IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW HAMPSHIRE

In re:	)	Chapter 11
	)	
The Prospect-Woodward Home dba Hillside Village,	)	Case No. 21-10523 (BAH)
	)	
Debtor.[1]	)	
	)	

DISCLOSURE STATEMENT FOR AMENDED CHAPTER 11 PLAN OF THE PROSPECT-WOODWARD HOME DATED MARCH 14, 2022

Dated: March 14, 2022

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[1] The last four digits of the Debtor's federal taxpayer identification are 2146. The address of the Debtor's headquarters is 95 Wyman Road, Keene, New Hampshire 03431.

EXHIBITS

Exhibit 1 Liquidation Analysis
Exhibit 2 Interim Approval and Procedures Order

NOTICE

THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT EXCEPT AS EXPRESSLY INDICATED HEREIN. THE DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTOR'S KNOWLEDGE, INFORMATION, AND BELIEF. NO GOVERNMENTAL AUTHORITY HAS PASSED ON, CONFIRMED, OR DETERMINED THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.

NOTHING STATED HEREIN SHALL BE DEEMED OR CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTOR OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN STATEMENTS CONTAINED HEREIN, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL REFLECT ACTUAL OUTCOMES.

THE STATEMENTS CONTAINED HEREIN ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED. THE DELIVERY OF THE DISCLOSURE STATEMENT SHALL NOT BE DEEMED OR CONSTRUED TO CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME AFTER THE DATE HEREOF.

HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THE DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. THEREFORE, EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED HEREBY.

I. Introduction[1]

The Prospect-Woodward Home d/b/a Hillside Village (the "Debtor") proposes the accompanying A*mended Chapter 11 Plan of the Prospect-Woodward Home dated February 16, 2022* (the "Plan") pursuant to Bankruptcy Code sections 1125 and 1129. The Debtor is the "proponent" of the Plan within the meaning of Bankruptcy Code section 1129.

Copies of the Plan and Disclosure Statement, and all other documents related to the Chapter 11 Case are available for free on the Case Website at https://www.donlinrecano.com/hvk.

The Plan is a liquidating chapter 11 plan that provides for the proceeds from the Debtor's assets to be distributed to holders of Allowed Claims in accordance with the terms of this document and the Bankruptcy Code. Distributions will occur on the Effective Date or as soon thereafter as is practicable and at various intervals thereafter, except as otherwise provided by Order of the Bankruptcy Court. The Plan Administrator will dissolve the Debtor, or as otherwise permitted by applicable law, as soon as practicable on or after the Effective Date on such terms as the Plan Administrator determines to be necessary or appropriate to implement the Plan and without further order of the Bankruptcy Court. The Plan Administrator may cause the Debtor to execute, deliver, and file any agreement or document the Plan Administrator determines to be necessary and appropriate.

Each Holder of a Claim against the Debtor entitled to vote to accept or reject the Plan is encouraged to read the Plan in its entirety before voting.

Subject to the restrictions on modifications as set forth in Bankruptcy Code section 1127, Bankruptcy Rule 3019, and in the Plan, the Debtor expressly reserves the right to alter, amend or modify the Plan one or more times before its substantial consummation.

[1] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

II. Background Information

A. General Background

(1) Overview of the Debtor's Business

The Debtor is a private New Hampshire not-for-profit corporation operating a state-of-the-art continuing care retirement community ("CCRC") in Keene, New Hampshire. The Debtor is the successor of a July 2016 merger between two not-for-profit corporations, Prospect Hill Home and The Woodward Home. Prospect Hill Home was formed in 1874 and, in 1884, moved to a property on Court Street in Keene, New Hampshire, where it operated continuously for over 130 years. The Woodward Home was founded in 1940 and was located at Court Street. The Board of Trustees of Prospect Hill Home determined that its mission would be better furthered by developing a CCRC located in Keene, New Hampshire, and, to that end, engaged in conversations with The Woodward Home, which led to the July 2016 merger. Following the merger, Prospect Hill Home residents moved into the Court Street location until the Community was built and opened.

