member, Trustee, or officer is present at or participates in the meeting of the Board or the Member that authorizes the contract or transaction, or solely because the vote of the Member, Trustee, or Officer is counted for that purpose, if:

- (a) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the Board and the Board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Trustees even though the disinterested Trustees are less than a quorum;
- (b) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the Member entitled to vote thereon, if any, and the contract or transaction is specifically approved in good faith by vote of the disinterested Member or Member; or
- (c) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved, or ratified by the Board or the Member.

Common or interested Trustees or the Member may be counted in determining the presence of a quorum at a meeting of the Board or the Member that authorizes the contract or transaction.

ARTICLE 13 - LIMITATION OF LIABILITY; INSURANCE

Section 13.1. Limitation of Liability of Trustees.

A Trustee shall not be personally liable, as such, for monetary damages for any action taken or any failure to take any action as a Trustee unless:

- (a) The Trustee has breached or failed to perform the duties of his or her office under Subchapter B of Chapter 57 of the Act; and
- (b) The breach or failure to perform constitutes self-dealing, willful misconduct, or recklessness.

This Section shall not apply to (1) the responsibility or liability of a Trustee pursuant to any criminal statute, or (2) the liability of a Trustee for the payment of taxes pursuant to federal, state, or local law. Any repeal or amendment of this Section shall be prospective only and shall not increase, but may decrease, a Trustee's liability with respect to actions or failures to act occurring prior to such change.

Section 13.2. Insurance.

The Corporation shall purchase and maintain insurance on behalf of any person who is or was a Trustee or Officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust, or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against that liability under the Act. The Corporation's payment of premiums with respect to such insurance coverage shall be provided primarily for the benefit of the Corporation. To the extent that such insurance coverage provides a benefit to the insured person, the Corporation's payment of premiums with respect to such insurance shall be provided in exchange for the services rendered by the insured person and in a manner so as not to constitute an excess benefit transaction under section 4958 of the Internal Revenue Code of 1986, as amended.

ARTICLE 14 - INDEMNIFICATION

Section 14.1. Representative Defined.

For purposes of this Article, "representative" means any Trustee or Officer of the Corporation or a person serving at the request of the Corporation as a director, officer, partner, fiduciary, or trustee of another domestic or foreign corporation for profit or not-for-profit partnership, joint venture, trust, or other enterprise.

Section 14.2. Third-Party Actions and Derivative Actions.

The Corporation is required to indemnify any representative against expenses (including attorneys' fees) actually and reasonably incurred if the representative is successful on the merits or otherwise in defense of any third party or derivative action or proceeding or in defense of any claim, issue, or matter therein.

The Corporation shall indemnify any Trustee, Officer, employee, or agent of the Corporation who was or is a representative of the Corporation and who was or is a party (which includes giving testimony or similar involvement) or is threatened to be made a party to any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative or investigative, formal or informal (including an action or proceeding by or in the right of the Corporation), by reason of the fact that he or she was or is a representative of the Corporation, against expenses (including reasonable attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action or proceeding if: (a) the representative acted in good faith and in a manner reasonably believed to be in the best interests of the Corporation; and (b) with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful. If a representative is not entitled to indemnification for a portion of any liabilities to which he or she may be subject, the Corporation shall indemnify him or her to the maximum extent for the remaining portion of the liabilities.

Section 14.3. Advancing Expenses.

The Corporation shall pay expenses (including attorneys' fees) actually and reasonably incurred in defending any action or proceeding referred to in Section 14.2 in advance of the final disposition of the action or proceeding upon receipt of any undertaking by or on behalf of the representative to repay the amount if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article or otherwise.

Section 14.4. Supplementary Coverage.

The indemnification and advancement of expenses provided by or granted pursuant to this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Act, or any bylaw, agreement, vote of the Member or disinterested Trustees, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding that office. The provisions of these Bylaws relating to Conflicts of Interest shall be applicable to any bylaw, contract, or transaction authorized by the Trustees under this Article.

Section 14.5. Prohibited Indemnification.

No indemnification may be made by the Corporation under this Article or otherwise to or on behalf of any person to the extent that:

- (a) The act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted self-dealing, willful misconduct, or recklessness; or
- (b) The Board determines that under the circumstances indemnification would constitute an excess benefit transaction under section 4958 of the Internal Revenue Code of 1986, as amended.

Section 14.6. Duration and Extent of Coverage.

The indemnification and advancement of expenses provided by or granted pursuant to this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a representative of the Corporation and shall inure to the benefit of the heirs and personal representatives of that person.

Section 14.7. Reliance and Modification.

Each person who shall act as a representative of the Corporation shall be deemed to be doing so in reliance upon the rights provided by this Article. The duties of the Corporation to indemnify and to advance expenses to a representative provided in this Article shall be in the nature of a contract between the Corporation and the representative. No amendment or repeal of any provision of this Article shall alter, to the detriment of the representative, his or her right to the advance of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment or repeal.

ARTICLE 15 – ANNUAL REPORT

Section 15.1. Annual Report.

The Board shall present annually to the Member a report (the "Annual Report"), verified by the President and Treasurer or by a majority of the Board, showing in appropriate detail the following:

- (a) The assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year immediately preceding the date of the report;
- (b) The principal changes in assets and liabilities, including the trust funds, during the year immediately preceding the date of the report;
- (c) The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the year immediately preceding the date of the report, including separate data with respect to each trust fund held by or for the Corporation;
- (d) The expenses or disbursements of the Corporation, for both general and restricted purposes, during the year immediately preceding the date of the report, including separate data with respect to each trust fund held by or for the Corporation; and
- (e) The number of Members of the Corporation as of the date of the report, together with a statement of increase or decrease in such number during the year immediately preceding the date of the report, and a statement of the place where the names and addresses of the current Member may be found.

The annual report of the Board shall be filed with the minutes of the meetings of the Member.

ARTICLE 16 – TRANSACTION OF BUSINESS

Section 16.1. Real Property.

The consent of the Member shall not be required for the Corporation to make a purchase of real property or to sell, mortgage, lease away or otherwise dispose of its real property. If the real property is subject to a trust, the conveyance away shall be free of trust and the trust shall be impinged upon the proceeds of such conveyance.

Section 16.2. Negotiable Instruments.

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers as the Board may designate.

ARTICLE 17 – CORPORATE RECORDS

Section 17.1. Corporate Records.

The Corporation shall keep: (a) an original or duplicate record of the proceedings of the Board and committees of the Board; (b) the original or a copy of its Bylaws, including all amendments thereto to date, certified by the Secretary of the Corporation; (c) an original or a duplicate Membership register showing the name of the Member and their respective address; (d) a list of the names and business addresses of its current Board and Officers; (e) a copy of the most recent annual reports delivered to state and federal officials; and (f) appropriate, complete, and accurate books or records of account, at its registered office or at its principal place of business.

Section 17.2. Transparency.

The Corporation shall ensure that its IRS Form 990, annual reports, and financial statements are complete and accurate and are posted to the Corporation's website or otherwise made available to the public.

ARTICLE 18 – AMENDMENTS

Section 18.1. Amendments.

Except as otherwise provided by the Act, the Bylaws of the Corporation may be amended by the Member at any meeting after notice of such purpose has been given.

Adopted:

Exhibit C

Amended and Restated Certificates of Organization

**Exhibit to Amended and
Wordsworth CUA 5, LLC**

1. Article 1 of the Certificate of Organization of Wordsworth CUA 5, LLC shall be amended and restated in its entirety to read as follows:
The name of the limited liability company is Turning Points for Children CUA 5, LLC.
2. Article 2 of the Certificate of Organization of Wordsworth CUA 5, LLC shall be amended and restated in its entirety to read as follows:
The address of the limited liability company's registered office in this Commonwealth is: c/o Turning Points for Children, 415 South 15th Street, Philadelphia, PA 19146. The county of venue is: Philadelphia.

Wordsworth CUA 10, LLC

1. Article 1 of the Certificate of Organization of Wordsworth CUA 10, LLC shall be amended and restated in its entirety to read as follows:
The name of the limited liability company is Turning Points for Children CUA 10, LLC.
2. Article 2 of the Certificate of Organization of Wordsworth CUA 10, LLC shall be amended and restated in its entirety to read as follows:
The address of the limited liability company's registered office in this Commonwealth is: c/o Turning Points for Children, 415 South 15th Street, Philadelphia, PA 19146. The county of venue is: Philadelphia.

Exhibit D

**Operating Agreements of Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC
AMENDED AND RESTATED OPERATING AGREEMENT**

OF

TURNING POINTS FOR CHILDREN CUA 5, LLC

This Amended and Restated Operating Agreement (this "**Agreement**") of Wordsworth CUA 5, LLC (the "**Company**") is entered into effective as of this ___ day of _____, 2017, by and between TURNING POINTS FOR CHILDREN, a Pennsylvania nonprofit corporation (the "**Member**"), as the sole member of the Company, and the Company (the Member and the Company are, collectively, the "**Parties**").

Pursuant to and in accordance with the Pennsylvania Uniform Limited Liability Company Law of 2016 (15 Pa.C.S. § 8811, *et seq.*), as amended from time to time (the "**Act**"), the Parties agree as follows:

1. **Name.** The name of the Company shall be Turning Points for Children CUA 5, LLC.
2. **Principal Office.** The principal office of the Company shall be c/o Turning Points for Children, 415 South 15th Street, Philadelphia, PA 19146, or such other place or places as the Member shall determine.
3. **Term.** The term of the Company shall commence as of the date of filing of the Certificate of Organization of the Company (the "**Certificate**") with the Department of State of the Commonwealth of Pennsylvania, and the Company shall be dissolved and its affairs wound up as provided in said Certificate, in this Agreement, or as otherwise provided in the Act.
4. **Purpose.** The Company is organized exclusively for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**") (these are the "**Purposes**"). The Purposes include: (i) to provide child welfare services to the community; and (ii) any other lawful business purpose, including taking any and all actions necessary, proper, advisable, or convenient for the accomplishment of the purposes set forth in the previous provisions that the Company may do under the Act; provided, however, that the Company shall not conduct or carry on any activity not permitted to be conducted or carried on by the Member or by an organization that is exempt from tax under Section 501(a) of the Code and described in Section 501(c)(3) of the Code, and the Company shall not conduct any activity that might adversely affect the tax-exempt status of the Member under Section 501(a) of the Code, which is described in Sections 501(c)(3) and 170(b)(1)(A)(ii) of the Code.

Notwithstanding any other provision hereof, no part of the Company's net earnings shall inure to the benefit of, or be distributable to, any contributor, director, manager, Company Manager, as

defined below, or officer of the Company or of the Member or any other individual or person, provided that the Company shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein; no substantial part of the activities of the Company shall consist of carrying on propaganda or otherwise attempting to influence legislation; the Company shall not participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office; and upon any dissolution or winding-up of the Company, its assets remaining after all debts and expenses have been paid or provided for shall be distributed by the Company to the Member, provided that the Member qualifies at such time as an organization described in Section 501(c)(3) of the Code.

5. **Member.**

- (i) **Identity.** Simultaneously with the execution and delivery of this Agreement and the filing of the Certificate of Amendment to the Company Certificate of Organization with the Department of State of the Commonwealth of Pennsylvania, Turning Points for Children is admitted as the Member of the Company in respect of the Interest (as hereinafter defined). The name and the mailing address of the Member are as follows:

<u>Name</u>	<u>Address</u>
Turning Points for Children	415 South 15th Street Philadelphia, PA 19146

- (ii) **Limitations on Powers.** The Member shall not have any right or power to take part in the management or control of the Company or its business and affairs or to act for or bind the Company in any way. Notwithstanding the foregoing, the Member shall have all the rights and powers specifically set forth in this Agreement and, to the extent not inconsistent with this Agreement, in the Act.
- (iii) **Inspection Rights.** The Member shall have the right, at any reasonable time, to inspect the Company's books and records, including all tax returns, at such Member's expense.
- (iv) **Exercise of Rights.** The Member may exercise its rights or obligations under this Agreement through a duly appointed representative.

6. **Interest.** The Company shall be authorized to issue a single class of limited liability company interest (the "**Interest**") including any and all benefits to which the holder of such Interest may be entitled in this Agreement, together with all obligations of such person to comply with the terms and provisions of this Agreement.

7. **Board of Managers.**

- (i) **Management.** The management of the Company shall be vested solely in a Board of Managers (each, individually, a "**Manager**" and, collectively, the "**Managers**")

or the "**Board**") that, subject to the restrictions contained in Section 7(ii) herein, shall have full, exclusive, and complete authority, power, and discretion to manage, direct, and control the business, affairs, and properties of the Company, including without limitation obtaining all insurance, permits, licenses, and approvals and remedies thereof, necessary or desirable to facilitate the purpose of the Company. The Managers of the Company are set forth on **Exhibit "A"** hereto.

- (ii) Conduct of the Business of the Company. So long as the Company shall be in existence, it shall conduct its business in a manner that is, and the Managers shall approve only those actions of the Company that are, at all times consistent with the Member's charitable mission, and the Managers shall cause the Company to:
- (1) conduct its business in accordance with all applicable laws;
 - (2) not commingle its assets with the assets of any other person or entity, including but not limited to the Member, and hold all of its assets in its own name;
 - (3) maintain records, books of account, bank accounts, financial statements, accounting records, and other entity documents separate and apart from those of any other person and not list its assets as assets on the financial statement of any other person or entity; provided, however, that the Company's assets may be included in a consolidated financial statement of the Member and in the Member's IRS Form 990, provided that: (a) appropriate notation shall be made on such consolidated financial statements and the Member's IRS Form 990 to indicate the separateness of the Company from the Member and to indicate that the Company's assets and credit are not available to satisfy the debts and other obligations of the Member or any other person or entity; and (b) such assets shall also be listed on the Company's own separate balance sheet;
 - (4) not maintain its assets in such a manner that will be costly or difficult to segregate, ascertain, or identify its individual assets from those of any other person or entity;
 - (5) pay any taxes required to be paid under applicable law;
 - (6) hold itself out to the public as a legal entity separate and distinct from any other person or entity, including but not limited to the Member, and conduct its business solely in its own name, correct any known misunderstanding regarding its separate identity, and not identify itself or any of its affiliates as a division or department of any other person or entity, including but not limited to the Member;
 - (7) maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations and pay its debts and liabilities from its own assets as the same shall become due;

- (8) allocate fairly and reasonably shared expenses with any other person or entity, including but not limited to the Member, (including, without limitation, shared office space) and use separate stationery, invoices, and checks bearing its own name;
- (9) maintain a sufficient number of employees (if any), consultants, and other service providers in light of the Company's contemplated business operations and pay the salaries of its own employees, if any, and costs of consultants and other service providers exclusively from its own funds; and
- (10) treat all of its employees (if any) exclusively as employees of the Company and not of the Member, such that the Company's employees are not entitled to the benefits of employment by the Member.

(iii) Number; Terms.

- (1) There shall be not less than three (3) and not more than nine (9) Company Managers.
- (2) At all times, a majority of the Board shall be current members of the Board of Directors of the Member, or duly elected replacements thereof, and at least one (1) member of the Board (the "**CAB Representative**") shall be selected by the Board from a slate of nominees presented to it by the Executive Director, which slate shall include only members of the Community Advisory Board (the "**CAB**") as described in Section 7(viii) herein.
- (3) Managers shall be elected for terms of two (2) years or until their successors are duly selected and qualified, provided that the CAB Representative shall be elected for a term of one (1) year or until his or her successor is duly selected and qualified. There is no limit to the number of consecutive terms that a Manager may serve.

- (iv) Vacancies. Vacancies in the Board, including vacancies resulting from an increase in the authorized number of Managers, shall be filled by election by a majority of the remaining members of the Board, even if the number remaining on the Board is less than a quorum. Any Manager so elected shall serve for the balance of the unexpired term of the Manager that he or she is replacing.

(v) Meetings.

- (1) Place of Meetings. The meetings of the Board may be held at such place within or without the Commonwealth of Pennsylvania as the Board may determine. In the absence of specification, such meetings shall be held at the registered office of the Company. Meetings may be held by means of conference telephone or similar communications equipment to the fullest extent permitted by Pennsylvania law.

- (2) Regular Meetings. Regular Meetings of the Board may be held at such times as the Board may determine but not less often than two (2) times each calendar year. Notice of Regular Meetings shall be provided to the Board at least ten (10) days prior to each Regular Meeting, provided that the Board may determine to provide a schedule of Regular Meetings ("**Schedule**") and the provision of the Schedule once a year shall be sufficient notice of the Regular Meetings.
 - (3) Special Meetings. Special Meetings of the Board may be called at any time by the President or upon the written request of twenty-five percent (25%) or more of the Managers stating the purpose of the meeting delivered to the Secretary. Any such request by the Managers shall state the time and place of the proposed meeting, and upon receipt of such request it shall be the duty of the Secretary to issue the call for such meeting promptly. If the Secretary shall neglect to issue such call, the Directors making the request may issue the call. Notice of a Special Meeting shall be given to the Board at least forty-eight (48) hours prior to each Special Meeting. Business at a Special Meeting shall be limited to the matters listed on the notice and related thereto.
- (vi) Quorum. A majority of the total number of the whole Board of Managers shall constitute a quorum at all meetings of the Board, and the acts of a majority of the Managers present at a meeting at which a quorum is present shall be the acts of the Board. If a quorum shall not be present at any meeting of the Board, the Managers present thereat may adjourn the meeting from time to time, without notice, other than an announcement at the meeting, until a quorum shall be present.
- (vii) Resignation and Removal.
 - (1) Resignation of Managers. A Manager may resign at any time by giving written notice to the President or to the Secretary of the Company. Such notice need not be accepted to be effective and shall take effect on the date of receipt or at any later time which the notice specifies.
 - (2) Removal of Managers. Any Manager may be removed at any time by the Member, with or without cause, to the fullest extent permitted by the Act.
- (viii) Community Advisory Board. The Company shall establish a Community Advisory Board (the "**CAB**"). The members of the CAB (hereinafter "**Community Advisors**") may be nominated by the Executive Director or his or her designee, and shall be appointed and may be removed, with or without cause, by the Board. The Executive Director shall use his or her discretion in selecting individuals to nominate to the CAB; the CAB may include representation from residents, community leaders, religious leaders, community stakeholders, and business owners in the community the Company serves. Community Advisors shall be at least eighteen (18) years of age. Community Advisors shall not have voting privileges regarding the activities of the Company and shall not be deemed

to be Managers or Members for the purposes of the Act or any other state or federal law, nor shall Community Advisors have any of the duties or obligations of a Manager or a Member under the Act or any other state or federal law.

- (ix) Advisory Boards. The Company may have such other Advisory Boards as the Board may determine, the members of which (hereinafter "Advisors") shall be appointed and may be removed, with or without cause, by the President. Advisors shall serve as advisors, ambassadors, and resources for the Company. Advisors shall not have voting privileges regarding the activities of the Company and shall not be deemed to be Managers or Members for the purposes of the Act or any other state or federal law, nor shall Advisors have any of the duties or obligations of a Manager or a Member under the Act or any other state or federal law.
- (x) Committees.
 - (1) Establishment. The Board may establish one or more standing or special committees. Except as otherwise provided in this Agreement, the Certificate, or applicable law, any committee may exercise such powers and functions as the Board may from time to time determine, provided that no committee shall have the authority to amend or repeal this Agreement, elect or remove any officer or Manager, authorize any merger or other fundamental transaction, or authorize the voluntary dissolution of the Company.
 - (2) Members. Except as the Board may otherwise determine and as provided in this Agreement, the President shall appoint all committee members and committee chairpersons and may appoint alternates for any member or chairperson of any committee. All members of the Executive Committee shall be Managers. All other committees shall have at least one (1) Manager as a member.
 - (3) Committee Reports. The Chairperson of each committee shall deliver a report of the activities of the committee to the Board as requested by the President. If the Chairperson of the committee is unable to be present for the committee report, the Chairperson may designate another member of the committee to deliver its report. The Board shall adopt rules of procedure as it deems necessary for the conduct of the affairs of each committee
- (xi) Executive Committee. There shall be an Executive Committee which, subject to this Agreement and the Certificate, shall have and may exercise the powers of the Board between meetings of the Board with general power to discharge the duties of the Board except as such power from time to time may be limited by the Board. The Executive Committee shall consist of the President, Secretary, and Treasurer of the Company and such other members of the Board as may be appointed by the Board. The Executive Committee may act only by a majority vote of its members.

The actions of the Executive Committee shall be reported to the Board at each Board Meeting or as often as may be required by the Board.

8. **Officers.**

- (i) **Officers.** The officers of the Company shall be natural persons of at least eighteen (18) years of age, and there shall be a President, a Secretary, and a Treasurer, each of whom shall be Managers currently in office and shall be elected as officers by the Board of Managers. In addition, as the Board of Managers may determine necessary, there may also be one or more Vice Presidents and assistant officers.

In addition to the powers and duties prescribed by this Agreement, the officers shall have such authority and shall perform such duties as from time to time shall be prescribed by the Board of Managers. The Board of Managers may add to the Company title of any officer (other than the President) a functional title in word or words descriptive of his or her powers or the general character of his or her duties. Any individual may hold more than one position.

- (ii) **Term.** The officers and assistant officers of the Company shall hold office for a term of one (1) year, commencing on January 1 of the year following meeting at which such officer is elected, or as specified in the resolution electing or appointing such officer, and until their successors are chosen and have qualified, unless they are sooner removed from office as provided by this Agreement.
- (iii) **Vacancies.** If the office of any officer or assistant officer becomes vacant, the vacancy shall be filled by the Managers in the manner set forth in this Agreement. The elected officer shall fill the unexpired portion of the term to which he or she is elected.
- (iv) **Agents or Employees.** The Board may by resolution designate the officer or officers who shall have authority to appoint such agents or employees as the needs of the Company may require. In the absence of such designation, this function may be performed by the President and may be delegated by the President to others in whole or in part.
- (v) **Removal of Officers, Agents or Employees.** The Board may remove at any time, with or without cause, any officer, agent, or employee of the Company.
- (vi) **Duties and Functions.** The officers shall have and exercise such duties and functions as usually attach to their offices, with such additional duties and functions and subject to such limitations as may be provided in this Agreement or established by the Board. Assistant officers shall perform such functions and have such responsibilities as the Board may determine.
- (vii) **Vice Presidents; Powers and Duties.** The Vice President, if any, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President; and if there be more than one (1) Vice President, their seniority in performing such duties and exercising such powers shall be determined by the Board or, in default of such determination, by the order in which they were first

elected. Each Vice President also shall have such powers and perform such duties as may be assigned to him or her by the Board. Each Vice President shall be an *ex officio* non-voting member of the Board of Managers.

- (viii) Executive Director. An Executive Director may be appointed and may be removed by the Board. The Executive Director shall be accountable to the Board of Managers and subject to the direction of the President and shall perform the duties and functions as may be prescribed from time to time by the Board of Managers. The Executive Director shall be an *ex officio* non-voting member of the Board of Managers and an *ex officio* non-voting member of all standing committees.

10. Capital Contributions. The initial member of the Company, Wordsworth Academy, made an initial capital contribution to the Company in exchange for the Interest, as provided for on **Exhibit "B."** The Member is not required to make any additional capital contribution to the Company, provided that the Member may make a capital contribution with respect to the Interest in such amounts and at such times as the Member may determine in the Member's sole discretion.

11. Distributions. At such time as the Member shall determine, the Member shall cause the Company to distribute to the Member any cash held by it that is neither reasonably necessary, in the judgment of the Board, for the operation of the Company nor otherwise in violation of the Act.

12. Accounting.

- (xii) Fiscal Year. The fiscal year of the Company shall be the same as that of the Member, which currently ends June 30.
- (xiii) Bank Accounts. Funds of the Company shall be deposited in its name in such bank or brokerage account or accounts as may be determined by the Company Managers.
- (xiv) Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Company shall be signed by such officer or officer's agent or agents of the Company and in such manner as shall from time to time be determined by resolution of the Managers.
- (xv) Annual Audit. The Company may obtain an independent audit of the Company's books and records, including those books and records of the Company from any agent or third party managing the Company's funds, and shall provide the Member with a copy thereof.
- (xvi) Compensation and Reimbursement. The Managers and officers shall not be paid for their services to the Company unless otherwise determined by the Member, except that the Managers and officers may be reimbursed for reasonable expenses in performance of their duties on behalf of the Company, provided that such

reimbursement does not adversely affect the Member's qualification as an organization exempt under Section 501(a) and described under Section 501(c)(3) of the Code or give rise to intermediate sanctions as defined in the Code.

13. **Tax Characterization.** It is the intention of the Member that the Company be disregarded for federal income tax and all relevant state tax purposes and that the activities of the Company be deemed to be activities of the Member for such purposes. All provisions of the Company's Certificate and this Agreement are to be construed so as to preserve that tax status under those circumstances.

14. **Dissolution.**

(xvii) **Distributions Upon Dissolution.** Upon the occurrence of an event set forth in Section 14(ii) hereof, and subject to Section 4 hereof, the Member shall be entitled to receive, after paying or making reasonable provision for all of the Company's creditors to the extent required by Section 8877 of the Act, the remaining funds and other assets of the Company.

(xviii) **Dissolution.** The Company shall dissolve, and its affairs shall be wound up, upon the earliest to occur of: (1) the decision of the Member; or (2) an event of dissolution of the Company under the Act.

15. **Liability and Indemnification.**

(xix) **Limitation of Liability.** No Member shall be liable under a judgment, decree, or order of a court, or in any other manner, for any debt, mortgage, pledge, encumbrance, lien, charge of any kind, or any other obligation or liability of the Company. The Member and the Managers shall not be personally liable for monetary damages for any action taken or failure to take any action other than as expressly provided in the Act. It is the intention of this Section to limit the liability of the Member and the Managers of this Company to the fullest extent permitted by any present or future provision of Pennsylvania law.

(xx) **Indemnification.** The Company shall hold harmless, defend, and indemnify any Member, Manager, or officer, and may by a resolution adopted by a vote of a majority of the Managers hold harmless, defend, and indemnify any employee or agent, of the Company when acting on behalf of the Company to the fullest extent permitted by the Act or any other present or future provision of Pennsylvania law. Unless ordered by a court, any indemnification under this Section shall be made by the Company only as authorized in the specific case upon a determination that indemnification is proper because the actions of the person to be indemnified were not unlawful and did not constitute self-dealing, willful misconduct, or recklessness or otherwise violate the standard of conduct provided in the Act. Such determination shall be made: (1) by the Managers by majority vote of a quorum consisting of Managers who are not parties to the action with regard to which the individual is to be indemnified; or (2) if such a quorum is not obtainable, or, even if obtainable, if a majority vote of a quorum of disinterested

Managers so directs, by independent legal counsel in a written opinion. The Company may procure insurance providing greater indemnification to those people and may share the premium cost with any of those people.

- (xxi) Advancing Expenses. Expenses incurred by a person entitled to be indemnified under this Section shall be paid by the Company in advance of the final disposition of any action, suit, or proceeding upon receipt of: (1) a written affirmation by the person of his or her good faith belief that he or she has met the relevant standard of conduct required by the Act or any other present or future provision of Pennsylvania law; and (2) a written undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Company.
- (xxii) Proceedings Initiated by Person Entitled to be Indemnified. Notwithstanding any other provision of this Agreement, the Company shall not indemnify any individual for any liability incurred in a proceeding initiated or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by a resolution of the Managers adopted by the affirmative vote of a majority of the Managers excluding any Managers seeking indemnification or by a resolution of the Member.
- (xxiii) Rights to Indemnification. Any rights to indemnification provided by this Agreement are not exclusive and do not exclude other rights of the indemnified individual. Any amendment or modification of this Agreement providing for indemnification pursuant to this Agreement that has the effect of limiting a person's rights to indemnification with respect to any act or failure to act occurring prior to the date of adoption of such amendment or modification shall not be effective as to that person unless he or she consents in writing to be bound by such amendment or modification. The rights provided by or granted pursuant to this Section to a person shall inure to the benefit of his or her heirs, executors, and administrators

16. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ANY CONFLICTS OF LAW RULES OR PRINCIPLES.

17. Severability. Except as otherwise provided in the succeeding sentence, every term and provision of this Agreement is intended to be severable, and if any term or provision of this Agreement is held by a Court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the remainder of this Agreement. The preceding sentence shall be of no force or effect if the consequence of enforcing the remainder of this Agreement without such illegal or invalid term or provision would be to cause any party to lose the benefit of its economic bargain.

18. **Counterparts.** This Agreement may be executed in any number of counterparts and by the different Parties on separate counterpart signature pages, with the same effect as if all the signatures thereto and hereto were upon the same instrument, and all such counterparts taken together shall constitute one and the same document. Signatures by facsimile shall have the same effect as original signatures.

19. **Amendment.** This Agreement may be amended only in a writing signed by the Member and the Company.

[Signature Page Follows]

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned has duly executed this Amended and Restated Operating Agreement as of the day and year first above written.

MEMBER:

TURNING POINTS FOR CHILDREN

By: _____
Its: _____

COMPANY:

TURNING POINTS FOR CHILDREN CUA 5,
LLC

By: _____

EXHIBIT A

COMPANY MANAGERS

The Managers of the Company, appointed by Turning Points for Children, the sole member of the Company, shall be:

- **[insert names of Managers]**

EXHIBIT B

INITIAL MEMBER CAPITAL CONTRIBUTION

Wordsworth Academy, the initial sole member of the Company, made an initial capital contribution in the amount of ten thousand dollars (\$10,000).

AMENDED AND RESTATED OPERATING AGREEMENT
OF
TURNING POINTS FOR CHILDREN CUA 10, LLC

This Amended and Restated Operating Agreement (this "**Agreement**") of Wordsworth CUA 10, LLC (the "**Company**") is entered into effective as of this ___ day of _____, 2017, by and between TURNING POINTS FOR CHILDREN, a Pennsylvania nonprofit corporation (the "**Member**"), as the sole member of the Company, and the Company (the Member and the Company are, collectively, the "**Parties**").

Pursuant to and in accordance with the Pennsylvania Uniform Limited Liability Company Law of 2016 (15 Pa.C.S. § 8811, *et seq.*), as amended from time to time (the "**Act**"), the Parties agree as follows:

1. **Name.** The name of the Company shall be Turning Points for Children CUA 10, LLC.
2. **Principal Office.** The principal office of the Company shall be c/o Turning Points for Children, 415 South 15th Street, Philadelphia, PA 19146, or such other place or places as the Member shall determine.
3. **Term.** The term of the Company shall commence as of the date of filing of the Certificate of Organization of the Company (the "**Certificate**") with the Department of State of the Commonwealth of Pennsylvania, and the Company shall be dissolved and its affairs wound up as provided in said Certificate, in this Agreement, or as otherwise provided in the Act.
4. **Purpose.** The Company is organized exclusively for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**") (these are the "**Purposes**"). The Purposes include: (i) to provide child welfare services to the community; and (ii) any other lawful business purpose, including taking any and all actions necessary, proper, advisable, or convenient for the accomplishment of the purposes set forth in the previous provisions that the Company may do under the Act; provided, however, that the Company shall not conduct or carry on any activity not permitted to be conducted or carried on by the Member or by an organization that is exempt from tax under Section 501(a) of the Code and described in Section 501(c)(3) of the Code, and the Company shall not conduct any activity that might adversely affect the tax-exempt status of the Member under Section 501(a) of the Code, which is described in Sections 501(c)(3) and 170(b)(1)(A)(ii) of the Code.

Notwithstanding any other provision hereof, no part of the Company's net earnings shall inure to the benefit of, or be distributable to, any contributor, director, manager, Company Manager, as defined below, or officer of the Company or of the Member or any other individual or person, provided that the Company shall be authorized and empowered to pay reasonable compensation

for services rendered and to make payments and distributions in furtherance of the purposes set forth herein; no substantial part of the activities of the Company shall consist of carrying on propaganda or otherwise attempting to influence legislation; the Company shall not participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office; and upon any dissolution or winding-up of the Company, its assets remaining after all debts and expenses have been paid or provided for shall be distributed by the Company to the Member, provided that the Member qualifies at such time as an organization described in Section 501(c)(3) of the Code.

5. **Member.**

(xxiv) **Identity.** Simultaneously with the execution and delivery of this Agreement and the filing of the Certificate of Amendment to the Company Certificate of Organization with the Department of State of the Commonwealth of Pennsylvania, Turning Points for Children is admitted as the Member of the Company in respect of the Interest (as hereinafter defined). The name and the mailing address of the Member are as follows:

Name

Address

Turning Points for Children

415 South 15th Street
Philadelphia, PA 19146

(xxv) **Limitations on Powers.** The Member shall not have any right or power to take part in the management or control of the Company or its business and affairs or to act for or bind the Company in any way. Notwithstanding the foregoing, the Member shall have all the rights and powers specifically set forth in this Agreement and, to the extent not inconsistent with this Agreement, in the Act.

(xxvi) **Inspection Rights.** The Member shall have the right, at any reasonable time, to inspect the Company's books and records, including all tax returns, at such Member's expense.

(xxvii) **Exercise of Rights.** The Member may exercise its rights or obligations under this Agreement through a duly appointed representative.

6. **Interest.** The Company shall be authorized to issue a single class of limited liability company interest (the "**Interest**") including any and all benefits to which the holder of such Interest may be entitled in this Agreement, together with all obligations of such person to comply with the terms and provisions of this Agreement.

7. **Board of Managers.**

(i) **Management.** The management of the Company shall be vested solely in a Board of Managers (each, individually, a "**Manager**" and, collectively, the "**Managers**" or the "**Board**") that, subject to the restrictions contained in Section 7(ii) herein, shall have full, exclusive, and complete authority, power, and discretion to

manage, direct, and control the business, affairs, and properties of the Company, including without limitation obtaining all insurance, permits, licenses, and approvals and remedies thereof, necessary or desirable to facilitate the purpose of the Company. The Managers of the Company are set forth on Exhibit "A" hereto.

- (ii) Conduct of the Business of the Company. So long as the Company shall be in existence, it shall conduct its business in a manner that is, and the Managers shall approve only those actions of the Company that are, at all times consistent with the Member's charitable mission, and the Managers shall cause the Company to:
- (1) conduct its business in accordance with all applicable laws;
 - (2) not commingle its assets with the assets of any other person or entity, including but not limited to the Member, and hold all of its assets in its own name;
 - (3) maintain records, books of account, bank accounts, financial statements, accounting records, and other entity documents separate and apart from those of any other person and not list its assets as assets on the financial statement of any other person or entity; provided, however, that the Company's assets may be included in a consolidated financial statement of the Member and in the Member's IRS Form 990, provided that: (a) appropriate notation shall be made on such consolidated financial statements and the Member's IRS Form 990 to indicate the separateness of the Company from the Member and to indicate that the Company's assets and credit are not available to satisfy the debts and other obligations of the Member or any other person or entity; and (b) such assets shall also be listed on the Company's own separate balance sheet;
 - (4) not maintain its assets in such a manner that will be costly or difficult to segregate, ascertain, or identify its individual assets from those of any other person or entity;
 - (5) pay any taxes required to be paid under applicable law;
 - (6) hold itself out to the public as a legal entity separate and distinct from any other person or entity, including but not limited to the Member, and conduct its business solely in its own name, correct any known misunderstanding regarding its separate identity, and not identify itself or any of its affiliates as a division or department of any other person or entity, including but not limited to the Member;
 - (7) maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations and pay its debts and liabilities from its own assets as the same shall become due;

- (8) allocate fairly and reasonably shared expenses with any other person or entity, including but not limited to the Member, (including, without limitation, shared office space) and use separate stationery, invoices, and checks bearing its own name;
- (9) maintain a sufficient number of employees (if any), consultants, and other service providers in light of the Company's contemplated business operations and pay the salaries of its own employees, if any, and costs of consultants and other service providers exclusively from its own funds; and
- (10) treat all of its employees (if any) exclusively as employees of the Company and not of the Member, such that the Company's employees are not entitled to the benefits of employment by the Member.

(iii) Number; Terms.

- (1) There shall be not less than three (3) and not more than nine (9) Company Managers.
- (2) At all times, a majority of the Board shall be current members of the Board of Directors of the Member, or duly elected replacements thereof, and at least one (1) member of the Board (the "CAB Representative") shall be selected by the Board from a slate of nominees presented to it by the Executive Director, which slate shall include only members of the Community Advisory Board (the "CAB") as described in Section 7(viii) herein.
- (3) Managers shall be elected for terms of two (2) years or until their successors are duly selected and qualified, provided that the CAB Representative shall be elected for a term of one (1) year or until his or her successor is duly selected and qualified. There is no limit to the number of consecutive terms that a Manager may serve.

- (iv) Vacancies. Vacancies in the Board, including vacancies resulting from an increase in the authorized number of Managers, shall be filled by election by a majority of the remaining members of the Board, even if the number remaining on the Board is less than a quorum. Any Manager so elected shall serve for the balance of the unexpired term of the Manager that he or she is replacing.

(v) Meetings.

- (1) Place of Meetings. The meetings of the Board may be held at such place within or without the Commonwealth of Pennsylvania as the Board may determine. In the absence of specification, such meetings shall be held at the registered office of the Company. Meetings may be held by means of conference telephone or similar communications equipment to the fullest extent permitted by Pennsylvania law.

- (2) Regular Meetings. Regular Meetings of the Board may be held at such times as the Board may determine but not less often than two (2) times each calendar year. Notice of Regular Meetings shall be provided to the Board at least ten (10) days prior to each Regular Meeting, provided that the Board may determine to provide a schedule of Regular Meetings ("Schedule") and the provision of the Schedule once a year shall be sufficient notice of the Regular Meetings.
 - (3) Special Meetings. Special Meetings of the Board may be called at any time by the President or upon the written request of twenty-five percent (25%) or more of the Managers stating the purpose of the meeting delivered to the Secretary. Any such request by the Managers shall state the time and place of the proposed meeting, and upon receipt of such request it shall be the duty of the Secretary to issue the call for such meeting promptly. If the Secretary shall neglect to issue such call, the Directors making the request may issue the call. Notice of a Special Meeting shall be given to the Board at least forty-eight (48) hours prior to each Special Meeting. Business at a Special Meeting shall be limited to the matters listed on the notice and related thereto.
- (vi) Quorum. A majority of the total number of the whole Board of Managers shall constitute a quorum at all meetings of the Board, and the acts of a majority of the Managers present at a meeting at which a quorum is present shall be the acts of the Board. If a quorum shall not be present at any meeting of the Board, the Managers present thereat may adjourn the meeting from time to time, without notice, other than an announcement at the meeting, until a quorum shall be present.
- (vii) Resignation and Removal.
 - (1) Resignation of Managers. A Manager may resign at any time by giving written notice to the President or to the Secretary of the Company. Such notice need not be accepted to be effective and shall take effect on the date of receipt or at any later time which the notice specifies.
 - (2) Removal of Managers. Any Manager may be removed at any time by the Member, with or without cause, to the fullest extent permitted by the Act.
- (viii) Community Advisory Board. The Company shall establish a Community Advisory Board (the "CAB"). The members of the CAB (hereinafter "Community Advisors") may be nominated by the Executive Director or his or her designee, and shall be appointed and may be removed, with or without cause, by the Board. The Executive Director shall use his or her discretion in selecting individuals to nominate to the CAB; the CAB may include representation from residents, community leaders, religious leaders, community stakeholders, and business owners in the community the Company serves. Community Advisors shall be at least eighteen (18) years of age. Community Advisors shall not have voting privileges regarding the activities of the Company and shall not be deemed

to be Managers or Members for the purposes of the Act or any other state or federal law, nor shall Community Advisors have any of the duties or obligations of a Manager or a Member under the Act or any other state or federal law.

- (ix) Advisory Boards. The Company may have such other Advisory Boards as the Board may determine, the members of which (hereinafter "Advisors") shall be appointed and may be removed, with or without cause, by the President. Advisors shall serve as advisors, ambassadors, and resources for the Company. Advisors shall not have voting privileges regarding the activities of the Company and shall not be deemed to be Managers or Members for the purposes of the Act or any other state or federal law, nor shall Advisors have any of the duties or obligations of a Manager or a Member under the Act or any other state or federal law.

- (x) Committees.