Construction of the Community began in 2017 and opened in phases beginning in January 2019. The Community offers its residents a continuum of care in a campus-style setting, providing living accommodations and related healthcare and support services to persons aged 62 or older. The Community is located on 66 acres and is comprised of 141 independent living apartments, 43 assisted living units, 20 long-term nursing care units, and 18 memory care units. The Community also contains a community center, heath center, multiple dining rooms and lounges, library, indoor pool, performing arts theater, and other common spaces. As of the Petition Date, and as described below, due to certain construction defects, the Community was still under construction.

As is common practice in the CCRC industry, the Debtor primarily receives revenue from Entrance Fee Deposits and monthly service fees. When a Resident moves into the Community, they must execute a Residency Agreement. As of the Petition Date, the Debtor offered three types of Residency Agreements: traditional, 90% refundable shared cost, and guaranteed 90% refundable. Each plan differs in the required Entrance Fee Deposit, monthly service fees, and the amount of the Entrance Fee Deposit to be refunded, if any. As described in Section II.C, when the Debtor began to experience financial distress, it implemented the Option Agreement to protect new residents and encourage sales.

(2) The Debtor's Organizational Structure

The Debtor is governed by the Board and, prepetition, was managed by Life Care Services.

B. Prepetition Capital Structure

As of the Petition Date, on a book value basis, the Debtor had approximately $81.03 million in Assets consisting of approximately (i) $10.25 million in Cash and cash equivalents, (ii) $752,229 of deferred Entrance Fee Deposit receivables; (iii) $17,191 in accounts receivable; and (iv) $69.98 million in property and equipment.

As of the Petition Date, the Debtor owed approximately $105 million on account of the bond obligations, SBW obligations, and unsecured obligations (including contingent amounts owed to Residents).

(1) Bond Obligations

The development of the Community was financed through the issuance of the Bonds by the Issuer in the principal amount of $93,015,000.00. On June 1, 2017, the Issuer and the Bond Trustee entered into the Bond Indenture, pursuant to which the Issuer issued revenue bonds in the initial principal amount of $93,015,000.00, consisting of: (i) $57,395,000.00 principal amount direct note obligation in Series 2017A Bonds, (ii) $17,210,000.00 principal amount direct note obligation in Series 2017B Bonds, (iii) $16,520,000.000 principal amount direct note obligation in Series 2017C Bonds, and (iv) $1,890,000.00 principal amount direct note obligation in Series 2017D Bonds.

The Debtor, the Issuer, and the Bond Trustee entered into the Loan Agreement pursuant to which the Issuer agreed to lend the proceeds of the Bonds to the Debtor.

As of the Petition Date, the Bond Claims were approximately $64,642,667.12.

(2) SBW Obligations

The Debtor and SBW are parties to the SBW Agreement which provided a line of credit of up to $3,000,000. The SBW Loan proceeds were used to fund completion of construction at the Community. A portion of the SBW Loan balance was repaid with proceeds of the sale of the prior Prospect Home and Woodward Home properties (in which SBW was granted a collateral assignment) in 2019. The maturity date for the SBW Loan has been extended to December 31, 2021.

As further security for the SBW Loan, the Debtor granted SBW a first priority security interest in gross receipts, as defined in the SBW Construction Loan Security Agreement, subject only to the pari passu lien of the Bond Trustee as set forth in the Intercreditor Agreement.

As of the Petition Date, the SBW Claims equaled approximately $1,867,407.74. SBW has also asserted additional charges of $8,881.65, bringing the total asserted SBW Claim to $1,876,289.39.

(3) Other Secured Obligations

The Community and MacMillin had several disputes regarding the construction of the Community. In August 2019, MacMillin initiated the Superior Court Action to recover on various mechanics liens for MacMillin and the other Mechanics Lienholders. On October 25, 2019, the Superior Court issued an opinion for attachment purposes pursuant to N.H. Rev. Stat. Ann. § 447:12 for the Mechanics Lienholders in the amount of $5,713,392.35. Following the Superior Court's order, the Debtor and the Mechanics Lienholders continued to litigate and arbitrate these issues. Postpetition, certain Mechanics Lienholders have alleged that their security interests are superior to those of the Bond Trustee and SBW and the parties anticipate litigating these matters before the Bankruptcy Court in the Mechanics Lien Dispute.

Additionally, the Debtor believes the aggregate Mechanics Lien Claims are subject to offsetting claims for construction defects in an amount of up to $3 million.