- (1) Establishment. The Board may establish one or more standing or special committees. Except as otherwise provided in this Agreement, the Certificate, or applicable law, any committee may exercise such powers and functions as the Board may from time to time determine, provided that no committee shall have the authority to amend or repeal this Agreement, elect or remove any officer or Manager, authorize any merger or other fundamental transaction, or authorize the voluntary dissolution of the Company.
 - (2) Members. Except as the Board may otherwise determine and as provided in this Agreement, the President shall appoint all committee members and committee chairpersons and may appoint alternates for any member or chairperson of any committee. All members of the Executive Committee shall be Managers. All other committees shall have at least one (1) Manager as a member.
 - (3) Committee Reports. The Chairperson of each committee shall deliver a report of the activities of the committee to the Board as requested by the President. If the Chairperson of the committee is unable to be present for the committee report, the Chairperson may designate another member of the committee to deliver its report. The Board shall adopt rules of procedure as it deems necessary for the conduct of the affairs of each committee
- (xi) Executive Committee. There shall be an Executive Committee which, subject to this Agreement and the Certificate, shall have and may exercise the powers of the Board between meetings of the Board with general power to discharge the duties of the Board except as such power from time to time may be limited by the Board. The Executive Committee shall consist of the President, Secretary, and Treasurer of the Company and such other members of the Board as may be appointed by the Board. The Executive Committee may act only by a majority vote of its members.

The actions of the Executive Committee shall be reported to the Board at each Board Meeting or as often as may be required by the Board.

8. Officers.

- (i) Officers. The officers of the Company shall be natural persons of at least eighteen (18) years of age, and there shall be a President, a Secretary, and a Treasurer, each of whom shall be Managers currently in office and shall be elected as officers by the Board of Managers. In addition, as the Board of Managers may determine necessary, there may also be one or more Vice Presidents and assistant officers.

In addition to the powers and duties prescribed by this Agreement, the officers shall have such authority and shall perform such duties as from time to time shall be prescribed by the Board of Managers. The Board of Managers may add to the Company title of any officer (other than the President) a functional title in word or words descriptive of his or her powers or the general character of his or her duties. Any individual may hold more than one position.

- (ii) Term. The officers and assistant officers of the Company shall hold office for a term of one (1) year, commencing on January 1 of the year following meeting at which such officer is elected, or as specified in the resolution electing or appointing such officer, and until their successors are chosen and have qualified, unless they are sooner removed from office as provided by this Agreement.
- (iii) Vacancies. If the office of any officer or assistant officer becomes vacant, the vacancy shall be filled by the Managers in the manner set forth in this Agreement. The elected officer shall fill the unexpired portion of the term to which he or she is elected.
- (iv) Agents or Employees. The Board may by resolution designate the officer or officers who shall have authority to appoint such agents or employees as the needs of the Company may require. In the absence of such designation, this function may be performed by the President and may be delegated by the President to others in whole or in part.
- (v) Removal of Officers, Agents or Employees. The Board may remove at any time, with or without cause, any officer, agent, or employee of the Company.
- (vi) Duties and Functions. The officers shall have and exercise such duties and functions as usually attach to their offices, with such additional duties and functions and subject to such limitations as may be provided in this Agreement or established by the Board. Assistant officers shall perform such functions and have such responsibilities as the Board may determine.
- (vii) Vice Presidents; Powers and Duties. The Vice President, if any, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President; and if there be more than one (1) Vice President, their seniority in performing such duties and exercising such powers shall be determined by the Board or, in default of such determination, by the order in which they were first

elected. Each Vice President also shall have such powers and perform such duties as may be assigned to him or her by the Board. Each Vice President shall be an *ex officio* non-voting member of the Board of Managers.

- (viii) Executive Director. An Executive Director may be appointed and may be removed by the Board. The Executive Director shall be accountable to the Board of Managers and subject to the direction of the President and shall perform the duties and functions as may be prescribed from time to time by the Board of Managers. The Executive Director shall be an *ex officio* non-voting member of the Board of Managers and an *ex officio* non-voting member of all standing committees.

10. Capital Contributions. The initial member of the Company, Wordsworth Academy, made an initial capital contribution to the Company in exchange for the Interest, as provided for on Exhibit "B." The Member is not required to make any additional capital contribution to the Company, provided that the Member may make a capital contribution with respect to the Interest in such amounts and at such times as the Member may determine in the Member's sole discretion.

11. Distributions. At such time as the Member shall determine, the Member shall cause the Company to distribute to the Member any cash held by it that is neither reasonably necessary, in the judgment of the Board, for the operation of the Company nor otherwise in violation of the Act.

12. Accounting.

- (i) Fiscal Year. The fiscal year of the Company shall be the same as that of the Member, which currently ends June 30.
- (ii) Bank Accounts. Funds of the Company shall be deposited in its name in such bank or brokerage account or accounts as may be determined by the Company Managers.
- (iii) Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Company shall be signed by such officer or officer's agent or agents of the Company and in such manner as shall from time to time be determined by resolution of the Managers.
- (iv) Annual Audit. The Company may obtain an independent audit of the Company's books and records, including those books and records of the Company from any agent or third party managing the Company's funds, and shall provide the Member with a copy thereof.
- (v) Compensation and Reimbursement. The Managers and officers shall not be paid for their services to the Company unless otherwise determined by the Member, except that the Managers and officers may be reimbursed for reasonable expenses in performance of their duties on behalf of the Company, provided that such

reimbursement does not adversely affect the Member's qualification as an organization exempt under Section 501(a) and described under Section 501(c)(3) of the Code or give rise to intermediate sanctions as defined in the Code.

13. **Tax Characterization.** It is the intention of the Member that the Company be disregarded for federal income tax and all relevant state tax purposes and that the activities of the Company be deemed to be activities of the Member for such purposes. All provisions of the Company's Certificate and this Agreement are to be construed so as to preserve that tax status under those circumstances.

14. **Dissolution.**

- (i) **Distributions Upon Dissolution.** Upon the occurrence of an event set forth in Section 14(ii) hereof, and subject to Section 4 hereof, the Member shall be entitled to receive, after paying or making reasonable provision for all of the Company's creditors to the extent required by Section 8877 of the Act, the remaining funds and other assets of the Company.
- (ii) **Dissolution.** The Company shall dissolve, and its affairs shall be wound up, upon the earliest to occur of: (1) the decision of the Member; or (2) an event of dissolution of the Company under the Act.

15. **Liability and Indemnification.**

- (i) **Limitation of Liability.** No Member shall be liable under a judgment, decree, or order of a court, or in any other manner, for any debt, mortgage, pledge, encumbrance, lien, charge of any kind, or any other obligation or liability of the Company. The Member and the Managers shall not be personally liable for monetary damages for any action taken or failure to take any action other than as expressly provided in the Act. It is the intention of this Section to limit the liability of the Member and the Managers of this Company to the fullest extent permitted by any present or future provision of Pennsylvania law.
- (ii) **Indemnification.** The Company shall hold harmless, defend, and indemnify any Member, Manager, or officer, and may by a resolution adopted by a vote of a majority of the Managers hold harmless, defend, and indemnify any employee or agent, of the Company when acting on behalf of the Company to the fullest extent permitted by the Act or any other present or future provision of Pennsylvania law. Unless ordered by a court, any indemnification under this Section shall be made by the Company only as authorized in the specific case upon a determination that indemnification is proper because the actions of the person to be indemnified were not unlawful and did not constitute self-dealing, willful misconduct, or recklessness or otherwise violate the standard of conduct provided in the Act. Such determination shall be made: (1) by the Managers by majority vote of a quorum consisting of Managers who are not parties to the action with regard to which the individual is to be indemnified; or (2) if such a quorum is not obtainable, or, even if obtainable, if a majority vote of a quorum of disinterested

Managers so directs, by independent legal counsel in a written opinion. The Company may procure insurance providing greater indemnification to those people and may share the premium cost with any of those people.

- (iii) Advancing Expenses. Expenses incurred by a person entitled to be indemnified under this Section shall be paid by the Company in advance of the final disposition of any action, suit, or proceeding upon receipt of: (1) a written affirmation by the person of his or her good faith belief that he or she has met the relevant standard of conduct required by the Act or any other present or future provision of Pennsylvania law; and (2) a written undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Company.
- (iv) Proceedings Initiated by Person Entitled to be Indemnified. Notwithstanding any other provision of this Agreement, the Company shall not indemnify any individual for any liability incurred in a proceeding initiated or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by a resolution of the Managers adopted by the affirmative vote of a majority of the Managers excluding any Managers seeking indemnification or by a resolution of the Member.
- (v) Rights to Indemnification. Any rights to indemnification provided by this Agreement are not exclusive and do not exclude other rights of the indemnified individual. Any amendment or modification of this Agreement providing for indemnification pursuant to this Agreement that has the effect of limiting a person's rights to indemnification with respect to any act or failure to act occurring prior to the date of adoption of such amendment or modification shall not be effective as to that person unless he or she consents in writing to be bound by such amendment or modification. The rights provided by or granted pursuant to this Section to a person shall inure to the benefit of his or her heirs, executors, and administrators

16. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ANY CONFLICTS OF LAW RULES OR PRINCIPLES.

17. Severability. Except as otherwise provided in the succeeding sentence, every term and provision of this Agreement is intended to be severable, and if any term or provision of this Agreement is held by a Court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the remainder of this Agreement. The preceding sentence shall be of no force or effect if the consequence of enforcing the remainder of this Agreement without such illegal or invalid term or provision would be to cause any party to lose the benefit of its economic bargain.

18. **Counterparts.** This Agreement may be executed in any number of counterparts and by the different Parties on separate counterpart signature pages, with the same effect as if all the signatures thereto and hereto were upon the same instrument, and all such counterparts taken together shall constitute one and the same document. Signatures by facsimile shall have the same effect as original signatures.

19. **Amendment.** This Agreement may be amended only in a writing signed by the Member and the Company.

[Signature Page Follows]

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned has duly executed this Amended and Restated Operating Agreement as of the day and year first above written.

MEMBER:

TURNING POINTS FOR CHILDREN

By: _____
Its: _____

COMPANY:

TURNING POINTS FOR CHILDREN CUA 10,
LLC

By: _____

EXHIBIT A

COMPANY MANAGERS

The Managers of the Company, appointed by Turning Points for Children, the sole member of the Company, shall be:

- **[insert names of Managers]**

EXHIBIT B

INITIAL MEMBER CAPITAL CONTRIBUTION

Wordsworth Academy, the initial sole member of the Company, made an initial capital contribution in the amount of ten thousand dollars (\$10,000).

EXHIBIT E

Certificate of Representations and Warranties of Wordsworth

The undersigned executive officers, acting in the capacities shown below, on behalf of Wordsworth Academy ("Wordsworth"), without personal liability, do hereby certify to PHMC that the representations and warranties set forth below are, to the best of each said officer's knowledge, information and belief after reasonable inquiry, true and correct in all material respects as of the date hereof:

A. Organization and Good Standing.

(i) Wordsworth is a non-profit corporation duly organized, validly existing, in good standing and subsisting under the laws of the Commonwealth of Pennsylvania and has all requisite corporate power and authority to carry on its activities and to execute, deliver and perform this Agreement and the transactions and the Affiliation contemplated hereby. This Agreement has been duly authorized by all proper corporate action of Wordsworth and constitutes the valid and binding obligation of Wordsworth, enforceable against Wordsworth in accordance with its terms.

(ii) Wordsworth is exempt from federal income taxes as a public charity under Sections 501(c)(3) and 509(a)(1) of the Code, as amended, and is duly registered as a charitable organization with the Pennsylvania Department of State, Bureau of Corporations and Charitable Organizations. Such status is not currently subject to, and to the best of Wordsworth's knowledge, is not threatened to be made subject to, any administrative or other proceeding by the Internal Revenue Service or any other governmental agency.

(iii) Wordsworth does not have, and since the date of its incorporation has never had, any members as defined in Section 5103 of the Pennsylvania Nonprofit Corporation Law of 1988, as amended, including specifically any members entitled to vote on any matter.

B. Powers, Consents; Absence of Conflicts with Other Agreements.

(i) To the best of Wordsworth's knowledge, the execution, delivery and performance of this Agreement by Wordsworth and the completion of the transactions contemplated by this Agreement do not and will not result in or constitute a conflict, violation, breach, default (or an event, which, with notice or lapse of time or both, would constitute a default), under, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any contract or other instrument or obligation to which Wordsworth is a party or by which Wordsworth may be bound. By execution of this Agreement, Wordsworth agrees that to the best of its knowledge it has provided any required notices of this

Agreement to all funding sources or Parties with which Wordsworth has a contract and shall have received bank consent approving this Agreement.

(ii) The consummation by Wordsworth of the Affiliation:

(a) is within its corporate powers, is not in contravention of law or of the terms of its organizational documents, and has been duly authorized by all appropriate corporate action;

(b) except as provided in Schedule B(ii)(b), does not require any approval or consent of, or filing with, any government, governmental entity, department, commission, board, agency or instrumentality, or any court, tribunal, or judicial or arbitral body, whether federal, state, or local (each a "Governmental Authority") bearing on the validity of this Agreement that is required by law or the regulations of any such Governmental Authority; and

(c) will neither conflict with, nor result in any breach or contravention of, or the creation of any lien, charge, restriction, or encumbrance under, any indenture, agreement, lease, instrument, or understanding to which it is a party or by which it is bound.

C. Binding Agreement. This Agreement constitutes the valid and legally binding obligation of Wordsworth and is and will be enforceable against it in accordance with the respective terms hereof.

D. Legal and Regulatory Compliance; Legal Proceedings.

(i) Except as provided in Schedule D, Wordsworth is in compliance with all applicable legal requirements and has timely filed all reports, data, and other information required to be filed with any Governmental Authority, except where a failure to be in compliance or file timely would not have an adverse effect on Wordsworth.

(ii) Except as provided in Schedule D, Wordsworth has not received notice of any proceeding or investigation by a Governmental Authority alleging, or based upon, a violation of any legal requirements that is currently pending or, if not currently pending, would not otherwise have an adverse effect on Wordsworth.

(iii) Except as provided in Schedule D, Wordsworth is not threatened with any proceeding or investigation by a Governmental Authority alleging, or based upon, a violation of any applicable legal requirements.

(iv) Except as provided in Schedule D, there is no action, suit, arbitration, hearing, investigation, audit, or other proceeding pending or threatened against Wordsworth, or which otherwise relates to or may affect the transactions contemplated hereby, at law or in equity, or before or by any Governmental Authority.

(v) Except as provided in Schedule D, no event has occurred or circumstance exists that is reasonably likely to give rise to, or serve as, the cause for the commencement of any such proceeding. There is no order, judgment, decree, ruling, injunction, or award to which Wordsworth is subject and Wordsworth has not received any notice or communication, written or oral, from any Governmental Authority regarding any actual or potential violation of or failure to comply with any such order, judgment, decree, ruling, injunction, or award.

E. Employment and Independent Contractors.

(i) Schedule E(i) hereto contains a true and accurate list of each Wordsworth employee (each, a **"Wordsworth Employee"**) and Wordsworth Independent Contractor (each, a **"Wordsworth Independent Contractor"**), together with a description of the Wordsworth Employee's or the Wordsworth Independent Contractor's job position, date of hire, and current salary and benefits.

(ii) Except as provided in Schedule E(ii), all federal, state, and local employment taxes have been reported and paid for all Wordsworth Employees and former Wordsworth Employees.

(iii) Schedule E(iii) describes all Wordsworth Employee benefits plans and programs, including without limitation, retirement, pension, disability, life insurance, and health care coverage (the **"Wordsworth Benefit Plans and Programs"**). As of the Effective Date, Wordsworth has paid all premiums, contributions, and other expenses due for such Wordsworth Benefit Plans and Programs and has fulfilled all other employer legal obligations and responsibilities with respect to the Wordsworth Benefit Plans and Programs.

(iv) Wordsworth is neither a party to, nor otherwise subject to, any collective bargaining or other agreement governing the wages and hours of the Wordsworth Employees. Wordsworth is not aware of any labor dispute or concern involving the Wordsworth Employees.

F. Financial Statements; Forms 990.

(i) Wordsworth has delivered to PHMC true and correct copies of the following financial statements of Wordsworth (the **"Wordsworth Financial Statements"**):

(a) audited Wordsworth Financial Statements for the fiscal years ended June 30, 2014, 2015, and 2016; and

(b) unaudited Wordsworth Financial Statement for the period beginning July 1, 2016 and, ending April 30, 2017.

(ii) The Wordsworth Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), applied on a consistent

basis throughout the periods indicated, and present fairly the financial condition of Wordsworth as of the dates indicated thereon.

(iii) Wordsworth has delivered or will deliver to PHMC true and correct copies of the IRS Forms 990 for the fiscal years ending as of June 30, 2014, 2015, and 2016, and a signed copy of the IRS Form 8879 for each return

G. No Undisclosed Liability. Except as and to the extent of the amounts specifically accrued or disclosed in the Wordsworth Financial Statements, Wordsworth has no liabilities (i) as of the date of the last Wordsworth Financial Statement that were required to be reported as liabilities and were not reflected on the Wordsworth Financial Statement or (ii) since that date. Wordsworth believes that there is no basis for the assertion against Wordsworth of any liability or obligation not fully and expressly accrued or disclosed in the Wordsworth Financial Statements or covered by insurance.

H. Events Subsequent to Most Recent Fiscal Year End. Except as set forth in Schedule (H), since June 30, 2016, there have been no:

- (i) material changes in the condition, financial or otherwise, of the operations of Wordsworth;
- (ii) fundamental changes to Wordsworth, its purpose, or structure;
- (iii) threatened Wordsworth Employee strikes, work stoppages, or labor disputes pertaining to Wordsworth;
- (iv) sales, assignments, transfers, or dispositions of any Wordsworth asset except in the ordinary course of operations, consistent with past custom and practice, and with comparable replacement thereof;
- (v) changes in the accounting methods or practices employed by Wordsworth, such as changes in depreciation or amortization policies; or
- (vi) transactions outside the ordinary course of operations or inconsistent with past custom and practice other than the closing of the residential treatment facility operation, the closing of the acute partial hospitalization program and the intent to enter into a bankruptcy.

I. Licenses. Schedule I hereto contains a true and accurate list and summary description of all licenses, registrations, certifications, permits, and approvals held by Wordsworth relating to the operation of Wordsworth, all of which are now and shall be as of the Effective Date in good standing. Except as provided in Schedule I, there is no provision or plan of corrections or other limitation on or threatened limitation on or revocation of any license, registration, certification, permit, or approval, except as described in Schedule I.

J. Contracts.

(i) Schedule J hereto contains a true and accurate list of all agreements, contracts, and commitments, written or oral, to which Wordsworth is a party or by which Wordsworth is bound (the **"Wordsworth Contracts"**), including, without limitation:

(a) notes, loans, credit agreements, mortgages, indentures, security agreements, operating leases, capital leases, mortgages, and other agreements and instruments relating to the borrowing of money or extension of credit and any contract of suretyship or guaranty;

(b) all employment and consulting agreements and arrangements, and all bonus, compensation, pension, insurance, retirement, deferred compensation and other plans, agreements, trusts, funds, and other arrangements for the benefit of the Wordsworth Employees and/or the Wordsworth Independent Contractors;

(c) licenses of patents, copyrights, trademarks, and other intangible property rights;

(d) agreements or commitments for capital expenditures;

(e) any joint venture, partnership, or other agreement involving a share of profits or losses;

(f) any contract, agreement, or arrangements with any affiliate;

(g) any agreement restricting competition or the business activities of any person or entity;

(h) any agreement for the purchase or sale of any Wordsworth asset;

(i) all deeds to the Wordsworth real property (the **"Wordsworth Real Property"**);

(j) any liens, easements, or other encumbrances on the Wordsworth Real Property;

(k) all Wordsworth Leases (as defined in Section 9.L(vi)); and

(l) any other agreements or obligations material to Wordsworth's operations.

(ii) Wordsworth has provided to PHMC a true and correct copy of a list of all Wordsworth Contracts and provided access to copies of all Wordsworth Contracts.

(iii) Other than the Lease for the property located at 3905 Ford Road, Philadelphia, PA (the "**Ford Road Lease**"), Wordsworth is not in default under the terms of any Wordsworth Contract. No event has occurred that would constitute a default by Wordsworth under any Wordsworth Contract, nor has Wordsworth received any notice of any default under any Wordsworth Contract. The counterparties to the Wordsworth Contracts are not in default under the terms thereof, nor has any event occurred that would constitute a default by any such counterparty under any Wordsworth Contract, nor has Wordsworth received any notice of any such counterparty's default under any Wordsworth Contract.

(iv) Wordsworth has not made prepayments or deposits under any Wordsworth Contract.