(4) Unsecured Debt

As of the Petition Date, the Debtor estimates that general unsecured creditors are currently owed approximately $4,321,354.32.[2] This group includes trade creditors and Residents who have requested a refund of their Entrance Fee Deposits. The Debtor estimates that as of the Petition Date, approximately $3,160,020 was owed to Residents for pending refund requests and approximately $1,161,334.32 was owed to other creditors.

C. Events Precipitating the Chapter 11 Filing

(1) Causes of Financial Distress

The Debtor was forced to file the Chapter 11 Case for several reasons, but the filing was driven by the impact of the COVID-19 pandemic on the senior housing industry and the construction defects and delays related to the work performed by the Mechanics Lienholders.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. The extent to which COVID-19 has affected all aspects of life cannot be understated, but older adults are acutely susceptible to its effects. Of the more than 600,000 deaths attributed to COVID-19 in the United States, it is estimated that 92% of all deaths occurred among those aged 50 or older and 31% are related to residents and employees associated with senior living. In New Hampshire, approximately 66% of all COVID-19 deaths are related to residents and employees associated with senior living, the highest such percentage of any state in the United States.

The effects of COVID-19 were immediately felt by the Debtor and the Community. The Governor of New Hampshire declared a state of emergency in March 2020 and issued a series of emergency orders, including a state-wide shut down that directly impacted the Community and its operations. Census began to decline, and stress was put on Residents and employees from dealing with the associated state and federal guidelines. Although CCRCs are somewhat better equipped to handle COVID-19 because of the independent nature of the units, including individual kitchens, the social distancing and isolation had a negative impact on the Residents. The Debtor incurred significant expenses in responding to the pandemic, including but not limited to a significant increase in staffing costs. Despite the Debtor's best efforts, several Residents and staff members contracted COVID-19, which resulted in one death. As of the Petition Date, 100% of Residents and 70% of staff were vaccinated against COVID-19.

In addition to responding to the direct risks to current residents and staff, prospective Residents were hesitant to move into the Community due to fears of COVID-19. Moreover, the State of New Hampshire did not allow any new Residents to be admitted to assisted living, memory care, or nursing home units for a period of time. The marketing efforts, which typically include site visits or onsite events, were significantly limited by New Hampshire and federal regulations.

[2] This number is exclusive of Residents who are not currently owed a refund.

Despite the best efforts of the marketing team, the number of new move ins dropped precipitously and did not recover by the Petition Date.

During this time, MacMillin and the other Mechanics Lienholders continued litigation against the Debtor. Around the Petition Date, the estimate to repair the construction defects was approximately $3.0 million. Certain of these repairs were urgent, but the Debtor was delayed by MacMillin and unable to make repairs which were critical to maintaining the Community. Immediately prior to and during the Chapter 11 Case, the Debtor made certain critical repairs to the Woodside balconies, which efforts were funded by the Bond Trustee pursuant to the Final Cash Collateral Order. Certain related repairs were made using the Debtor's own cash reserves. The construction defects of MacMillan made it difficult for the Debtor to market the Community and the construction repair standstill because of the litigation complicated the Debtor's plan to move forward.

When coupled with COVID-19's effect on census and the resulting effect on revenue, the Debtor began to face liquidity constraints. In July 2020, the Debtor was unable to make fully a debt service payment of approximately $2 million due under the Bond Documents, which payment was partially funded with funds held in reserve funds under the Bond Documents. In January 2021 and July 2021, the Debtor again determined it could not make payments under the Bond Documents to conserve funds necessary for operations, including resident care. Despite marketing efforts and the widespread distributions of COVID-19 vaccines, after the Debtor publicly reported the missed payment as required by securities laws, prospective Residents were even more hesitant to move into the Community.

When taken together, the difficulties caused by the repairs and COVID-19 led to depressed occupancy, which in turn led to an amount of debt in excess of what the Community could reasonably sustain.

(2) Restructuring Efforts

As the Community began to experience financial distress in 2020, it hired OnePoint Partners to serve as a CRO and evaluate the Community's strategic options. After evaluating certain operational improvements and consultation with its secured creditors, the Community ultimately determined that pursuing an affiliation with a larger, financially sound sponsor would best further the Community's charitable mission and serve the interests of the Residents, creditors and the greater Keene, New Hampshire community.

The Community and the Bond Trustee began to negotiate, and ultimately entered into the Forbearance Agreement. The Forbearance Agreement provided, among other things, that the Community would operate under an agreed budget, retain a broker to market the Community for sale with agreed deadlines and milestones, and provide the Bond Trustee with monthly unaudited financial statements. Additionally, the Community agreed to provide the Bond Trustee a mortgage on previously unencumbered real estate. In exchange, the Bond Trustee agreed to (a) advance up to $570,000 to complete urgent and necessary repairs at the Community and (b) forbear from exercising certain rights under the Bond Documents through August 31, 2021.

As required by the Forbearance Agreement, prepetition, in March 2021, the Community retained Grandbridge, a broker with significant experience in the marketing and sale of distressed and healthy CCRCs. For several months, Grandbridge conducted a broad marketing process for potential regional and national operators or investors, ultimately obtaining eight letters of intent, including a letter of intent from Covenant. The Community's Board carefully considered each of the proposed offers and consulted with its secured creditors. Five potential bidders participated in the second round. After consideration of the subsequent bids and additional sale diligence, the Board selected Covenant to serve as the potential Stalking Horse Bidder in June 2021.

The Community worked with Covenant to diligence and document the asset purchase agreement and executed the binding Stalking Horse APA on August 17, 2021.

III. The Chapter 11 Cases

A. First Day Pleadings

On the Petition Date, the Debtor commenced the Chapter 11 Case by Filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor also Filed the certain first day motions to transition into operations during the Chapter 11 Case and to preserve relationships with Residents, vendors, and employees.

The first day motions requested relief from the Bankruptcy Court to, among other things: (a) protect Resident confidentiality; (b) pay employee wages; (c) maintain the Debtor's cash management system; (d) maintain utilities; and (e) maintain Resident refund programs. The Bankruptcy Court held hearings and granted the relief sought at hearings on September 2, 2021 and September 24, 2021.

B. Cash Collateral

In the ordinary course of business, the Debtor requires Cash on hand and cash flow from its operations to fund its working capital, liquidity needs and other routine payables. In addition, the Debtor requires Cash on hand to administer the Chapter 11 Case. Under the Bond Documents and SBW Documents, the Bond Trustee and SBW have a first priority security interest in and liens on all of the Debtor's prepetition Collateral.

On the Petition Date, the Debtor filed the Cash Collateral Motion. On September 24, 2021, the Court entered the Final Cash Collateral Order.

C. Schedules and Statements

On September 28, 2021 the Debtor filed its Schedules. On October 29, 2021, the Debtor amended the Schedules.

D. Retention of Professionals

During the Chapter 11 Case, the Bankruptcy Court has approved the Debtor's retention of and employment of the following Professionals to assist in the administration of the Debtor's Chapter 11 Case: (a) Polsinelli PC as restructuring counsel to the Debtor; (b) Hinckley, Allen &

Snyder LLP as local, regulatory, and general corporate counsel to the Debtor; (c) OnePoint Partners as Chief Restructuring Officer; (d) SilverBloom Consulting, LLC as financial advisor; (e) Donlin, Recano & Company, Inc. as claims, noticing, and administrative agent; and (f) Grandbridge Real Estate Capital as broker.

E. Appointment of Patient Care Ombudsman

The United States Trustee appointed Ms. Susan Buxton as the Patient Care Ombudsman in this Chapter 11 Case.

F. Appointment of the Committee

On September 9, 2021, the United States Trustee appointed the Committee, which is comprised entirely of current Residents: Anne McCune, Martin Post, Carmen M. Yon, Edward J. Tomey, Mark H. Allen, Caroline B. Edge, and Constance Milusich. The Committee has retained Perkins Coie LLP and McLane Middleton as counsel.

G. Sale of the Debtor's Assets

On the Petition Date, the Debtor filed the Sale Motion.[3] Pursuant to the Sale Motion, the Debtor sought to sell substantially all of its assets to Covenant as the Stalking Horse Bidder, subject to any higher or better offers. On September 21, 2021, the Court entered the Bid Procedures Order. Following entry of the Bid Procedures Order, the Debtor, through its professionals conducted a comprehensive postpetition marketing process. However, no other qualified bids were received and the auction was cancelled. Thereafter, the Debtor determined that Covenant's bid was the highest and best offer for substantially all of the Debtor's assets and that Covenant should be designated the successful bidder under the Bidding Procedures Order.