K. Subsidiaries. Wordsworth does not own or hold any common stock, partnership interests, or membership interests in any subsidiary other than CUA LLC5 and CUA LLC10.

L. Real Property.

(i) Wordsworth holds good and marketable title to all of its real property, the legal description of which is set forth in Schedule L(i) (the "**Wordsworth Real Property**"), free and clear of restrictions on or conditions to transfer or assignment, liens, pledges, charges, or encumbrances except as provided on Schedule L(i).

(ii) Except as provided on Schedule L(i), there are no leases, subleases, licenses, concessions, or other agreements, including any amendments, extensions, renewals, or guaranties with respect to the Wordsworth Real Property.

(iii) The Wordsworth Real Property is in compliance with all "**Environmental Laws,**" which shall include, but not be limited to, all the federal environmental laws, including the Clean Air Act, the Clean Water Act, CERCLA, the Resource Conservation and Recovery Act, the Emergency Planning and Community Right-To-Know Act, and Sections 6 and 8 of the Occupational Safety and Health Act of 1970, and any comparable or additional Pennsylvania or local environmental law.

(iv) Wordsworth has not received any written notice from any Governmental Authority or neighboring, upgradient, or downgradient property owner or other third party regarding any non-compliance with or violation of any Environmental Law with respect to the Wordsworth Real Property or the presence or release of hazardous substances in, on, under, or from the Wordsworth Real Property.

(v) Wordsworth has not caused any release of hazard substances to or from the Wordsworth Real Property.

(vi) Schedule L(vi) hereto contains an accurate list of each lease, sublease, license, concession, or other agreement, including all amendments, extensions,

renewals, guaranties, and other agreements with respect to any property leased by Wordsworth (each, a **"Wordsworth Lease"**).

(vii) With respect to each Wordsworth Lease:

(a) Such Wordsworth Lease is legal, valid, binding, enforceable, and in full force and effect;

(b) Wordsworth has not disturbed the possession and quiet enjoyment of any real property under such Wordsworth Lease and there are no disputes with respect to such Wordsworth Lease except as related to the Ford Road Lease;

(c) Neither Wordsworth nor any other party to the Wordsworth Lease is in breach or default under such Wordsworth Lease, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification, or acceleration of rent under such Wordsworth Lease;

(d) No tenant/lessee has subleased, licensed, or otherwise granted any person the right to use or occupy such leased real property or any portion thereof; and

(e) There are no liens or encumbrances on the estate or interest created by such Wordsworth Lease.

M. Regulatory Compliance. Except as set forth in Schedule M, the operations of Wordsworth comply with all applicable laws of any Government Authority having jurisdiction over Wordsworth and the operations of the facilities or their related ancillary services.

N. Insurance.

(i) Schedule N hereto is an accurate schedule of the insurance policies or self-insurance funds maintained by Wordsworth covering the ownership and operations of Wordsworth, indicating the type of insurance, policy numbers, identity of insurers, amounts, and coverage of each (the **"Wordsworth Insurance Policies"**).

(ii) All of the Wordsworth Insurance Policies are in full force and effect with no premium arrearage. Wordsworth has given in a timely manner to their insurers all notices required to be given under the Wordsworth Insurance Policies with respect to all of the claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions.

(iii) Wordsworth has not received any notice or other communication from any such insurance company canceling or materially amending any Wordsworth Insurance Policies or threatening to cancel or amend any Wordsworth Insurance Policy, and Wordsworth

has not failed to give any required notice or present any claim that is still outstanding under any of such Wordsworth Insurance Policies with respect to Wordsworth.

IN WITNESS WHEREOF, the undersigned have each set their hand and seal this 27th
day of June, 2017.

 (SEAL)
Diana Ramsay, Interim Chief Executive Officer

 (SEAL)
Donald Stewart, Chief Financial Officer

Schedules to Certificate of Representations and Warranties of Wordsworth:

Schedule B(ii)(b):	Consents
Schedule D:	Legal and Regulatory Compliance; Legal Proceedings
Schedule E(i):	Employees and Independent Contractors
Schedule E(ii):	Employment Taxes
Schedule E(iii):	Benefit Plans and Programs
Schedule H:	Change in Financial Conditions
Schedule I:	Limitations of Licenses
Schedule J:	Contracts
Schedule L(i)	Real Property
Schedule L(vi)	Leased Real Property
Schedule M:	Regulatory Compliance
Schedule N:	Insurance

SCHEDULE B(ii)(b)

Consents

Approval of the Pennsylvania Department of Human Services

Approval of the Pennsylvania Department of Education

Approval of Community Behavioral Health

[REDACTED]
SCHEDULE D

Legal and Regulatory Compliance; Legal Proceedings

General Liability Litigation

1. Mary Smith v. Wordsworth
2. Trequan Russell aka Shayana Russell v. Wordsworth—filed in CCP Philadelphia,

Employment

1. Marianne Infante v. Wordsworth—filed in Montgomery County CCP 2012-08179
2. Varnell Johnson v. Wordsworth—filed in EDPA 16-5724 (complaint attached).

Motor Vehicle

1. Canady and Diggs v. Wordsworth and Green—filed in Phila CCP April term, 2016-0433

RTF License Appeal

SCHEDULE E(I)

Employees and Independent Contractors

[CONFIDENTIAL]

Attachment 2

[List of Subcontractors and Staffing Agencies]

List of Staffing Agencies and Subcontractors

I. Wordsworth Academy (4A)

Abington Speech Pathology Inc.

Austill's Rehabilitation Services, Inc.

Axion Of Pennsylvania LLC

Career Concepts Inc.

FMA Professional Resources, Inc.

G4S Secure Solutions

General Healthcare Resource

Humanus Corporation

People Share LLC

Staffing Plus, Inc.

Top of the Clock Security

US Medical Staffing, Inc.

VNA Community Services Inc.

II. Wordsworth CUA 5 (4B)

Alliance Human Service

A Second Chance, Inc.

Being Beautiful

Bethanna

Bethany Christian Services

Carson Valley Children's Aid

Catholic Social Services

Children's Choice, Inc.
Children's Home of Easton
Children's Service, Inc.
Childway
Child First Services
Concern Professional Services
Concilio
Delta Community Supports
Devereux Foundation
Elwyn
First Home Care
Friendship House
George Junior Republic
Jewish Family & Children's Service
Juvenile Justice Center/Philadelphia
Kids Peace
Methodist Family Services
New Foundations
Northeast Treatment
Northern Children's Services
(PATH) People Acting to Help
Pediatric Specialty Care – Philadelphia
Pediatric Specialty Care – Point Pleasant
Pedia Manor
Pradera Corporation

Presbyterian Children's Village

Progressive Life Center, Inc.

Silver Springs

Tabor Children's Services

The Villa

Turning Points For Children

Valley Youth House

Visionquest

Woods Services

Youth Service, Inc.

III. Wordsworth CUA 10 (4C)

Alliance Human Service

A Second Chance Inc.

Being Beautiful

Bethanna

Bethany Christian Services

Carson Valley Children's Aid

Catholic Social Services

Children's Choice, Inc.

Children's Home of Easton

Children's Service, Inc.

Child First Services

Concilio

Concern Professional Services

Delta Community Supports

Devereux Foundation

Elwyn

First Choice Home & Community

First Home Care

Friendship House

George Junior Republic

Jewish Family & Children's Service

Juvenile Justice Center – Philadelphia

Kids Peace

New Foundations

Northeast Treatment

Northern Children's Services

Pradera Corporation

Presbyterian Children's Village

Progressive Life Center, Inc.

Silver Springs

Tabor Children's Services

The Villa

Turning Points for Children

Valley Youth House

Visionquest

Woods Services

Youth Service, Inc.

APPENDIX B

[FINANCIAL PROJECTIONS]

Wordsworth Academy
Summary of Projected Financial Statements

	FY2018									
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	FY2019	FY2020	FY2021	FY2022
<u>Statement of Activity</u>										
Revenue	3,669,893	3,676,986	3,728,269	3,688,304	3,661,795	3,613,633	14,296,486	14,725,381	15,167,142	15,622,156
Personnel Expenses	2,675,279	2,435,207	2,674,177	2,590,140	2,673,642	2,591,713	10,135,478	10,439,542	10,752,729	11,075,310
Occupancy Expenses	225,400	224,903	224,636	226,622	228,101	230,996	611,642	629,991	648,891	668,358
Operating Expenses	669,757	672,317	676,048	668,912	672,638	685,938	2,019,786	2,080,380	2,142,791	2,207,075
Depreciation & Amortization	32,020	27,407	23,499	17,857	16,026	15,264	410,524	450,426	460,296	470,166
Interest Expenses	41,377	45,550	50,298	53,964	56,211	58,876	267,323	227,421	217,551	207,681
Total Expenses	3,643,834	3,405,383	3,648,658	3,557,494	3,646,618	3,582,787	13,444,753	13,827,760	14,222,258	14,628,590
Excess Contribution	26,059	271,603	79,611	130,809	15,177	30,845	851,733	897,620	944,885	993,566

Wordsworth Academy
Summary of Projected Financial Statements

	FY2018									
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	FY2019	FY2020	FY2021	FY2022
<u>Balance Sheet</u>										
Assets										
Current Assets										
Cash	-	-	-	-	-	-	361,176	1,320,776	2,294,747	3,283,223
Accounts Receivable (net of reserve)	6,762,965	6,803,920	6,871,459	6,884,763	6,905,741	6,913,461	2,959,349	3,164,894	3,413,356	3,706,022
Prepaid Expenses	761,481	761,481	761,481	761,481	761,481	761,481	761,481	761,481	761,481	761,481
Total Current Assets	7,524,446	7,565,401	7,632,940	7,646,244	7,667,222	7,674,942	4,082,006	5,247,152	6,469,584	7,750,726
Property, Plant & Equipment										
Land	1,296,000	1,296,000	1,296,000	1,296,000	1,296,000	1,296,000	1,296,000	1,296,000	1,296,000	1,296,000
Building Improvements	17,624	17,624	17,624	17,624	17,624	17,624	17,624	17,624	17,624	17,624
Leasehold Improvements	13,432,529	13,432,529	13,432,529	13,432,529	13,432,529	13,432,529	13,432,529	13,432,529	13,432,529	13,432,529
Computer	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856
Furniture and Fixtures	3,573,858	3,573,858	3,573,858	3,573,858	3,573,858	3,573,858	3,573,858	3,573,858	3,573,858	3,573,858
Vehicles & Equipment	980,983	980,983	980,983	980,983	980,983	980,983	980,983	980,983	980,983	980,983
Accumulated Depreciation	(17,775,981)	(17,802,956)	(17,826,576)	(17,846,684)	(17,862,761)	(17,876,840)	(18,287,364)	(18,737,789)	(19,198,085)	(19,668,251)
Total Property, Plant and Equipment	5,475,869	5,448,894	5,425,274	5,405,166	5,389,089	5,375,010	4,964,486	4,514,061	4,053,765	3,583,599
Non-Current Assets										
Other Assets	346,625	346,625	346,625	346,625	346,625	346,625	346,625	346,625	346,625	346,625
Total Non-Current Assets	346,625	346,625	346,625	346,625	346,625	346,625	346,625	346,625	346,625	346,625
Total Assets	13,346,940	13,360,919	13,404,840	13,398,035	13,402,935	13,396,577	9,393,117	10,107,837	10,869,974	11,680,950
Liabilities And Net Assets										
Current Liabilities										
Line of Credit	2,947,296	3,287,731	3,765,667	4,148,547	4,752,693	4,725,922	-	-	-	-
DIP Financing	-	-	-	-	-	-	-	-	-	-
Note Payable - Term Loan (M&T)	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Deferred Rent	4,615	4,615	4,615	4,615	4,615	4,615	4,615	4,615	4,615	4,615
Accounts Payable	2,289,144	1,706,321	1,208,481	705,905	107,201	111,249	169,978	175,077	180,330	185,740
Accrued Expenses	565,315	565,315	565,315	565,315	565,315	565,315	565,315	565,315	565,315	565,315
Total Current Liabilities	6,406,370	6,163,982	6,144,078	6,024,382	6,029,824	6,007,101	1,339,908	1,345,007	1,350,260	1,355,670
Long Term Liabilities										
Note Payable - Term Loan (M&T)	4,084,333	4,068,667	4,053,000	4,037,333	4,021,667	4,006,000	3,818,000	3,630,000	3,442,000	3,254,000
Deferred Rent	1,215,455	1,215,455	1,215,455	1,215,455	1,215,455	1,215,455	1,215,455	1,215,455	1,215,455	1,215,455
Total Long Term Liabilities	5,299,788	5,284,122	5,268,455	5,252,788	5,237,122	5,221,455	5,033,455	4,845,455	4,657,455	4,469,455
Total Liabilities	11,706,158	11,448,103	11,412,533	11,277,170	11,266,945	11,228,556	6,373,363	6,190,462	6,007,715	5,825,125
Net Assets	1,640,782	1,912,816	1,992,307	2,120,865	2,135,990	2,168,021	3,019,754	3,917,375	4,862,259	5,855,826
Unrestricted	13,346,940	13,360,919	13,404,840	13,398,035	13,402,935	13,396,577	9,393,117	10,107,837	10,869,974	11,680,950

Wordsworth Academy
Summary of Projected Financial Statements

	FY2018									
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	FY2019	FY2020	FY2021	FY2022
<u>Cash Flow</u>										
Cash Receipts:										
Accounts Receivable	3,638,998	3,636,031	3,660,730	3,675,000	3,640,817	3,605,912	18,250,599	14,519,835	14,918,680	15,329,490
Other Cash Receipts	-	-	-	-	-	-	-	-	-	-
Financing Proceeds	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts	3,638,998	3,636,031	3,660,730	3,675,000	3,640,817	3,605,912	18,250,599	14,519,835	14,918,680	15,329,490
Operating Disbursements:										
Personnel Expenses	2,663,682	2,423,632	2,657,427	2,578,542	2,662,067	2,580,138	10,135,478	10,439,542	10,752,729	11,075,310
Accounts Payable	1,493,360	1,491,618	1,415,274	1,409,708	1,511,019	924,460	2,572,699	2,705,271	2,786,430	2,870,023
Other	-	-	-	-	-	-	-	-	-	-
Total Operating Disbursements	4,157,042	3,915,250	4,072,702	3,988,249	4,173,086	3,504,598	12,708,177	13,144,814	13,539,158	13,945,333
Operating Cash Flow	(518,045)	(279,219)	(411,972)	(313,249)	(532,269)	101,314	5,542,421	1,375,021	1,379,522	1,384,157
Non- Operating Disbursements:										
Interest - Term Debt M&T	18,193	18,553	19,945	20,100	18,316	18,771	237,291	227,421	217,551	207,681
Principal - Term Debt M&T	15,667	15,667	15,667	15,667	15,667	15,667	188,000	188,000	188,000	188,000
Interest - Term Debt P&L	-	-	-	-	-	-	-	-	-	-
Principal - Term Debt P&L	-	-	-	-	-	-	-	-	-	-
Interest - Line of Credit	23,185	26,997	30,352	33,864	37,894	40,105	30,032	-	-	-
Restructuring Fees	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Disbursements	57,044	61,216	65,965	69,630	71,877	74,543	455,323	415,421	405,551	395,681
Net Cash Flow	(575,089)	(340,435)	(477,937)	(382,879)	(604,146)	26,771	5,087,098	959,600	973,971	988,476
Ending Cash Balance	-	-	-	-	-	-	361,176	1,320,776	2,294,747	3,283,223
Line of Credit Balance	2,947,296	3,287,731	3,765,667	4,148,547	4,752,693	4,725,922	-	-	-	-
Line of Credit Availability	1,922,039	1,611,091	1,181,783	808,482	219,440	251,770	2,059,707	2,202,766	2,375,696	2,579,391

APPENDIX C

[LIQUIDATION ANALYSIS]

Wordworth Academy
Liquidation Analysis

As of December 30, 2017			
	Projected Book Value	% Recovery	\$
Assets:			
Cash	-	100%	-
Accounts Receivable	4,993,448	75%	3,745,086
Investment Account	-	95%	-
Deposits (1)	124,200	0%	-
Prepaid Expenses	29,306	25%	7,327
Prepaid Insurance	1,016,210	50%	508,105
Autos	7,770		15,000
Real Estate (2)	9,500,000	80%	7,600,000
Furniture & Fixtures	549,148	5%	27,457
Computers	136,950	10%	13,695
Other Assets	-	0%	-
Total Assets	16,357,032		11,916,670
Liquidation/Administrative Expenses			(1,307,500)
Funds Available for Secured Debt			10,609,170
Secured Debt:			
Line of Credit	3,270,521	100%	3,270,521
1st Mortgage (M&T)	4,870,106	100%	4,870,106
2nd Mortgage (Play & Learn)	1,500,000	100%	1,500,000
Total Secured Debt	9,640,627		9,640,627
Funds Available for Unsecured Debt			968,543
Priority Claims:			
Payroll & taxes (includes vacation)	960,103	100%	960,103
Total Priority Claims	960,103		960,103
Funds Available for Unsecured Claims			8,440
Unsecured Claims:			
Warn Act Claims	-	100%	-
Litigation Claims	-	100%	-
Litigation Claims (IBNR)	-	100%	-
Landlord Claims	2,489,744	100%	2,489,744
SubContractors - A/P	3,000,000	100%	3,000,000
SubContractors - Accrual	-	100%	-
Accounts Payable Vendors	1,159,397	100%	1,159,397
Accrued Expenses - Other	91,245	100%	91,245
Total Unsecured Claims	6,740,386		6,740,386
Percent paid on unsecured claims			0.1%

APPENDIX D

[AUDITED FINANCIALS FOR FISCAL YEAR ENDED JUNE 30, 2016]

WORDSWORTH ACADEMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

**WORDSWORTH ACADEMY
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INDEPENDENT AUDITORS' REPORT

CliftonLarsonAllen LLP
CLAconnect.com

Board of Trustees
Wordsworth Academy
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Wordsworth Academy (a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wordsworth Academy as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



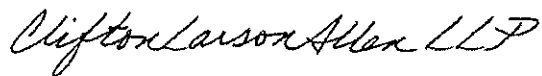
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2016 and 2015 schedules of functional expenses are presented for additional analysis and are not a required part of the financial statements. The accompanying Chartered/Approved Private School Expense Report, as required by the Commonwealth of Pennsylvania, is also presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal, state and city awards is presented for purposes of additional analysis, as required by the U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Philadelphia Subrecipient Audit Guide, is also presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Report of Revenue by Functional Program, Report of Functional Expenditures, Report of Excess Revenue (Expenses), included on pages 35 through 38, are also presented for additional analysis, as required by the City of Philadelphia Department of Human Services and are also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2017, on our consideration of Wordsworth Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wordsworth Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 6, 2017

**WORDSWORTH ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 268,307	\$ 266,444
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$230,210 in 2016, \$425,000 in 2015	13,547,868	12,811,688
Investments	26,878	29,846
Environmental Escrow	13	75,000
Inventory	25,660	20,000
Prepaid Expenses	313,178	367,396
Total Current Assets	<u>14,181,904</u>	<u>13,570,374</u>
PROPERTY AND EQUIPMENT	6,580,772	6,901,345
OTHER ASSETS	<u>294,185</u>	<u>292,085</u>
Total Assets	<u><u>\$ 21,056,861</u></u>	<u><u>\$ 20,763,804</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of Credit	\$ 1,731,225	\$ 112,620
Current Portion of Note Payable	600,000	600,000
Accounts Payable and Accrued Expenses	10,387,950	12,581,295
Deferred Income	239,999	244,614
Total Current Liabilities	<u>12,959,174</u>	<u>13,538,529</u>
LONG-TERM LIABILITIES		
Note Payable, Net of Current Portion	4,700,000	5,300,000
Deferred Rent	1,113,850	1,186,183
Total Long-Term Liabilities	<u>5,813,850</u>	<u>6,486,183</u>
Total Liabilities	18,773,024	20,024,712
NET ASSETS		
Unrestricted	2,257,671	672,926
Temporarily Restricted	26,166	66,166
Total Net Assets	<u>2,283,837</u>	<u>739,092</u>
Total Liabilities and Net Assets	<u><u>\$ 21,056,861</u></u>	<u><u>\$ 20,763,804</u></u>

See accompanying Notes to Financial Statements.