On November 22, 2021, the Court entered the Sale Order, which, among other things, approved the Sale to Covenant under the Stalking Horse APA for the Purchase Price of $33 million. Pursuant to the Stalking Horse APA, upon the Sale Closing, Covenant acquired the Purchased Assets (as defined in the Stalking Horse APA), which include:

(1) the Facility, the Premises, and the improvements thereon;

(2) the Books and Records, Resident medical records, and Transferred Employee records;

(3) the Assumed Contracts, including Residency Agreements (and any rights of the Debtor in the Entrance Fee and Option Deposits);

(4) the Equipment;

(5) the Inventory;

[3] Capitalized terms which are not otherwise defined in this Article III.G shall have the meanings ascribed to them in the Sale Motion and Stalking Horse APA, as applicable.

(6) the Permits;

(7) all intellectual property, including any trademarks, trade secrets, and the like;

(8) general intangibles, and community specific intellectual property, including domain name www.hillsidevillagekeene.org, as well as the names "The Prospect-Woodward Home" and "Hillside Village Keene" and related logos and marketing materials; and

(9) all of the Debtor's rights in the Endowment.

Under the Stalking Horse APA, Covenant assumed the Assumed Liabilities (as defined in the Stalking Horse APA), which include:

(1) all Entrance Fee Obligations and obligations under Residency Agreements and Option Agreements;

(2) all liabilities and obligations under the Purchased Assets accruing or arising after the Closing;

(3) all liabilities and obligations associated with the Assumed Contracts from and after Closing and all Cure Amounts associated with such Assumed Contracts; and

(4) all liabilities required to be paid by Buyer pursuant to the Stalking Horse Agreement (such as, without limitation, any recording fee, one-half of the real property transfer Taxes, and to the extent the Endowment is transferred to Buyer, any obligations with regard to the use after the Effective Time of the Endowment in accordance with law).

Certain Assets of the Debtor were not sold to the Stalking Horse, the Excluded Assets, including, but not limited to the following:

(1) all cash and cash equivalents (other than Debtor's rights in the Entrance Fee and Option Deposits);

(2) the Purchase Price and all rights under the Stalking Horse Agreement;

(3) except for Entrance Fees and Option Deposits and Resident (or Prospective Resident) promissory notes as addressed elsewhere, all Accounts Receivable;

(4) all claims and causes of action, including Avoidance Actions under Chapter 5 of the Bankruptcy Code;

(5) all set-off rights to claims filed or asserted in the Chapter 11 Case (except to the extent arising in connection with an Assumed Contract which is subject to cure);

(6) hold-backs and escrows for any prorations or Taxes being paid by the Debtor in connection with the Closing or afterward;

(7) all insurance policies of the Debtor any prepaid insurance premiums and any rights or claims or proceeds arising from such policies;

(8) all Tax refunds, rebates, and overpayments owed to the Debtor which are related to Debtor's operation of the business prior to the Closing;

(9) all (i) corporate seals, corporate organizational records, minute books, charter documents, record books, and stock transfer books pertaining to the Debtor, (ii) original Tax, accounting and financial records which pertain exclusively to the Excluded Assets, and (iii) such other files, books and records which pertain exclusively to the Excluded Assets or to the formation, existence or capitalization of the Debtor or of any other Person; all Inventory and Assets disposed of or exhausted prior to Closing in the ordinary course of business;

(10) any records which the Debtor is legally required to retain in its possession and any records related to Excluded Assets or Excluded Liabilities;

(11) all equipment and tangible property located at the business but not owned by the Debtor or subject to an equipment lease or vehicle lease that is not an Assumed Contract, and all other assets, properties and rights not related to or used in the business, as described more fully in the Stalking Horse Agreement;

(12) personnel records for employees who are not transferred employees and, to the extent the transfer of such records (whether directly or by means of the sale of the Debtor) to Covenant or its affiliates is prohibited by applicable law, for transferred employees, and all organizational documents and minute books of the Debtor;

(13) board designated, restricted and trustee-held or other escrowed funds (such as the debt service reserves, self-insurance trusts, workers compensation trusts, working capital trust assets, and assets and investments restricted as to use), donor restricted assets (except as provided in Stalking Horse Agreement), beneficial interests in charitable trusts and accrued earnings on all of the foregoing; and

(14) Seller's attorney-client and work-product privileges.