**WORDSWORTH ACADEMY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Commonwealth of Pennsylvania	\$ 7,732,971	\$ -	\$ 7,732,971	\$ 7,761,250	\$ -	\$ 7,761,250
City of Philadelphia - Department of Human Services	402,616	-	402,616	1,210,031	-	1,210,031
City of Philadelphia - Department of Human Services						
Community Umbrella Agencies (CUA)	39,281,183	-	39,281,183	23,658,593	-	23,658,593
City of Philadelphia - Department of Human Services						
Subcontractors to Community Umbrella Agency (CUA)	2,119,134	-	2,119,134	1,134,643	-	1,134,643
School District of Philadelphia	5,111,051	-	5,111,051	4,422,361	-	4,422,361
Community Behavioral Health (CBH)	15,479,218	-	15,479,218	15,000,075	-	15,000,075
Other Local School Districts in Pennsylvania	3,499,384	-	3,499,384	3,266,910	-	3,266,910
Other Fees and Grants	3,914,124	-	3,914,124	3,264,881	-	3,264,881
Other Revenues and Support	343,239	-	343,239	398,963	-	398,963
Subtotal	77,882,920	-	77,882,920	60,117,707	-	60,117,707
NET ASSETS RELEASED FROM RESTRICTIONS						
	40,000	(40,000)	-	-	-	-
Total Support and Revenue	77,922,920	(40,000)	77,882,920	60,117,707	-	60,117,707
EXPENSES						
Education Services	10,329,922	-	10,329,922	10,445,829	-	10,445,829
Acute Services	13,539,676	-	13,539,676	13,030,888	-	13,030,888
Community Based Services	46,626,221	-	46,626,221	29,845,606	-	29,845,606
Total Program Services	70,495,819	-	70,495,819	53,322,323	-	53,322,323
SUPPORTING SERVICES						
Management and General	5,693,523	-	5,693,523	5,193,681	-	5,193,681
Fundraising	148,833	-	148,833	134,371	-	134,371
Total Supporting Services	5,842,356	-	5,842,356	5,328,052	-	5,328,052
Total Expenses	76,338,175	-	76,338,175	58,650,375	-	58,650,375
CHANGES IN NET ASSETS						
	1,584,745	(40,000)	1,544,745	1,467,332	-	1,467,332
Net Assets - Beginning of Year (Deficiency)	672,926	66,166	739,092	(794,406)	66,166	(728,240)
NET ASSETS - END OF YEAR	<u>\$ 2,257,671</u>	<u>\$ 26,166</u>	<u>\$ 2,283,837</u>	<u>\$ 672,926</u>	<u>\$ 66,166</u>	<u>\$ 739,092</u>

See accompanying Notes to Financial Statements.

**WORDSWORTH ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,544,745	\$ 1,467,332
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,087,688	981,849
Amortization	-	52,773
Donation of Investments	-	(12,745)
Net Unrealized (Gain) Loss on Investments	2,968	(2,513)
Change in Allowance for Doubtful Accounts	(174,790)	(3,770)
Deferred Rent	(72,333)	(66,781)
(Increase) Decrease in:		
Accounts Receivable	(561,390)	(6,698,800)
Inventory	(5,660)	-
Prepaid Expenses	54,218	8,814
Other Assets	(2,100)	(117,833)
Increase (Decrease) in:		
Deferred Income	(4,615)	(3,550)
Accounts Payable and Accrued Expenses	(2,193,345)	5,783,366
Net Cash Provided (Used) by Operating Activities	<u>(324,614)</u>	<u>1,388,142</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(767,115)	(861,117)
Deposits to Assets - Restricted Use	-	(432,211)
Deposits to Environmental Escrow	-	(75,000)
Disbursement from Environmental Escrow	74,987	-
Disbursement from Assets - Restricted Use	-	1,790,287
Net Cash Provided (Used) by Investing Activities	<u>(692,128)</u>	<u>421,959</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under Line of Credit	8,733,383	33,873,005
Repayments under Line of Credit	(7,114,778)	(36,187,011)
Principal Payments of Bonds Payable	-	(5,470,000)
Proceeds from Note Payable	-	6,000,000
Principal Payments of Note Payable	(600,000)	(100,000)
Repayments of Capital Lease Obligations	-	(6,652)
Net Cash Provided (Used) by Financing Activities	<u>1,018,605</u>	<u>(1,890,658)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,863	(80,557)
Cash and Cash Equivalents, Beginning of Year	<u>266,444</u>	<u>347,001</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 268,307</u>	<u>\$ 266,444</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 368,254</u>	<u>\$ 691,329</u>

See accompanying Notes to Financial Statements.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Wordsworth Academy ("Wordsworth") is a non-profit Pennsylvania corporation whose mission is to provide education, behavioral health and child welfare services to children and youth who are experiencing emotional, behavioral and academic challenges so that they are empowered to reach their potential and lead productive, fulfilling lives. For over 60 years, Wordsworth has been committed to the needs of children and families in the Greater Philadelphia area, by providing quality education, treatment and care to children and families with special needs. The agency's primary objective is to help each child be successful in his or her family and community.

Wordsworth was founded in 1952 as a school to meet the needs of learning disabled children. During its sixty plus year history, the agency has continuously developed its array of services and approach to treatment in response to the changing needs of its clients and to an ever-evolving body of research and best practices. Currently, Wordsworth provides thirteen distinct programs through a broad continuum of care in the education, behavioral health and child welfare arenas to more than 2500 children, youth and families per year. Wordsworth's diversity of services and experience in residential, behavioral health, child welfare and education services makes it unique in the provider community and offers optimum opportunity for integration and seamless services to the children and families Wordsworth serves.

Wordsworth's continuum of care includes:

- ***Wordsworth Approved Private School:*** The Approved Private School (APS) is a specialized education setting for emotionally disturbed, learning disabled students ages 5 through 21 who have had difficulty achieving in a traditional classroom setting. The APS offers small class size and an array of specialized support services that enhance the learning experience and produce positive outcomes for students. In addition to the academic focus, Wordsworth APS recognizes that learning social skills is important for students and includes a variety of social and recreational activities in each student's schedule throughout the school year.
- ***The SPIRIT Program:*** Wordsworth (SPIRIT) program educates students ages 7 through 21 who have intellectual disabilities, developmental delays, emotional challenges, behavioral difficulties, and autism spectrum disorders. SPIRIT provides state-of-the-art special education methods, therapy, adaptive equipment and materials, technology, and other interventions to address individual student needs.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

- ***Residential Treatment Facility:*** Wordsworth Residential Treatment Facility (RTF) is a behavioral health program that collaborates with Managed Care Organizations throughout the state of Pennsylvania to meet the treatment needs of their consumers. This program helps girls and boys, ages 9-19, who need the structure and security of a daily treatment program. Through holistic, trauma-informed programming, clients receive the structure and treatment they need to become lifelong learners and productive members of society. Residential clients are educated at the program site so that their treatment and education are integrated and responsive to the whole child. Family work is an important piece of the residential treatment as reunification is the ultimate goal when possible.

On Thursday October 13, 2016 an incident involving a 17-year old teenager occurred at Wordsworth's Residential Treatment Facility on Ford Road in Philadelphia. The teen became aggressive, requiring multiple staff members to intervene for safety. During this intervention, the client became unresponsive, and despite the best efforts by agency staff, and subsequently EMS personnel, he could not be resuscitated. In response to this tragic fatality the Pennsylvania State Bureau of Human Services Licensing revoked Wordsworth's license to operate a residential treatment facility and the agency's program was closed. Wordsworth has appealed this decision. All other Wordsworth programs continue to operate. Management cannot estimate the full effect of this closure will have on Wordsworth at this given time.

- ***Hope Springs:*** Hope Springs at Wordsworth is an acute partial hospitalization program that provides a comprehensive treatment and education program in a safe and nurturing environment to assist young children who are experiencing acute emotional and behavioral issues. This program treats children, ages 5-13, who are in acute crisis and cannot be managed in their regular education program. It is a short term program that provides the structure and security of a daily treatment program without a residential component.
- ***STARS Education Program:*** Students residing in the RTF attend the on campus year-round STARS school program. The goal is to provide Pennsylvania State Standard based instruction while students are receiving therapeutic treatment. The STARS program at Wordsworth provides educational services with a curriculum aligned with PA state standards and the Philadelphia School District. Wordsworth teachers use current instructional practices to maintain and advance students' content knowledge and skill levels and report progress to the home school district.

WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

- ***Family First Services:*** Wordsworth's Family First Services (FFS) program places children who have been removed from their homes due to safety concerns into safe, caring families where their physical, educational, emotional and social needs are met. Resource parents are recruited, trained and certified by the FFS staff. These resource homes are available to provide a safe and caring temporary home for children whose biological family needs time to overcome the challenges that make it unsafe for the children to remain with them. The Special Behavioral Health level of care provides safe, caring families for children exhibiting more serious behavioral and/or emotional needs who have been removed from their homes due to safety concerns. This program provides increased supports to children, their families, and the resource families in order to address all of the child's emotional, behavioral, physical, social and academic needs.
- ***Community Residential Rehabilitation/Host Home (CRR/HH):*** The CRR/Host Home program provides community based residential services to children and adolescents with significant behavioral health issues who are unable to live in their biological or surrogate homes. This program is an alternative to more restrictive residential placement, as youth in the program participate in treatment services while living with specially trained "host home" families in community settings.
- ***Community Umbrella Agencies (CUAs):*** A Community Umbrella Agency (CUA) is part of the Philadelphia DHS "Improving Outcomes for Children" (IOC) initiative to strengthen child welfare services in Philadelphia. The two Wordsworth CUA's engage families and communities in raising safe, healthy and productive children through a strong network of resources, supports and services that strengthen individuals, family and community protective factors in order to reduce child abuse and neglect. The Wordsworth CUAs are responsible for providing all of the case-management services for children and families involved in the child-welfare system within the agency's designated regions (Region 5 and Region 10 of the City of Philadelphia). The CUAs act as a liaison between families and other services and resources within the community in order to connect families to what they need to be strong. The CUAs provide in-home safety and non-safety services (once the role of the In Home Protective Services program) and also have the responsibility to place children in resource homes when they need to be removed from their living situation for safety reasons. The CUA case managers and staff have the ultimate goal of reunifying children with their biological families or moving a child into another type of permanent living arrangement.
- ***Out-of-School-Time Programs:*** Wordsworth's Out of School Time Programs provide children in grades K-8 with after school and summer programming designed to promote academic, social and physical growth and development. Programs offer a range of activities including homework help/tutoring, art, music, sports/physical activity, field trips, and civic/community enrichment activities.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

- ***Family Based Mental Health Services:*** : Family Based Mental Health Services is an intensive, team delivered service consisting of family therapy, case management, and family support services delivered to the family in their own home. The goal of the program is to prevent out-of-home placement of children and adolescents with serious emotional issues by helping families develop more effective strategies for meeting the behavioral and emotional needs of its members. Services include in-home family and individual therapy, family education and skill building, case management and resource development, and 24/7 crisis intervention services. Wordsworth has family based teams that specialize in providing services to families impacted by trauma, families that are managing ongoing medical issues, and Spanish speaking families.
- ***Behavioral Health Rehabilitation Services:*** The Behavioral Health Rehabilitation Service Program, commonly known as “wraparound,” provides behavioral health treatment and services to children with emotional and behavioral health issues in home, school and community settings. The goal is to help the child/adolescent successfully manage their behaviors and emotions by providing individual supports and treatment in the settings where they need it the most. Additionally, parents/guardians, teachers and other adults in the child’s life receive guidance to help them identify and implement strategies to help the child achieve their individual goals. The range of services includes individual therapy, one-on-one behavioral support, behavioral consultation, and family therapy.
- ***School Therapeutic Services:*** The School Therapeutic Services Program provides mental health treatment in the school setting. Both master’s level and bachelor’s level staff work with children individually and in groups. This service provides treatment at three levels of care including individual therapy, one-on-one behavioral support and behavioral consultation.
- ***MST-PSB Program:*** Wordsworth’s Multi-Systemic Treatment program (MST-PSB) is an evidenced based program focused on working with youth who have been involved in problem sexual behavior. MST-PSB is an intensive 5 to 7 month home-based family therapy program that seeks to create change in the youth’s life direction by working through the parents.

Financial Statement Presentation

The financial statements of Wordsworth are reported on the accrual basis of accounting. Wordsworth reports information regarding its financial position and activities according to the following three classes of net assets:

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that are to be maintained permanently by Wordsworth. Generally, the donors of these assets permit Wordsworth to use all or part of the income earned on related investments for general or specific purposes and prohibits the use of principal. At both June 30, 2016 and 2015, Wordsworth did not have any permanently restricted net assets.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Net assets whose use has been limited by donors to a specific time period or purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2016 and 2015, Wordsworth had temporarily restricted net assets of \$26,166 and \$66,166, respectively.

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Wordsworth considers all government awards to be exchange transactions in which each party receives and sacrifices commensurate value. Accordingly, government awards do not affect temporarily restricted or permanently restricted net assets, and funds received in advance are deferred revenue and funds disbursed and not reimbursed represent receivables.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Wordsworth considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents do not include assets whose use is limited.

Allowance for Doubtful Accounts

Wordsworth regularly reviews the collectability of its receivables and adjusts its allowance for doubtful accounts accordingly. An allowance for doubtful accounts is based on management's judgment and is established based on prior collection history, the nature of services provided, and other pertinent factors. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Net Assets

Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Accounts Receivable

Revenue is primarily received from contracts with the Commonwealth of Pennsylvania, City of Philadelphia, and related agencies. Revenue and accounts receivable have been recognized only to the extent allowed under the contracts. Collection of the receivables is subject to the availability of funds from the appropriate governmental sources and grantors.

Wordsworth recognizes revenue as services are performed based on negotiated rates or expenses incurred. Certain expenses reported by Wordsworth are subject to audit by third-party payers. All revenues and related amounts recorded that were based on predetermined rates have been adjusted to the expected results.

Contractual Adjustments

Contractual adjustments represent revenue from funding sources in excess of revenue recognized in prior years. These adjustments are at the sole discretion of the funding sources and therefore are not recorded as revenue until a formal commitment is received from the funding sources.

Investments

Investments are stated at fair value.

Investments in mutual funds are valued at the net asset value at year end. The investment in the money market fund is valued at cost, which approximates fair value.

Investment in fixed income and equity securities with readily determinable fair values are carried at quoted market value. In addition, Wordsworth invests in alternative investments whose values are not readily available through an outside source. Alternative investments consist of private capital, limited partnerships, mutual funds, fund of funds and hedge funds and are recorded at approximate fair value as determined and approved by the managers or valuation committees of the alternative investments based upon judgments, which include, among other factors, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transactions. These alternative investments include real estate investment trusts and limited partnership interests. The net changes in fair value and the realized gains and losses on investments sold are reflected in the statements of activities as net realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method, based on the following estimated useful lives:

Buildings and Improvements	18 to 30 years
Furniture, Fixtures and Equipment	3 to 15 years
Vehicles	5 to 7 years
Leasehold Improvements	Lesser of estimated useful life or lease term

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the change in net assets for the year. The cost of maintenance and repairs is charged to expense as incurred; whereas, significant renewals and improvements are capitalized.

Wordsworth reviews property and equipment, including assets held for sale, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of its property and equipment and assets held for sale, Wordsworth evaluates the probability that future undiscounted net cash flows without interest charges will be less than the carrying amount of the assets. Impairment, if any, is measured at fair value. There were no such adjustments during the years ended June 30, 2016 and 2015, respectively.

Other Assets

As of June 30, 2016 and 2015, other assets consist of security and escrow deposits.

Deferred Rent

Wordsworth leases facilities which provide for escalating lease payments and periods of free rent prior to the commencement of rent payments. Wordsworth has recorded a deferral for the difference between rent payments and the straight-line allocation of total rent expense over the terms of the related leases.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Fair Value Measurements

Wordsworth has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Financial assets recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Wordsworth has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2

Financial assets whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3

Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset (examples include certain private equity investments, long-term promises to give and split-interest agreements).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although Wordsworth believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2016 and 2015, respectively.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2016 are:

	Level 1	Level 2	Level 3	Total
Money Market Funds - Environmental Escrow	\$ 13	\$ -	\$ -	\$ 13
Investments				
Money Market Funds	1,217	-	-	1,217
Equities	18,591	-	-	18,591
Limited Partnership Interests	-	7,070	-	7,070
	<u>19,808</u>	<u>7,070</u>	<u>-</u>	<u>26,878</u>
Total	<u>\$ 19,821</u>	<u>\$ 7,070</u>	<u>\$ -</u>	<u>\$ 26,891</u>

Assets measured at fair value on a recurring basis as of June 30, 2015 are:

	Level 1	Level 2	Level 3	Total
Money Market Funds - Environmental Escrow	\$ 75,000	\$ -	\$ -	\$ 75,000
Investments				
Money Market Funds	515	-	-	515
Equities	13,545	-	-	13,545
Limited Partnership Interests	-	15,786	-	15,786
	<u>14,060</u>	<u>15,786</u>	<u>-</u>	<u>29,846</u>
Total	<u>\$ 89,060</u>	<u>\$ 15,786</u>	<u>\$ -</u>	<u>\$ 104,846</u>

Income Taxes

Wordsworth is a non-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Wordsworth follows the income tax standard for uncertain tax positions. The standard had no impact on the Wordsworth's financial statements. The Wordsworth's income tax returns are subject to review and examination by federal, state and local authorities. Wordsworth is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

Reclassifications

Certain reclassifications have been made to the June 30, 2015 financial statements in order to present them in conformity with the June 30, 2016 financial statements.

Subsequent Events

In preparing these financial statements, Wordsworth has evaluated events and transactions for potential recognition or disclosure through March 6, 2017, the date the financial statements were available to be issued.

WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 CONCENTRATION OF CREDIT RISK

Cash balances

Wordsworth maintains its cash accounts with financial institutions, which, at times, may exceed federally insured limits.

Significant revenue and accounts receivable

As of and for the years ended June 30, 2016 and 2015, Wordsworth had the following sources of significant revenue and accounts receivable:

	2016		2015	
	Accounts Receivable	Revenue	Accounts Receivable	Revenue
Commonwealth of Pennsylvania	2%	10%	6%	13%
Community Behavioral Health	10%	20%	11%	25%
City of Philadelphia, DHS	58%	54%	59%	41%
School District of Philadelphia	19%	7%	7%	7%
	<u>89%</u>	<u>91%</u>	<u>83%</u>	<u>86%</u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2016	2015
Land	\$ 1,296,000	\$ 1,296,000
Building and Building Improvements	7,595,902	7,062,208
Leasehold Improvements	5,640,849	5,493,763
Furniture, Fixtures and Equipment	7,815,774	7,710,054
Vehicles	583,789	612,467
Construction in Progress	-	19,380
Total Property and Equipment	<u>22,932,314</u>	<u>22,193,872</u>
Less: Accumulated Depreciation	<u>(16,351,542)</u>	<u>(15,292,527)</u>
Net Property and Equipment	<u>\$ 6,580,772</u>	<u>\$ 6,901,345</u>

Depreciation for the years ended June 30, 2016 and 2015 was \$1,087,688 and \$981,849, respectively.

WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 LINE OF CREDIT

On April 8, 2015, Wordsworth obtained a \$4,000,000 revolving line of credit with a commercial bank. Interest accrues on outstanding amounts at variable rate of one month Libor rate plus 3.25% (3.72% at June 30, 2016). The line of credit is secured by a borrowing base of 80% of qualified accounts receivable, as defined, plus permitted advances, and subjects Wordsworth to compliance with certain financial and non-financial covenants. For the year end June 30, 2016, Wordsworth was not in compliance with its capital expenditure covenant. On December 12, 2016, the bank issued a waiver on its capital expenditure covenant and included an increase in its capital expenditure covenant from \$300,000 to \$600,000 per annum. This line of credit will mature on July 1, 2017.

For the years ended June 30, 2016 and 2015, borrowings under the bank line of credit were \$1,731,225 and \$112,620, respectively. Interest expense incurred on this line of credit was \$115,619 and \$4,374 for the years ended June 30, 2016 and 2015, respectively.

NOTE 5 NOTE PAYABLE

In April 2015, Wordsworth executed a note payable secured by property located at 100 Camp Hill Road, Springfield Township, PA, to M&T Bank in the amount of \$6,000,000. Interest accrues on outstanding amounts at variable rate of one month Libor rate (0.47% at June 30, 2016) plus 3.75%. In connection with that note, an environmental escrow of \$75,000 was established to secure the removal of 10,000 gallon fuel tank from the mortgaged property.