On February 15, 2022, the Sale closed. In connection with the Sale, the Debtor and Covenant entered into a Transition Services Agreement to address several transition issues

associated with the Sale including, but not limited to, services provided by the prior operator, treatment of licenses and policies, technology services, employee transition assistance, prorations, resident bills, treatment of the existing Option Deposit Agreements, and issues associated with the endowment funds.

On December 30, 2021, the Debtor filed the Interim Distribution Motion, which sought to make an interim distribution to the Bond Trustee on account of the Bond Claim in the amount of $24,737,796.06 from the Net Sales Proceeds. On March 11, 2022, the Court entered the Interim Distribution Order, which directed the Debtor to make an interim distribution to the Bond Trustee of $10 million of undisputed Net Sale Proceeds.

H. Claims Process and Bar Date

Pursuant to the Bar Date Order, all creditors holding or wishing to assert unsecured or secured, priority or nonpriority claims (as defined in Bankruptcy Code section 101(5)) against the Debtor or the Debtor's estate, accruing prior to the Petition Date were required to file a separate, completed, and executed Proof of Claim Form on account of each such Claim, together with accompanying documentation by the General Bar Date, December 28, 2021 at 5:00 p.m.; provided, however, that the Bankruptcy Court has Allowed the Bondholder Secured claim and the Bondholders Deficiency Claim, and no Proof of Claim Form need be filed in connection therewith.

Pursuant to the Bar Date Order, Governmental Units, as defined by Bankruptcy Code section 101(27), with claims against the Debtor or the Debtor's estate, accruing prior to the Petition Date, were required to file Proofs of Claim by the Governmental Bar Date, February 22, 2022 at 5:00 p.m.

Because the resolution process for Claims is ongoing, the Claims figures identified in the Plan represent estimates only and, in particular, the estimated recoveries for Holders of General Unsecured Claims could be materially lower if the actual amounts of Allowed General Unsecured Claims are higher than current estimates.

IV. Summary of the Plan

The following summarizes certain key information contained in the Plan. This summary refers to, and is qualified in its entirety by, reference to the Plan. The terms of the Plan will govern in the event any inconsistency arises between this summary and the Plan. The Bankruptcy Court has not yet confirmed the Plan described in this Disclosure Statement. In other words, the terms of the Plan do not yet bind any person or entity. If the Bankruptcy Court does confirm the Plan, it will bind all Holders of Claims.

The Debtor believes that the Plan is in the best interest of the Debtor's creditors, residents, employees, and other parties in interest. In short, the Plan contemplates the following:

- Administrative Expense Claims, Professional Fee Claims, Priority Tax Claims, and U.S. Trustee Fees will be paid in full. The Debtor anticipates that ordinary course Administrative Expense Claims will be paid in the ordinary course prior to the Effective Date of any plan. Professional Fee Claims may vary depending on the length of the confirmation process, but are estimated to be approximately $700,000

related to holdbacks and success fees. The total amount of U.S. Trustee Fees are estimated to be approximately $300,000. The Debtor will update these obligations in the Wind Down Budget included in the Plan Supplement.

- Following the Sale Closing, the Debtor will hold approximately $33 million in Cash, including the proceeds from the Sale and cash on hand. The Debtor will establish the Contested Claim Reserve in the amount of $10,118,514.15 for the benefit of SBW and the Mechanics Lienholders and a Wind Down Reserve.

- Holders of Claims in Class 1 (Priority Unsecured Claims) and Class 5 (Other Secured Claims) are unimpaired and will be paid in full.

- Holders of Claims in Class 2 (Bondholder Secured Claims) will receive the Net Sale Proceeds and, subject to further order of the Bankruptcy Court, the remaining balance of the Contested Claim Reserve and the Wind Down Reserve.