The note is payable in 59 equal monthly installments of principal each in the amount of \$50,000, together with an equal number of installments of interest payable in amounts that vary based on a variable interest rate, beginning in May 2015. As of June 30, 2016, the balance of this note was \$5,300,000. Interest expense incurred on the note payable was \$237,282 and \$34,611 for the years ended June 30, 2016 and 2015, respectively.

Scheduled future principal payments on the Note as of June 30, 2016 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 600,000
2018	600,000
2019	600,000
2020	600,000
2021	600,000
Thereafter	2,300,000
	<u>\$ 5,300,000</u>

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Holiday Gifts	\$ 26,166	\$ 26,166
Capital Improvements - Fort Washington	-	40,000
Total Temporarily Restricted Net Assets	<u>\$ 26,166</u>	<u>\$ 66,166</u>

NOTE 7 COMMITMENTS AND CONTINGENCIES

Operating leases

Wordsworth leases a facility at Ford Road for its residential treatment and Community Umbrella Agency Region Number 10, under various operating leases through July 2020. As described in Note 1, the residential based revenues had ceased causing Wordsworth to absorb a portion of the \$133,328 a month in rent for the operations of the residential facility, until at such time as new terms have been reached between Wordsworth and the landlord.

In June 2014, Wordsworth signed a lease at Falls Center in Philadelphia, Pennsylvania to house operations for the Community Umbrella Agency Region Number 5. The lease is a nine year commitment with the option of termination in the sole event the Philadelphia Department of Human Services shall fail to fund the CUA program after the third anniversary of the Commencement Date, as of the beginning of Tenant's fiscal year, July 1st, each subsequent one year interval thereafter.

Rental expense under these operating leases amounted to \$1,488,367 and \$1,495,072 for the years ended June 30, 2016 and 2015, respectively.

Scheduled future minimum lease payments under operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2016 for these locations are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 2,409,346
2018	2,467,088
2019	2,510,938
2020	2,559,810
2021	1,400,586
Thereafter	1,263,648
	<u>\$ 12,611,416</u>

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Service agreement

In September 2012, Wordsworth executed a service agreement to deploy Credible Behavioral Healthcare Software, a web-based fully integrated electronic health record (EHR) system. The seven year contract, expiring August 1, 2020, consists of certain one-time, up-front expenses and recurring annual license fees.

Total expenses under the agreement amounted to \$134,633 and \$134,633 for the years ended June 30, 2016 and 2015, respectively.

Scheduled future payments under the service agreement as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 98,100
2018	98,100
2019	98,100
2020	98,100
	<u>\$ 392,400</u>

Litigation

Wordsworth is involved in claims and legal actions arising in the ordinary course of business. Generally, each claim is referred to the appropriate insurance carrier to defend. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Wordsworth's financial position, changes in net assets, or liquidity.

NOTE 8 RELATED PARTY TRANSACTIONS

Wordsworth leases a portion of its Fort Washington Campus to a nonprofit corporation affiliated with a member of the Board of Trustees. This lease expires in July 2068 and may be renewed at the lessee's option for four additional ten-year terms. Under the terms of this agreement, Wordsworth received a lump-sum rental payment of \$300,000. For the year ended June 30, 2016 and 2015, Wordsworth had recognized rental income from this lease of \$4,615 with the balance of the remaining payment to be applied to future years amounted to \$240,000 and \$244,615, respectively.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 RELATED PARTY TRANSACTIONS (CONTINUED)

Scheduled future minimum rentals to be recognized as income are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 4,615
2018	4,615
2019	4,615
2020	4,615
2021	4,615
Thereafter	216,924
	<u>\$ 239,999</u>

Wordsworth obtains legal services utilizing a law firm of which a member of the Board of Trustees performs services. Legal services paid were \$0 and \$130,524 for the years ended June 30, 2016 and 2015, respectively.

Wordsworth signed an agreement in fiscal year 2014 with Binary Research Consulting to perform management and technology consulting which a member of the Board of Trustees is the owner of the entity and performs the services. Consulting services paid were \$44,093 and \$67,267 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9 EMPLOYEE BENEFIT PLANS

Wordsworth has adopted a defined contribution plan under Section 403(b) of the Internal Revenue Code. The Plan covers all full-time employees of Wordsworth who have worked at least 1,000 hours during a Plan year. Under the terms of the Plan, employees may contribute a percentage of their annual compensation not to exceed applicable Internal Revenue Service regulations. Wordsworth may elect to match 50% of employee contributions up to a maximum contribution of 2% of the employee's compensation.

For the years ended June 30, 2016 and 2015, Wordsworth's board of directors elected not to contribute to the discretionary contribution for the 403(b) plan for the organization.

NOTE 10 LIQUIDITY

Wordsworth's Executive Management has developed a multi-pronged approach to ensure the needed cash flow will be available through the fiscal year ending June 30, 2017. Wordsworth escalated collection efforts on the larger accounts receivable balances, specifically the Philadelphia School District. Wordsworth has placed a freeze on all capital expenditures and non-essential supplies and repairs across all programs. The exception would be for items that would have Wordsworth violate a compliance or safety regulation.

**WORDSWORTH ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 10 LIQUIDITY (CONTINUED)

Expense controls and cuts have been enacted with various vendors throughout all programs to keep expenses to a minimum. Wordsworth management team is working to negotiate the terms of the lease for the facility that housed the now closed Residential Treatment program.

NOTE 11 SUBSEQUENT EVENT

As described in Note 1, the closure of Wordsworth's residential facility is expected to cause an approximately 17% loss in revenue based on amounts reported in the year end June 30, 2016 statement of activities. In addition, Wordsworth is expected to incur approximately \$400,000 in a liability for unemployment claims as a result of this closure. Wordsworth currently has not defaulted on payment of these unemployment claims with the Commonwealth of Pennsylvania, Department of Unemployment Compensation.

WORDSWORTH ACADEMY
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Education	Acute Services	Community Based Services	Total Program Service	Management and General	Fundraising	Total
Direct Program Expense							
Personnel Expense	\$ 6,865,794	\$ 9,281,267	\$ 16,103,925	\$ 32,250,986	\$ 2,943,083	\$ 106,513	\$ 35,300,582
Occupancy Expense	50,115	58,259	966,051	1,074,425	477,627	-	1,552,052
Other Operating expense	1,546,730	1,049,034	28,655,114	31,250,878	1,663,615	42,320	32,956,813
Depreciation	151,360	142,378	137,400	431,138	174,014	-	605,152
Bad Debt Expense	-	-	-	-	220,000	-	220,000
Total Direct Program Expense	<u>8,613,999</u>	<u>10,530,938</u>	<u>45,862,490</u>	<u>65,007,427</u>	<u>5,478,339</u>	<u>148,833</u>	<u>70,634,599</u>
Facility Cost							
Maintenance	631,225	621,667	124,017	1,376,909	23,022	-	1,399,931
Occupancy	301,167	1,380,755	576,310	2,258,232	48,993	-	2,307,225
Depreciation	223,658	299,026	63,404	586,088	12,197	-	598,285
Interest Expense	237,282	-	-	237,282	130,972	-	368,254
Total Facility Cost	<u>1,393,332</u>	<u>2,301,448</u>	<u>763,731</u>	<u>4,458,511</u>	<u>215,184</u>	<u>-</u>	<u>4,673,695</u>
Nutrition Cost	322,591	707,290	-	1,029,881	-	-	1,029,881
Total Expenses	<u>\$ 10,329,922</u>	<u>\$ 13,539,676</u>	<u>\$ 46,626,221</u>	<u>\$ 70,495,819</u>	<u>\$ 5,693,523</u>	<u>\$ 148,833</u>	<u>\$ 76,338,175</u>

WORDSWORTH ACADEMY
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Education	Acute Services	Community Based Services	Total Program Service	Management and General	Fundraising	Total
Direct Program Expense							
Personnel Expense	\$ 6,962,300	\$ 9,026,003	\$ 14,900,614	\$ 30,888,917	\$ 2,208,372	\$ 111,157	\$ 33,208,446
Occupancy Expense	43,513	57,469	739,612	840,594	536,462	-	1,377,056
Other Operating Expense	1,258,126	977,917	13,616,700	15,852,743	2,152,816	23,214	18,028,773
Depreciation	102,260	128,045	112,661	342,966	18,907	-	361,873
Interest Expense	159	-	755	914	231,638	-	232,552
Total Direct Program Expense	<u>8,366,358</u>	<u>10,189,434</u>	<u>29,370,342</u>	<u>47,926,134</u>	<u>5,148,195</u>	<u>134,371</u>	<u>53,208,700</u>
Facility Cost							
Maintenance	663,890	554,827	114,602	1,333,319	16,629	-	1,349,948
Occupancy	338,375	1,345,211	298,358	1,981,944	19,817	-	2,001,761
Depreciation	299,776	301,629	62,304	663,709	9,040	-	672,749
Interest Expense	458,777	-	-	458,777	-	-	458,777
Total Facility Cost	<u>1,760,818</u>	<u>2,201,667</u>	<u>475,264</u>	<u>4,437,749</u>	<u>45,486</u>	<u>-</u>	<u>4,483,235</u>
Nutrition Cost	318,653	639,787	-	958,440	-	-	958,440
Total Expenses	<u>\$ 10,445,829</u>	<u>\$ 13,030,888</u>	<u>\$ 29,845,606</u>	<u>\$ 53,322,323</u>	<u>\$ 5,193,681</u>	<u>\$ 134,371</u>	<u>\$ 58,650,375</u>

**WORDSWORTH ACADEMY
CHARTERED/APPROVED PRIVATE SCHOOL EXPENSE REPORT
JUNE 30, 2016**

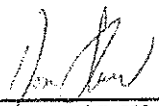
**EXPENSE REPORT FORM
APPROVED PRIVATE SCHOOLS AND CHARTERED SCHOOLS FOR DEAF OR BLIND CHILDREN
FISCAL YEAR ENDED: JUNE 30, 2016**

SCHOOL NAME:	Wordsworth
MAILING ADDRESS:	Penna Ave & Camphill Road
CITY/STATE/ZIP:	Fort Washington, PA 19034
DATE:	November 30, 2016

ANY SPECIAL NOTES OF EXPLANATION REGARDING THIS CLAIM MAY BE ATTACHED TO THIS FORM

	REPORTED EXPENSES	EDUCATIONAL COSTS	REPORTED RESIDENTIAL COSTS
TOTAL NON-ADMINISTRATIVE COSTS (FROM PAGE 2)	\$ 7,098,037	\$ 7,098,037	\$ -
TOTAL ADMINISTRATIVE COSTS (FROM PAGE 3)	\$ 900,795	\$ 900,795	\$ -
GRAND TOTAL (NON-ADMINISTRATIVE AND ADMINISTRATIVE COSTS)	\$ 7,998,832	\$ 7,998,832	
LESS COSTS APPLICABLE TO NON-APPROVED STUDENTS	\$ 206,370	\$ 206,370	\$ -
TOTAL REPORTED PDE-401 EXPENSES	<u>\$ 7,792,462</u>	<u>\$ 7,792,462</u>	<u>\$ -</u>

CERTIFICATION: WE HEREBY CERTIFY THAT THE EXPENSES REPORTED FOR THE 2015-2016 FISCAL YEAR WERE COMPUTED IN ACCORDANCE WITH "GUIDELINES FOR AUDITING OF APPROVED PRIVATE SCHOOLS AND CHARTERED SCHOOLS FOR DEAF OR BLIND CHILDREN," DATED NOVEMBER 30, 2016

 CFO

DON STEWART, CFO



DIANA L. RAMSAY, CEO/PRESIDENT

WORDSWORTH ACADEMY
CHARTERED/APPROVED PRIVATE SCHOOL EXPENSE REPORT
JUNE 30, 2016

CHARTERED/APPROVED PRIVATE SCHOOL EXPENSE REPORT

SCHOOL NAME: WORDSWORTH

FISCAL YEAR ENDED: JUNE 30, 2016

ANY SPECIAL NOTES OF EXPLANATION REGARDING THIS REPORT MAY BE ATTACHED TO THIS FORM

EXPENDITURE TYPE	TOTAL EXPENSES PER LEDGER	-	LESS NON- REPORTABLE EXPENSES	=	TOTAL REPORTED EXPENSES	=	REPORTABLE EDUCATIONAL COSTS	+	REPORTABLE RESIDENTIAL MAINT. COSTS
NON-ADMINISTRATIVE COSTS									
SALARY	\$ 27,199,107	-	\$ 23,479,439	=	\$ 3,719,668	=	\$ 3,719,668	+	\$ -
BENEFITS	\$ 5,504,031	-	\$ 4,655,820	=	\$ 848,210	=	\$ 848,210	+	\$ -
TEACHING SUPPLIES	\$ 53,642	-	\$ 33,527	=	\$ 20,114	=	\$ 20,114	+	\$ -
STUDENT EXPENSES	\$ 332,477	-	\$ 326,403	=	\$ 6,074	=	\$ 6,074	+	\$ -
OUTSIDE SERVICES	\$ 27,781,659	-	\$ 27,176,179	=	\$ 605,480	=	\$ 605,480	+	\$ -
EQUIPMENT/SUPPLIES	\$ 507,285	-	\$ 380,295	=	\$ 126,990	=	\$ 126,990	+	\$ -
OTHER	\$ 4,028,756	-	\$ 3,615,649	=	\$ 413,107	=	\$ 413,107	+	\$ -
CAPITAL EXPENDITURES		-		=	\$ 15,078	=	\$ 15,078	+	\$ -
NUTRITION	\$ 1,028,805	-	\$ 867,579	=	\$ 161,226	=	\$ 161,226	+	\$ -
MAINTENANCE	\$ 1,396,128	-	\$ 928,431	=	\$ 467,697	=	\$ 467,697	+	\$ -
OCCUPANCY	\$ 2,031,078	-	\$ 1,794,025	=	\$ 237,053	=	\$ 237,053	+	\$ -
DEPRECIATION	\$ 1,044,646	-	\$ 878,930	=	\$ 165,716	=	\$ 165,716	+	\$ -
INTEREST	\$ 237,282	-	\$ 75,380	=	\$ 161,902	=	\$ 161,902	+	\$ -
INSURANCE	\$ 689,296	-	\$ 539,574	=	\$ 149,722	=	\$ 149,722	+	\$ -
TOTAL NON-ADMINISTRATIVE COSTS	\$ 71,834,192	-	\$ 64,751,231	=	\$ 7,098,037	=	\$ 7,098,037	+	\$ -

WORDSWORTH ACADEMY
CHARTERED/APPROVED PRIVATE SCHOOL EXPENSE REPORT (CONTINUED)
JUNE 30, 2016

EXPENDITURE TYPE	TOTAL EXPENSES PER LEDGER	-	LESS NON- REPORTABLE EXPENSES	=	TOTAL REPORTED EXPENSES	=	REPORTABLE EDUCATIONAL COSTS	+	REPORTABLE RESIDENTIAL MAINT. COSTS
ADMINISTRATIVE COSTS									
GENERAL AND ADMINISTRATION	\$ 3,969,318	-	\$ 3,175,454	=	\$ 793,864	=	\$ 793,864	+	\$ -
DEPRECIATION	\$ 43,042	-	\$ 34,434	=	\$ 8,608	=	\$ 8,608	+	\$ -
INTEREST	\$ 130,972	-	\$ 104,778	=	\$ 26,194	=	\$ 26,194	+	\$ -
FACILITY	\$ 360,645	-	\$ 288,516	=	\$ 72,129	=	\$ 72,129	+	\$ -
TOTAL ADMINISTRATIVE COSTS	\$ 4,503,977	-	\$ 3,603,182	=	\$ 900,795	=	\$ 900,795	+	\$ -
GRAND TOTAL (NON-ADMINISTRATIVE AND ADMINISTRATIVE)	\$ 76,338,169	-	\$ 68,354,413	=	\$ 7,998,832	=	\$ 7,998,832	+	\$ -
LESS COSTS APPLICABLE TO NON-APPROVED STUDENTS (97.42%)									
					\$ 206,370		\$ 206,370		
REPORTED EXPENSES ASSOCIATED WITH APPROVED STUDENTS									
					\$ 7,792,462		\$ 7,792,462		

NOTE: TOTAL ADMINISTRATIVE COSTS MAY NOT EXCEED 10 OF THE GRAND TOTAL OF NON-ADMINISTRATIVE AND ADMINISTRATIVE COSTS.

WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures	Payments to Subrecipients
FEDERAL AWARDS					
U.S. Department of Education					
Special Education Cluster:					
Pass-Through Bureau of Special Education					
Special Education - Grants to States (IDEA, Part B)	84.027	062-13-0-76	07/01/15-06/30/16	\$ 107,631	\$ -
Pass-Through Philadelphia School District					
Special Education - Grants to States (IDEA, Part B) - Spirit	84.027	540/F16	07/01/15-06/30/16	547,248	-
Special Education - Grants to States (IDEA, Part B) - Spirit One to One	84.027	541/F16	07/01/15-06/30/16	116,259	-
Special Education - Grants to States (IDEA, Part B) - ABS One to One	84.027	542/F16	07/01/15-06/30/16	268,744	-
Pass-Through Pottstown School District					
Special Education - Grants to States (IDEA, Part B) - Spirit	84.027	N/A	07/01/15-06/30/16	9,280	-
Total U.S. Department of Education, Special Education Cluster				1,049,162	-
Pass-Through Bureau of Special Education					
Special Education - Grants to Local Education Agencies (Title I, Part A)	84.010	107-13-0601A	07/01/15-06/30/16	101,325	-
Total U.S. Department of Education				1,150,487	-
U.S. Department of Agriculture					
Child Nutrition Cluster:					
Pass-Through Pennsylvania Department of Education					
School Breakfast Program	10.553	300-46-905-0	07/01/15-06/30/16	56,126	-
National School Lunch Program	10.555	300-46-905-0	07/01/15-06/30/16	38,086	-
Total U.S. Department of Agriculture, Child Nutrition Cluster				94,212	-

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards

WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures	Payments to Subrecipients
FEDERAL AWARDS (CONTINUED)					
U.S. Department of Health and Human Services					
City of Philadelphia Department of Human Services					
Foster Care - Title IV-E	93.658	13-20240	07/01/15-06/30/16	\$ 147,854	\$ -
Improving Outcomes for Children, Community Umbrella Agency 5					
CUA Case Management - Title IV-E SPLC - 221361	93.090	14-20038	07/01/15-06/30/16	23,631	14,774
CUA Case Management - Title IV-E Foster Care - 221352	93.658	14-20038	07/01/15-06/30/16	224,401	140,297
CUA Case Management - Title IV-E CWDP - 221378	93.658	14-20038	07/01/15-06/30/16	9,283,520	5,804,094
CUA Case Management - Title IV-E Adoption Assistance - 221356	93.659	14-20038	07/01/15-06/30/16	256,308	160,245
CUA Case Management - Title IV-E Medical Assistance - 221360	93.778	14-20038	07/01/15-06/30/16	33,629	21,025
Total Improving Outcomes for Children, Community Umbrella Agency 5				9,821,489	6,140,435
Improving Outcomes for Children, Community Umbrella Agency 10					
CUA Case Management - Title IV-E SPLC - 221361	93.090	15-20005	07/01/15-06/30/16	16,158	9,427
CUA Case Management - Title IV-E Foster Care - 221352	93.658	15-20005	07/01/15-06/30/16	128,828	75,165
CUA Case Management - Title IV-E CWDP - 221378	93.658	15-20005	07/01/15-06/30/16	5,511,821	3,215,876
CUA Case Management - Title IV-E Adoption Assistance - 221356	93.659	15-20005	07/01/15-06/30/16	175,251	102,250
CUA Case Management - Title IV-E Medical Assistance - 221360	93.778	15-20005	07/01/15-06/30/16	22,994	13,416
Total Improving Outcomes for Children, Community Umbrella Agency 10				5,855,052	3,416,134
Pass-through Northeast Treatment Center					
Improving Outcomes for Children, Community Umbrella Agency # 1					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	440	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	15,781	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	286	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	10,884	-
Pass-through Asociacion Puertorriquenos en Marcha					
Improving Outcomes for Children, Community Umbrella Agency # 2					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	331	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	11,869	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	837	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	31,911	-