- Holders of Claims in Class 3 (SBW Secured Claims) are impaired and following further order of the Bankruptcy Court, will either receive payment from the Contested Claim Reserve or will be treated as a General Unsecured Claim.

- Holders of Claims in Class 4 (Mechanics Lien Claims) are impaired and following further order of the Bankruptcy Court, will either receive payment from the Contested Claim Reserve or will be treated as a General Unsecured Claim.

- Holders of Claims in Class 6 (General Unsecured Claims) are impaired and will receive no distribution under the Plan.

- Holders of Claims in Class 7 (Trade Claims) will receive their Pro Rata Share of the Trade Claim Distribution of $63,181.31.

The following chart summarizes the classification and treatment of the Classes:

Class	**Estimated Allowed Claims**[4]	**Treatment**	**Estimated Recovery**[5]
Class 1 – Priority Claims	$0	Unimpaired, deemed to accept	100%
Class 2 – Bond Claim	$64,642,667.12	Impaired, entitled to vote	38.36-51.05%
Class 3 – SBW Secured Claim	$1,876,289.39	Impaired, entitled to vote	0-49.62%[6]
Class 4 – Mechanics Lien Claims	$11,618,514.15[7]	Impaired, entitled to vote	0-100%[8]
Class 5 – Other Secured Claims	$0	Unimpaired, deemed to accept	100%
Class 6 – General Unsecured Claims[9]	Undetermined	Impaired, deemed to reject	0%
Class 7 – Trade Claims	$790,230.45	Impaired, entitled to vote	0-8%[10]

[4] These amounts represent estimated Allowed Claims, and do not represent amounts actually asserted by creditors in Proofs of Claim or otherwise. The Debtor has not completed its analysis of Claims in the Chapter 11 Case, and objections to such Claims have not been Filed and/or fully litigated and may continue following the Effective Date. Therefore, there can be no assurances of the exact amount of the Allowed Claims at this time. Rather, the actual amount of the Allowed Claims may be greater or lower than estimated.

[5] The estimated percentage recovery is based upon, among other things, an estimate of the Allowed Claims in the Chapter 11 Case. As set forth above, the actual amount of the Allowed Claims may be greater or lower than estimated. Thus, the actual recoveries may be higher or lower than projected depending upon, among other things, the amounts and priorities of Claims that are Allowed by the Bankruptcy Court.

[6] As described in Section V(B)(4), the Bond Trustee and SBW dispute the extent to which SBW's Liens attach to the Purchase Price and/or Excluded Assets. Should the Bankruptcy Court determine that SBW's Liens do attach to the Purchase Price and/or Excluded Assets, SBW would be entitled to a pro rata amount of the SBW Secured Claim subject to the Intercreditor Agreement.

[7] The Mechanics Lienholders have filed aggregate claims in the amount of $11,618,514.15. The Debtor disputes this amount.

[8] As described in Article Section V(B)(4), the Bond Trustee and the Mechanics Lienholders dispute the priority of their respective Liens. Should the Bankruptcy Court determine that the Mechanics Lienholders' Liens are superior to the Bond Trustee, the Mechanics Lien Claims will be paid in full at an amount determined in the appropriate venue.

[9] This estimate does not include any Deficiency Claims. Depending on the Bankruptcy Court's rulings with respect to the Contested Claims Reserve, Class 6 may include the Claims of the Bond Trustee, Mechanics Lienholders, and/or SBW.

[10] As described in Section 6 of the Disclosure Statement, there are certain risk factors related to the Trade Distribution, including that the Bankruptcy Court may not agree with the Debtor that Class 7 – Trade Claims may be separately classified from Class 6 – General Unsecured Claims.

A. Unclassified Claims

(1) Administrative Expense Claims

Requests for payment of Administrative Expense Claims must be Filed no later than the applicable Administrative Expense Bar Date. Holders of Administrative Expense Claims that do not File requests for the allowance and payment thereof on or before the applicable Administrative Expense Bar Date shall forever be barred from asserting such Administrative Expense Claims against the Debtor or the Estate.