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards

WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures	Payments to Subrecipients
FEDERAL AWARDS (CONTINUED)					
Pass-through Turning Points for Children					
Improving Outcomes for Children, Community Umbrella Agency # 3					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	\$ 546	\$ -
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	19,588	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	281	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	10,695	-
Pass-through Catholic Social Services					
Improving Outcomes for Children, Community Umbrella Agency # 4					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	28	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	999	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	307	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	11,683	-
Pass-through Wordsworth Academy					
Improving Outcomes for Children, Community Umbrella Agency # 5					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	8,762	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	314,636	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	7,849	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	299,155	-
Pass-through Tabor Children Services					
Improving Outcomes for Children, Community Umbrella Agency # 6					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	291	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	10,457	-
Pass-through Northeast Treatment Center					
Improving Outcomes for Children, Community Umbrella Agency # 7					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	1,450	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	52,048	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	637	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	24,295	-
Pass-through Bethanna					
Improving Outcomes for Children, Community Umbrella Agency # 8					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	528	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	18,947	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	68	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	2,586	-

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards

WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

FEDERAL AWARDS (CONTINUED)	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures	Payments to Subrecipients
Pass-through Turning Points for Children					
Improving Outcomes for Children, Community Umbrella Agency # 9					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	\$ 464	\$ -
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	16,672	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	529	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	20,180	-
Pass-through Wordsworth Academy					
Improving Outcomes for Children, Community Umbrella Agency # 10					
General Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	2,961	-
General Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	106,325	-
Higher Level Foster Care - Title IV-E - Foster Care - 221352	93.658	N/A	07/01/15-06/30/16	1,832	-
Higher Level Foster Care - Title IV-E - CWDP - 221378	93.658	N/A	07/01/15-06/30/16	69,836	-
Total U.S. Department of Human Services				16,901,369	9,556,569
Total Federal Awards				18,146,068	9,556,569
STATE AWARDS					
Commonwealth of Pennsylvania Department of Education					
Pass-Through Philadelphia School District					
Special Education - Grants to States (IDEA, Part B) - Spirit	N/A	540/F16	07/01/15-06/30/16	1,557,552	-
Special Education - Grants to States (IDEA, Part B) - Spirit One to One	N/A	541/F16	07/01/15-06/30/16	330,891	-
Special Education - Grants to States (IDEA, Part B) - ABS One to One	N/A	542/F16	07/01/15-06/30/16	219,881	-
STARS Residential Treatment Facility and ESY Services	N/A	217/FY16	07/01/15-06/30/16	2,005,476	-
Total Pass-Through Philadelphia School District				4,113,800	-
Commonwealth of Pennsylvania Department of Human Services					
Pass-Through, City of Philadelphia, Department of Human Services					
Foster Care	N/A	13-20240	07/01/15-06/30/16	173,728	-
Improving Outcomes for Children, Community Umbrella Agency 5					
CJA Case Management - State Act 148 - 221344	N/A	14-20038	07/01/15-06/30/16	11,362,113	7,103,639
Improving Outcomes for Children, Community Umbrella Agency 10					
CJA Case Management - State Act 148 - 221344	N/A	15-20005	07/01/15-06/30/16	7,114,841	4,151,159

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards

WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures	Payments to Subrecipients
STATE AWARDS (CONTINUED)					
Pass-through Northeast Treatment Center					
Improving Outcomes for Children, Community Umbrella Agency # 1					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	\$ 12,117	\$ -
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	8,357	-
Pass-through Asociacion Puertorriquenos en Marcha					
Improving Outcomes for Children, Community Umbrella Agency # 2					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	9,113	-
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	24,502	-
Pass-through Turning Points for Children					
Improving Outcomes for Children, Community Umbrella Agency # 3					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	15,040	-
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	8,212	-
Pass-through Catholic Social Services					
Improving Outcomes for Children, Community Umbrella Agency # 4					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	767	-
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	8,971	-
Pass-through Wordsworth Academy					
Improving Outcomes for Children, Community Umbrella Agency # 5					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	241,594	-
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	229,703	-
Pass-through Tabor Children Services					
Improving Outcomes for Children, Community Umbrella Agency # 6					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	8,030	-
Pass-through Northeast Treatment Center					
Improving Outcomes for Children, Community Umbrella Agency # 7					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	39,965	-
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	18,655	-
Pass-through Bethanna					
Improving Outcomes for Children, Community Umbrella Agency # 8					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	14,549	-
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	1,986	-

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards

WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures	Payments to Subrecipients
STATE AWARDS (CONTINUED)					
Pass-through Turning Points for Children					
Improving Outcomes for Children, Community Umbrella Agency # 9					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	\$ 12,801	\$ -
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	15,495	-
Pass-through Wordsworth Academy					
Improving Outcomes for Children, Community Umbrella Agency # 10					
General Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	81,641	-
Higher Level Foster Care - State Act 148 - 221344	N/A	N/A	07/01/15-06/30/16	53,627	-
Total Pass-Through City of Philadelphia Department of Human Services				19,455,807	11,254,798
Pass-Through Public Health Management					
City of Philadelphia's Out of School Time - Barry - Elementary School	N/A	N/A	07/01/15-06/30/16	78,199	-
City of Philadelphia's Out of School Time - Barrett - Elementary School	N/A	N/A	07/01/15-06/30/16	82,000	-
City of Philadelphia's Out of School Time - Morrison - Elementary School	N/A	N/A	07/01/15-06/30/16	89,244	-
Total Pass-Through Public Health Management Corporation				249,443	-
Total State Awards				23,819,050	11,254,798
CITY AWARDS					
Pass-Through, City of Philadelphia, Department of Human Services					
Foster Care	N/A	13-20240	07/01/15-06/30/16	48,052	-
Improving Outcomes for Children, Community Umbrella Agency 5					
General Foster Care - City General Fund - 222588	N/A	14-20038	07/01/15-06/30/16	3,067,591	1,917,871
Improving Outcomes for Children, Community Umbrella Agency 10					
General Foster Care - City General Fund - 222588	N/A	15-20005	07/01/15-06/30/16	1,949,265	1,137,300
Pass-through Northeast Treatment Center					
Improving Outcomes for Children, Community Umbrella Agency # 1					
General Foster Care - City General Fund - 222588	N/A	N/A	07/01/15-06/30/16	3,055	-
Higher Level Foster Care - City General Fund - 222588	N/A	N/A	07/01/15-06/30/16	2,107	-
Pass-through Asociacion Puertorriqueños en Marcha					
Improving Outcomes for Children, Community Umbrella Agency # 2					
General Foster Care - City General Fund - 222588	N/A	N/A	07/01/15-06/30/16	2,297	-
Higher Level Foster Care - City General Fund - 222588	N/A	N/A	07/01/15-06/30/16	6,178	-
Pass-through Turning Points for Children					
Improving Outcomes for Children, Community Umbrella Agency # 3					
General Foster Care - City General Fund - 222588	N/A	N/A	07/01/15-06/30/16	3,791	-
Higher Level Foster Care - City General Fund - 222588	N/A	N/A	07/01/15-06/30/16	2,071	-

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards
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WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

CITY AWARDS (CONTINUED)	Federal Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures	Payments to Subrecipients
Pass-through Catholic Social Services						
Improving Outcomes for Children, Community Umbrella Agency # 4						
General Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	\$ 193	\$ -
Higher Level Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	2,262	-
Pass-through Wordsworth Academy						
Improving Outcomes for Children, Community Umbrella Agency # 5						
General Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	60,899	-
Higher Level Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	57,916	-
Pass-through Tabor Children Services						
Improving Outcomes for Children, Community Umbrella Agency # 6						
General Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	2,024	-
Pass-through Northeast Treatment Center						
Improving Outcomes for Children, Community Umbrella Agency # 7						
General Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	10,074	-
Higher Level Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	4,704	-
Pass-through Bethanna						
Improving Outcomes for Children, Community Umbrella Agency # 8						
General Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	3,667	-
Higher Level Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	501	-
Pass-through Turning Points for Children						
Improving Outcomes for Children, Community Umbrella Agency # 9						
General Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	3,227	-
Higher Level Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	3,907	-
Pass-through Wordsworth Academy						
Improving Outcomes for Children, Community Umbrella Agency # 10						
General Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	20,579	-
Higher Level Foster Care - City General Fund - 222588		N/A	N/A	07/01/15-06/30/16	13,522	-
Total Pass-Through City of Philadelphia Department of Human Services					5,267,882	3,055,171

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards

WORDSWORTH ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-Through/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period</u>	<u>Expenditures</u>	<u>Payments to Subrecipients</u>
CITY AWARDS (CONTINUED)					
Pass-Through Philadelphia Department of Human Services / Public Health Management Corporation (PHMC)					
City of Philadelphia's Out of School Time - Barry - Elementary School	N/A	N/A	07/01/15-06/30/16	\$ 19,550	\$ -
City of Philadelphia's Out of School Time - Barrett - Elementary School	N/A	N/A	07/01/15-06/30/16	20,500	-
City of Philadelphia's Out of School Time - Morrison - Elementary School	N/A	N/A	07/01/15-06/30/16	22,311	-
Total Public Health Management Corporation				<u>62,361</u>	<u>-</u>
Total City Awards				<u>5,330,243</u>	<u>3,055,171</u>
Total Federal, State and City Awards				<u>\$ 47,295,361</u>	<u>\$ 23,866,538</u>

See Accompanying Notes to the Schedule of Expenditures of Federal, State and City Awards

WORDSWORTH ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS
YEAR ENDED JUNE 30, 2016

NOTE 1 GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state and city awards (the Schedule) includes the federal award activity of Wordsworth Academy under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Wordsworth Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wordsworth Academy.

NOTE 2 BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The amounts reported in this Schedule as expenditures may differ from certain financial reports submitted to funding agencies because those reports may be submitted on either a cash or modified accrual basis of accounting.

Expenditures of federal, state, and city awards are reported on the statement of activities as operating expenses. In certain programs, the expenditures reported in the basic financial statements differ from the expenditures reported in the Schedule because other program expenditures and expenditures may exceed contract budget limitations, and are therefore not included as expenditures of federal, state, and city awards.

NOTE 3 INDIRECT COST RATE

Wordsworth Academy has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

REPORT OF REVENUE BY FUNCTIONAL PROGRAM City of Philadelphia, Department of Human Services Year Ended June 30, 2016		Agency Name: Wordsworth Academy Address: 3905 Ford Road Philadelphia, PA 19131					
Sources of Revenue		Community Placement Services (Foster)	Community Umbrella Agency Region #5	Community Umbrella Agency Region #10	Residential Services	Services Not Related to DHS	Total All Functions
Federal Government							
Nutrition		\$ -	\$ -	\$ -	\$ -	\$ 128,132	\$ 128,132
IDEA Funding		-	-	-	-	107,631	107,631
State Government							
Pennsylvania DOE		-	-	-	-	7,429,804	7,429,804
Medical assistance		-	-	-	-	307,175	307,175
Title I		-	-	-	-	101,325	101,325
County Funds							
Philadelphia DHS		2,454,710	24,295,773	14,985,520	66,931	-	41,802,934
Children and youth		-	-	-	-	317,632	317,632
Other							
Managed insurance		-	-	-	-	18,588,410	18,588,410
Miscellaneous		-	-	-	-	9,099,877	9,099,877
Grand Total		\$ 2,454,710	\$ 24,295,773	\$ 14,985,520	\$ 66,931	\$ 36,079,986	\$ 77,882,920

REPORT OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2016

PROVIDER: WORDSWORTH ACADEMY
ADDRESS: 3903 FORD ROAD
PHILADELPHIA, PA 19131

	Community Placement Services (FOSTER)	Community Umbrella Agency Region #5	Community Umbrella Agency Region #10	Residential Services	ALL Non-DHS Services	Total
Direct Costs						
Salaries	\$ 483,792	\$ 5,641,419	\$ 4,031,947	\$ -	\$ 17,375,551	\$ 27,532,709
Benefits	99,166	1,044,859	706,718	-	3,505,298	5,356,341
Food	3,423	5,864	1,169	-	631,584	642,040
Client Supplies / Activities	702	94,098	46,015	171,819	19,843	332,477
Client Transportation	-	-	-	-	-	-
Dues and Membership	-	9,610	4,068	-	13,670	27,348
Foster Parent Subsidy/Family Support	1,643,760	-	-	-	147,029	1,790,789
Subcontractor / Discretionary Funds	-	15,511,371	8,870,828	-	-	24,382,199
Insurance	5,840	72,109	48,073	-	23,701	149,723
Professional Fees	972	112,910	68,008	-	3,243,295	3,425,185
General supplies	5,916	47,428	63,050	-	383,410	499,804
Communications	19,475	188,933	90,917	-	77,968	377,293
Occupancy	44,808	573,289	19,879	-	584,318	1,222,294
Equipment - Rental	3,312	7,769	9,433	-	46,792	67,306
Staff Transportation	8,497	294,780	109,432	-	124,502	537,211
Employee Training	5,024	32,888	41,516	-	127,566	206,994
Deprec/Amortization/Interest	794	89,092	46,009	-	295,242	431,137
Other Direct Costs	4,311	4,761	2,568	-	24,130	35,770
Capital Improvements	-	4,363	5,440	-	-	9,803
TOTAL DIRECT COSTS	2,329,792	23,735,543	14,165,070	171,819	26,624,199	67,026,423
Indirect Costs						
Administrative Salaries	69,980	708,488	435,484	-	880,942	2,094,894
Maintenance Salaries	-	-	34,739	-	383,134	417,933
Benefits	16,798	170,062	114,034	-	303,087	603,981
Insurance-General	18,025	182,482	112,166	-	226,901	539,574
Equipment Rental	274	2,778	1,707	-	58,811	63,570
Communications	6,208	62,845	38,815	-	81,017	188,885
Transportation	484	4,903	3,301	-	9,543	18,231
Interest/Amortization	4,375	44,294	27,226	-	292,358	368,253
Supplies	3,327	33,676	26,434	-	111,583	175,020
Occupancy	1,075	10,885	41,592	-	362,821	416,375
Building Rent	-	-	240,117	-	1,248,250	1,488,367
Maintenance and Repairs	4,765	48,240	91,529	-	749,001	893,535
Depreciation	1,438	14,557	68,600	-	571,956	656,551
Professional Fees/Outside Services	29,289	296,525	194,283	-	500,730	1,020,827
Other G&A	5,094	51,578	31,735	-	287,154	375,561
TOTAL INDIRECT COSTS	161,132	1,631,313	1,461,822	-	6,067,288	9,321,555
TOTAL ALL COSTS	\$ 2,490,924	\$ 25,366,856	\$ 15,626,892	\$ 171,819	\$ 32,691,487	\$ 76,347,978
TOTAL DAYS OF CARE DHS CHILDREN	48,245	-	-	-	-	-
TOTAL DAYS OF CARE ALL CHILDREN	50,004	-	-	-	-	-

WORDSWORTH ACADEMY
CITY OF PHILADELPHIA, DEPARTMENT OF HUMAN SERVICES
REPORT OF EXCESS REVENUE (EXPENSES)
YEAR ENDED JUNE 30, 2016

	Community Placement Services (FOSTER)	Community Umbrella Agency Region #5	Community Umbrella Agency Region #10	Residential Services	TOTAL DHS SERVICES
DHS Revenue	\$ 2,454,710	\$ 24,295,773	\$ 14,985,520	\$ 66,931	\$ 41,802,934
DHS Expenses					
Salaries and Benefits	582,958	6,686,278	4,738,664	-	12,007,900
Operating and Administration	212,856	2,438,333	1,572,825	-	4,224,014
Occupancy	50,648	632,414	393,117	-	1,076,179
Children's Direct Expenses	1,644,462	15,605,468	8,916,846	171,819	26,338,595
Capital Improvements	-	4,363	5,440	-	9,803
Total DHS Expenses	2,490,924	25,366,856	15,626,892	171,819	43,656,491
Excess Revenue (Expenses)	\$ (36,214)	\$ (1,071,083)	\$ (641,372)	\$ (104,888)	\$ (1,853,557)

WORDSWORTH ACADEMY
CITY OF PHILADELPHIA, DEPARTMENT OF HUMAN SERVICES
REPORT OF EXCESS REVENUE (EXPENSES) (CONTINUED)
YEAR ENDED JUNE 30, 2016

	Community Umbrella Agency Region #1	Community Umbrella Agency Region #2	Community Umbrella Agency Region #3	Community Umbrella Agency Region #4	Community Umbrella Agency Region #5	Community Umbrella Agency Region #6	Community Umbrella Agency Region #7	Community Umbrella Agency Region #8	Community Umbrella Agency Region #9	Community Umbrella Agency Region #10	DHS Services	TOTAL DHS SERVICES
DHS Revenue	\$ 53,027	\$ 87,038	\$ 60,224	\$ 25,210	\$ 1,220,515	\$ 20,802	\$ 151,828	\$ 42,832	\$ 73,276	\$ 350,323	\$ 369,635	\$ 2,454,710
DHS Expenses												
Salaries and Benefits	12,825	20,404	14,574	5,830	289,730	5,098	37,206	10,496	17,957	85,849	91,866	591,835
Operating and Administration	4,683	7,450	5,321	2,129	105,803	1,895	13,834	3,903	6,677	31,920	33,573	217,188
Occupancy	1,114	1,773	1,266	506	25,172	700	5,111	1,442	2,467	11,793	8,177	59,521
Children's Direct Expenses	36,178	57,556	41,112	16,445	817,298	10,644	77,684	21,915	37,492	179,245	256,333	1,551,902
Total DHS Expenses	54,800	87,183	62,273	24,910	1,238,003	18,337	133,835	37,756	64,593	308,807	389,949	2,420,446
Excess Revenue (Expenses)	\$ (1,773)	\$ (145)	\$ (2,049)	\$ 300	\$ (17,488)	\$ 2,465	\$ 17,993	\$ 5,076	\$ 8,683	\$ 41,516	\$ (20,314)	\$ 34,264



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INDEPENDENT ACCOUNTANTS' REPORT ON COST ALLOCATION PLAN

Board of Directors
Wordsworth Academy
Philadelphia, Pennsylvania

We have examined Wordsworth Academy's compliance with allocating indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures as required by the Commonwealth of Pennsylvania, Department of Public Welfare, Section 3170.60 of Chapter 3170 Regulations; and the "Indirect Cost Allocations" Section of the City of Philadelphia Subrecipient Audit Guide – Instructions for Completing The Report of Functional Expenditures (Section 2000, Exhibit B) during the year ended June 30, 2016. Management is responsible for Wordsworth Academy's compliance with those requirements. Our responsibility is to express an opinion on Wordsworth Academy's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, including examining, on a test basis, evidence about Wordsworth Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Wordsworth Academy's compliance with specified requirements.

In our opinion, Wordsworth Academy complied, in all material respects, with the aforementioned requirement for the year ended June 30, 2016.

This report is intended solely for the information and use of the Board of Directors, management and federal, state and city county awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 6, 2017





CliftonLarsonAllen LLP
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Wordsworth Academy
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wordsworth Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wordsworth Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wordsworth Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Wordsworth Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as IC 2016-001, that we consider to be a significant deficiency.



Board of Directors
Wordsworth Academy

Compliance and Other Matters

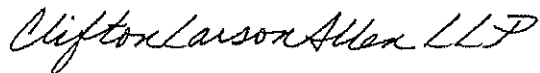
As part of obtaining reasonable assurance about whether Wordsworth Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wordsworth Academy's Response to Findings

Wordsworth Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Wordsworth Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 6, 2017



CliftonLarsonAllen LLP
CLAconnect.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
Wordsworth Academy
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Wordsworth Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wordsworth Academy's major federal programs for the year ended June 30, 2016. Wordsworth Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Wordsworth Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the City of Philadelphia Subrecipient Audit Guide. Those standards, the Uniform Guidance and the City of Philadelphia Subrecipient Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wordsworth Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wordsworth Academy's compliance.



Basis for Qualified Opinion on Foster Care and Adoption Assistance

As described in the accompanying schedule of findings and questioned costs, Wordsworth Academy did not comply with requirements regarding CFDA 93.658 Foster Care and 93.659 Adoption Assistance as described in finding number FA 2016-001 and FA 2016-002 for Eligibility and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for Wordsworth Academy to comply with the requirements applicable to that program.

Qualified Opinion on Foster Care

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Wordsworth Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.658 Foster Care and CFDA 93.659 Adoption Assistance for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Wordsworth Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as FA 2016-001 and FA 2016-002. Except as noted above, our opinion on each major federal program is not modified with respect to these matters.

Wordsworth Academy's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Wordsworth Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

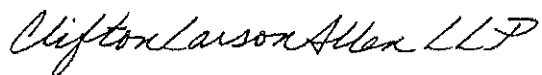
Management of Wordsworth Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wordsworth Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wordsworth Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as FA 2016-001 and FA 2016-002 to be material weaknesses.

Wordsworth Academy's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Wordsworth Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of Uniform Guidance and City of Philadelphia Sub-Recipient Audit Guide. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 6, 2017

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? X yes _____ no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
2. Type of auditor's report issued on compliance for major federal programs: Qualified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.515(d)(2) of the Uniform Guidance? X yes _____ no

CFDA Number(s)

Name of Federal Program or Cluster

84.027

Special Education Grants to States, IDEA, Part B

93.658

Foster Care - Title IV-E

93.659

Adoption Assistance

WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between
Type A or Type B programs was:

\$ 750,000

Auditee qualified as low-risk auditee pursuant to
Uniform Guidance?

_____ yes X no

Section II – Financial Statement Findings

IC 2016-001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Criteria:

Personnel should be removed from payroll as of the date of termination.

Condition:

As part of our performance of both walkthrough and internal control over financial reporting procedures encompassing the payroll transaction cycle, we noted one of the employees selected, who had been terminated, was paid their entire bi-weekly salary instead of being pro-rated based on time served. Management did not catch this error through their payroll reviews.

Effect:

The lack of controls in place over the payroll function increases the risk of undocumented personnel, or payroll process errors occurring and not being detected or corrected in a timely manner.

Cause:

The duties of the review of payroll reports including payroll profiles were the responsibility of the prior CFO, rather than being part of the responsibilities of the human resource department. Reviews of Wordsworth's employee profiles were performed late resulting in a terminated employee being paid their entire bi-weekly salary.

Recommendation:

We recommend that management review their internal control policies encompassing how employees are terminated and removed from the payroll system.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section II – Financial Statement Findings (Continued)

IC 2016-001 (Continued)

Views of responsible officials and planned corrective actions.

The employee was paid because the "Pay Profile" paperwork was not completed prior to the next pay date. Human Resources needs to be made aware of any terminations within 24 hours of the actual termination and then needs to immediately process paperwork and update ADP. Accounting and Human Resources will meet to update and communicate policies to all programs. The projected completion date will be February 28, 2017.

Section III – Findings and Questioned Costs – Major Federal Programs

FA 2016-001

Federal agency: U.S. Department of Health and Human Services

Federal program: Title IV-E Foster Care/Adoption Assistance - CUA #5 and #10

CFDA Number: 93.658 and 93.659

Pass-Through Agency: Philadelphia Department of Human Services

Pass-Through Number: 14-20038 and 15-20005

Award Period: July 1, 2015 through June 30, 2016

Type of Finding:

- Compliance
- Material Weakness in Internal Control over Compliance

Criteria

Proper and timely documentation should be found in all participant files to ensure that they are eligible for the services provided.

Condition

In our eligibility test, we request a sample of 60 foster care children who are being managed by the Community Umbrella Agencies 5 and 10. As part of our file testing, we look for certain documents which are required to be in the file as per the City of Philadelphia, Department of Human Services and Commonwealth of Pennsylvania, Department of Human Services. Such forms are essential and help to ensure that participants are eligible for, and are receiving, the services provided.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

FA 2016-001 (Continued)

Condition

In our eligibility test, we request a sample of 60 foster care children who are being managed by the Community Umbrella Agencies 5 and 10. As part of our file testing, we look for certain documents which are required to be in the file as per the City of Philadelphia, Department of Human Services and Commonwealth of Pennsylvania, Department of Human Services. Such forms are essential and help to ensure that participants are eligible for, and are receiving, the services provided.

The results from our testing indicate missing documentation as follows: 3 Safety Assessment Worksheets, 18 CUA Safety Plans, 1 Pennsylvania Model Risk Assessment, 5 instances of lack of proper structured case notes were identified, 14 Life Skills Assessments, 8 Report Cards, 33 Authorizations to Release Information, 17 Immunization Records, 10 photos were not on file, 4 Initial Single Case Plans, and 23 Single Case Plan Updates were either missing or late.

Questioned Cost

None

Cause

During this fiscal year the responsibilities of CUA case managers have changed within the City of Philadelphia, Department of Human Services (DHS), Community Umbrella Agencies (CUA's) throughout the City of Philadelphia. The requirement for a case manager to manage a total of ten cases was increased to thirteen by DHS and has dramatically changed the environment. It's important to note that a "case" is defined as a family, not a single child. Families have an average of 2 children. The increased caseload therefore increased the number of children assigned to a single case manager by 6. In reality, due to case manager retention and other onboarding issues, case managers have 10 to 14 additional children on their case load. This also caused an increased supervisory responsibilities by a minimum of 15 additional cases when staff caseloads were as low as 13. In reality, challenges in efficiently onboarding staff and turnover lead to case managers more often carrying upwards of 15 cases. This has caused case managers to be managing the welfare of, on some occasions, greater than fifty children. In addition, we stress that the compliance goal of safety "visitation", the face to face contact where a child is seen by a case manager to assure safety, is a the top priority . A minimum of 90% of all visits are to occur. As a result of this critical priority, there has been less emphasis on the management of the case files which has caused the case files to be missing the necessary documentation as described in the DHS case file guidelines. An additional barrier to compliance is the requirement that CUAs must use the DHS electronic case management system which does not give CUAs the ability to track and monitor case management compliance.

Effect

Lack of proper documentation and timeliness of filing could lead to service to participants that may not be part of the service plan. It could also lead to participants not being serviced as needed.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

FA 2016-001 (Continued)

Recommendation

We recommend that the program leadership develop policies and procedures in order to properly include all pertinent documentation within each client and foster parent file as required by the City of Philadelphia, Department of Human Services. In addition, we recommend that program leadership and/or the fiscal departments perform periodic audits of the client and foster parent files to ensure all required documentation is included.

Views of Responsible Officials and Planned Corrective Actions

This is a systemic issue. DHS approved increasing the number of case managers for FY2017 in order to decrease the case load from 13:1 to 10:1. This decrease in caseload in addition to the Corporate Compliance department assisting the CUA Quality department in periodic audits of the client and foster parent files will help ensure all required documentation is included.

FA 2016-002

Federal agency: U.S. Department of Health and Human Services

Federal program: Title IV-E Foster Care/Adoption Assistance - CUA #5 and #10

CFDA Number: 93.658 and 93.659

Pass-Through Agency: Philadelphia Department of Human Services

Pass-Through Number: 14-20038 and 15-20005

Award Period: July 1, 2015 through June 30, 2016

Type of Finding:

- Compliance
- Material Weakness in Internal Control over Compliance

Criteria

Proper monitoring on Wordsworth's subcontractors should be performed to ensure that the subcontractor is in compliance with the goals and objectives of their contractual agreement with Wordsworth Academy and in specifically with OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) ("Uniform Guidance"), specifically §200.331.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

FA 2016-002 (Continued)

Condition

Wordsworth has not implemented a specific monitoring policy for (1) the review of the annual audits of the subcontractors and (2) visiting the various subcontractors to monitor if they are in compliance with the subcontractor agreement with Wordsworth. In our review of the City of Philadelphia, Department of Human Services Community Umbrella contracts, it states that a portion of the contract allocated to Wordsworth Academy shall be used to pay subcontractors who will be providing Home Resource Parent services under the Community Umbrella Contract. This would mean that Wordsworth would be considered the pass-through entity and required to monitor its subrecipients under Uniform Guidance §200.331.

Questioned Cost

None

Cause

The City of Philadelphia, Department of Human services has never been clear in its intentions as it relates to how Community Umbrella Agencies within the CUA system are required to monitor its respective subcontractors, and the understanding that each Community Umbrella Agency is required to monitor its subcontractors. Due to the lack of a clear understanding between the City of Philadelphia, Department of Human Services and the CUAs, it has been difficult to determine the subrecipient monitoring responsibilities of the CUAs. With the Uniform Guidance 2 CFR 200 section §200.331 requires pass-through entities to evaluate each subrecipient's risk of noncompliance in order to determine the appropriate monitoring level, to monitor the activities of subrecipient organizations to ensure that the sub award is in compliance with applicable Federal statutes and regulations and terms of the sub award, and to verify that subrecipients are audited as required by Subpart F of the Uniform Guidance.

Effect

Lack of proper monitoring could lead to the misappropriation of funds to a subrecipient that is not performing services properly.

Recommendation

We recommend management create a policy relating to the monitoring of subrecipients. In developing this policy management we recommend the policy include (a) on an annual basis, confirmation of the statement of work, and review any non-standard terms and conditions of the CUA subcontractor agreement in the negotiation process, (b) monitoring of programmatic progress and ability of the subrecipient to meet objectives of the subcontractor agreement, including the creation of a monitoring tool. If the subcontractor is not in compliance, then a corrective action report will need to be submitted to the subcontractor, which will need to be responded to, and (c) an annual review of the financial statement audit of all subcontractors, with a specific focus on findings and corrective action plans.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

FA 2016-002 (Continued)

Views of Responsible Officials and Planned Corrective Actions

We have added a new position in to our Corporate Compliance team that will be responsible for auditing and monitoring subcontractors. However, DHS communicated in late January 2017 they will be contracting directly with the subrecipients starting in Fiscal Year 2018 (07/01/17). If this occurs, the CUA will not responsible for the areas covered in this finding.

Section IV – Prior Audit Findings

IC 2015-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition

An adjusting entry was required to reverse the revenue recorded for a cost reimbursement grant.

Recommendation

Upon receiving a grant, we recommend that management determine how to account for the grant. We also recommend that management contact the grantor or their outside auditors for guidance on how to record grant revenue. These actions will prevent overstatement of revenue.

Views of Responsible Officials and Planned Corrective Actions

Management acknowledges the overstatement of program revenue as an oversight. Management will ensure all journal entries are reviewed by the CFO prior to being posted by the Accounting Manager or Staff Accountant. All entries will require the proper back up documentation (spreadsheets, original documents) to reconcile the journal entry. The CFO will not post journal entries, but only review and approve.

Status of Corrective Action

In performance of audit procedures over the recognition of revenues relating to cost reimbursement grants, management has properly recorded all grants received for the year ended June 30, 2016.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section IV – Prior Audit Findings (Continued)

IC 2015-002

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition

Unsigned checks were mailed to vendors including CUA's.

Recommendation

We recommend that management review their internal control processes surrounding cash disbursements to ensure that checks are issued with the proper signature.

Views of Responsible Officials and Planned Corrective Actions

Management acknowledges the release of unsigned checks to vendors was an oversight. Management will put a procedure in place to review each individual check after it has been signed by the CEO. The person reviewing will not be the same person that printed the checks. The Accounts Payable team will review for signature prior to placing in the envelopes for mailing.

Status of Corrective Action

In the performance of audit procedures, we observed that management had implemented certain internal control procedures relating to the segregation of duties within the cash disbursement cycle including the procedure to review each individual check after it has been signed by the CEO.

IC 2015-003

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition

We noted during our testing of selected payroll files that there were 3 W-4 forms and 3 I-9 forms missing.

Recommendation

We recommend that management review their internal control processes surrounding personnel files and develop a file checklist to ensure that all the required information is in the file. We also recommend having all new hires submit all the required personnel paperwork before their first day on the job.

Views of Responsible Officials and Planned Corrective Actions

Management acknowledges that the missing payroll documentation was an oversight. Management acknowledges the release of unsigned checks to vendors was an oversight. Management will create a checklist of required items. An internal audit of the payroll files will be completed monthly to ensure files are updated and reduce any potential for fraud.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section IV – Prior Audit Findings (Continued)

IC 2015-003 (Continued)

Status of Corrective Action

In performance relating to the testing and sampling of payroll transactions, we noted that in our sample selected, there were no discrepancies in this test.

IC 2015-004

Type of Finding

- Material Weakness in Internal Control over Financial Reporting

Condition

We noted during our audit that the Pennsylvania Department of Education (PDE) completed a program audit of the school breakfast and national school lunch programs administered by Wordsworth and noted that there were eighteen audit findings.

Recommendation

We recommend that management review and update its internal control processes surrounding the school breakfast and national school lunch programs to ensure that the organization complies with contract guidelines.

Views of Responsible Officials and Planned Corrective Actions

Management has developed a correction action plan, which recently was approved by PDE.

Status of Corrective Action

The correction action plan provided to the PDE was approved.

FA 2015-001

Federal agency: U.S. Department of Health and Human Services

Federal program: Title IV-E Foster Care - CUA #5 and #10

CFDA Number: 93.658

Pass-Through Agency: Philadelphia Department of Human Services

Pass-Through Number: 14-20038 and 15-20005

Award Period: July 1, 2014 through June 30, 2015

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section IV – Prior Year Findings (Continued)

FA 2015-001 (Continued)

Type of Finding:

- Compliance
- Material Weakness in Internal Control over Compliance

Condition

An unsigned check was mailed to a CUA vendor.

Recommendation

We recommend that management review their internal control processes surrounding cash disbursements to ensure that checks are issued with the proper signature.

Views of Responsible Officials and Planned Corrective Actions

Management acknowledges the release of unsigned checks to vendors was an over-sight. Management will put a procedure in place to review each individual check after it has been signed by the CEO. The person reviewing will not be the same person that printed the checks. The Accounts Payable team will review for signature prior to placing in the envelopes for mailing.

Status of Corrective Action

In performance of audit procedures which included the review of signatures on canceled checks, we did not note any discrepancies in the observed results from the sample selected and tested.

FA 2015-002

Federal agency: U.S. Department of Health and Human Services

Federal program: Title IV-E Foster Care

CFDA Number: 93.658

Pass-Through Agency: Philadelphia Department of Human Services

Pass-Through Number: 13-20240

Award Period: July 1, 2014 through June 30, 2015

Type of Finding:

- Compliance
- Material Weakness in Internal Control over Compliance

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section IV – Prior Year Findings (Continued)

FA 2015-002 (Continued)

Condition:

During the testing of 40 client files, it was noted that 5 of the files did not contain all the needed documentation to ensure the child's eligibility. From the 5 client folders, 1 Civil Rights and Compliance form, 1 Client Rights and Grievance Procedure form, 1 Authorization for release of information form, and 3 client's quarterly reports were missing (and the aforementioned reports were not filed timely). Finally we tested the 40 corresponding foster parents who housed the clients selected. Of these 40 foster parents, 1 child's biological parent's home safety inspection was not completed on time. Such information is an essential part of a child and foster parent's file and helps to ensure that they are eligible for and are receiving the appropriate services.

Recommendation:

We recommend that the program leadership develop policies and procedures in order to properly include all pertinent documentation within each client and foster parent file as required by the City of Philadelphia, Department of Human Services. In addition, we recommend that program leadership and/or the fiscal departments performs periodic audits of the client and foster parent files to ensure all required documentation is included.

Views of Responsible Officials and Planned Corrective Actions

Per review of these findings by Executive Management of the organization, the material weakness in internal control of the files has been corrected and an electronic process has been implemented with all documents scanned and stored on the server of the organization which is backed-up daily at an alternative location. This will avoid any issues with accessibility of the files/forms in question from the auditor's review.

The missing documents are not reflective of essential day to day service delivery/compliance pertaining to client safety and activities within the resource homes. Over the past several years, the program has continuously received no findings related to the accessibility of the files and services provided by the program.

Management does not believe these findings will occur again with the new procedures and oversight recently implemented. Wordsworth's Quality Assurance department is completing quarterly audits on all non-CUA clients. New systems have been put in place to ensure the timeliness of resource home safety checks and evaluations.

Status of Corrective Action

In the performance our testing of Non-CUA case files we noted no discrepancies or missing documentation in the sample of files tested.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section IV – Prior Year Findings (Continued)

FA 2015-003

Federal agency: U.S. Department of Health and Human Services

Federal program: Title IV-E Foster Care - CUA #5 and #10

CFDA Number: 93.658

Pass-Through Agency: Philadelphia Department of Human Services

Pass-Through Number: 14-20038 and 15-20005

Award Period: July 1, 2014 through June 30, 2015

Type of Finding:

- Compliance
- Material Weakness in Internal Control over Compliance

Condition

During the testing of 40 client files, it was noted that 37 of the files did not contain all the needed documentation to ensure the child's eligibility. We noted that the following information was missing from the client folders that were tested: 2 CUA Safety Assessment Worksheet, 16 CUA Safety Plans, 2 CUA – PA Model – Risk Assessment, 22 life skills assessment, 14 CUA – School Report Cards, 19 CUA – Authorization to Release Information, CUA – Immunizations, 8 Court Report/Order, 20 Photo on file, 3 CUA Initial Single Case Plan, 8 CUA Required 6 month case plan updates, 1 CUA – Initial Conference, and 6 Ongoing CUA Services Conference summary reports.

Recommendation

We recommend that the management continue to develop policies and procedures in order to properly include all pertinent documentation within each client file as required by the City of Philadelphia, Department of Human Services. In addition, we recommend that program leadership and/or the fiscal department performs periodic audits of the client files to ensure all required documentation is included.

Views of Responsible Officials and Planned Corrective Actions

On a monthly basis, the Wordsworth Quality Assurance Department audits 100% of opened cases in the Electronic Case Management System (ECMS) for the presence of a current and complete Safety Assessment, Risk Assessment, Safety Plan and Single Case Plan. The audit results are distributed upon completion of the review to the Case Management Supervisors. In addition to the monthly compliance audits, Wordsworth's CUA Quality Assurance Department completed a monthly review of 10% of active cases using modified Performance Review and Evaluation Program (PREP) instruments provided by Philadelphia Department of Human Services. The Single Case Plan review instrument provided by DHS was revised to incorporate additional items designed to measure for compliance for the presence of educational and medical records, monthly supervisory logs and the accuracy of FACTS2.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section IV – Prior Year Findings (Continued)

FA 2015-003 (Continued)

Views of Responsible Officials and Planned Corrective Actions (Continued)

Additional items looked at include assessments such as Ages and Stages Questionnaire, Casey Life Skills, etc. The sample includes 10% of all current cases with at least one case from each Case Manager's caseload. Upon completion of the review, the results are sent to the case management team for review and correction.

Status of Corrective Action

Please refer to the finding number FA 2016-001

FA 2015-004

Federal agencies: U.S. Department of Education, U.S. Department of Agriculture and U.S. Department of Health and Human Services

Type of Finding:

- Compliance
- Significant Deficiency in Internal Control over Compliance

Condition

The organization did not timely file the schedule of federal, state, and city awards and the data collection form.

Recommendation

We recommend that leadership evaluate the needs of the accounting and program departments to ensure that they are properly staffed.

Views of Responsible Officials and Planned Corrective Actions

The accounting group has had a significant management change including a new CFO. Accounting leadership will assess the needs of the department and will create a program for cross-training to alleviate the chance of delayed reporting due to limited resources.

Status of Corrective Action

For the year ended June 30, 2016, Wordsworth had filed its data collection form before the required due date of March 31, 2017.

**WORDSWORTH ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section IV – Prior Year Findings (Continued)

FA 2015–005

Federal agency: U.S. Department of Health and Human Services

Federal program: Title IV-E Foster Care - CUA #5 and #10

CFDA Number: 93.658

Pass-Through Agency: Philadelphia Department of Human Services

Pass-Through Number: 14-20038 and 15-20005

Award Period: July 1, 2014 through June 30, 2015

Type of Finding:

- Compliance
- Material Weakness in Internal Control over Compliance

Condition

During our testing of subrecipient monitoring, we noted that not all audits were kept on file.

Recommendation

We recommend that Wordsworth keep a copy of all subrecipients' most recent audit on file. We also suggest that there be a formal process in place so that there can be a follow up with the subrecipients that have deficiencies noted on their audit reports.

Views of Responsible Officials and Planned Corrective Actions

CUA Quality Assurance staff will conduct annual reviews of all subcontracting agencies utilizing a Subcontractor Resource Provider Compliance Review tool, to ensure compliance with IOC Practice Guidelines and relevant PA State regulations. Audits/reviews will include review of PA DHS licensing audits and, if applicable, Plans of Correction. CUA will also obtain copy of each subcontractor's annual financial audit.

Status of Corrective Action

Please refer to finding labeled FA 2016-002