Except to the extent that a Holder of an Allowed Administrative Expense Claim agrees to a less favorable treatment or has been paid by the Debtor prior to the Effective Date, in full and final satisfaction, settlement, and release of and in exchange for release of each Allowed Administrative Expense Claim, each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in Cash from the Wind Down Reserve: (a) on the Effective Date or as soon thereafter as is reasonably practicable or, if not then due, when such Allowed Administrative Expense Claim is due or as soon thereafter as is reasonably practicable; (b) if an Administrative Expense Claim is Allowed after the Effective Date, on the date such Administrative Expense Claim is Allowed or as soon thereafter as is reasonably practicable or, if not then due, when such Allowed Administrative Expense Claim is due; or (c) at such time and upon such terms as set forth in an order of the Bankruptcy Court; provided, however, that any Administrative Expense Claims which have been assumed by Covenant pursuant to the Stalking Horse APA shall not be an obligation of the Debtor; provided further that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor, as debtor in possession, or liabilities arising under obligations incurred by the Debtor, as debtor in possession, in accordance with the Wind Down Budget and to the extent such obligations have not been assumed by Covenant, shall be paid by the Debtor in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

For the avoidance of doubt, an Administrative Expense Claim asserted by SBW shall be paid from the SBW Reserve if Allowed.

(2) Professional Fee Claims

All Professionals or other Persons requesting compensation or reimbursement of Professional Fee Claims for services rendered before the Effective Date (including compensation requested by any Professional or other entity for making a substantial contribution in the Chapter 11 Case) shall File an application for final allowance of compensation and reimbursement of expenses no later than the Professional Fee Claims Bar Date.

The Final Fee Hearing to determine the allowance of Professional Fee Claims shall be held as soon as practicable after the Professional Fee Claims Bar Date. The Debtor's counsel shall File a notice of the Final Fee Hearing. Such notice shall be posted on the Case Website, and served upon counsel for the Committee, counsel for Bond Trustee, all Professionals, the U.S. Trustee, and all parties on the Debtor's Bankruptcy Rule 2002 service list.

Allowed Professional Fee Claims of the Professionals shall be paid: (i) as soon as is reasonably practicable following the later of (a) the Effective Date and (b) the date upon which the order relating to any such Allowed Professional Fee Claims is entered by the Bankruptcy Court; or (ii) upon such other terms as agreed by the Holder of such an Allowed Professional Fee Claims. Allowed Professional Fee Claims shall be paid in full in Cash from by the Debtor.

(3) Priority Tax Claims

Except to the extent that the Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment with the Debtor, each Holder of an Allowed Priority Tax Claim will receive in full and final satisfaction, settlement, release, and discharge of, and in exchange for, its Allowed Priority Tax Claim an amount of Cash equal to the full unpaid amount of such Allowed Tax Claim on (a) the Effective Date, or (b) the first Business Day after the date which is 30 days after the date on which such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is reasonably practicable.

(4) U.S. Trustee Fees

All U.S. Trustee Fees due and payable prior to the Effective Date shall be paid by the Debtor on or before the Effective Date in accordance with Bankruptcy Code section 1129(a)(12). On and after the Effective Date, until the earliest of the Chapter 11 Case being closed, dismissed, or converted to a case under Chapter 7 of the Bankruptcy Code, the Plan Administrator shall pay any and all U.S. Trustee Fees when due and payable, and shall File with the Bankruptcy Court quarterly reports in a form reasonably acceptable to the U.S. Trustee.

B. Classification and Treatment of Claims

(1) Classification of Claims

Pursuant to Bankruptcy Code sections 1122 and 1123(a)(1), Claims are classified for all purposes, including, without express or implied limitation, voting, confirmation and distribution pursuant to the Plan, as set forth herein. 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 that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or an Interest also is classified in a particular Class for the purpose of receiving distributions under the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

Except to the extent that the Debtor and a Holder of an Allowed Claim or Allowed Interest, as applicable, agree in writing to less favorable treatment for such Allowed Claim or Allowed Interest, as applicable, such Holder shall receive under the Plan the treatment described below in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Holder's Allowed Claim or Allowed Interest. Unless otherwise indicated, the holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the Effective Date or as soon thereafter as reasonably practicable.

(2) Treatment of Claims

(a) Class 1: Priority Unsecured Claims

Classification. Class 1 consists of all Priority Unsecured Claims.

Treatment. Except to the extent that a Holder of an Allowed Priority Unsecured Claim and the Debtor agrees agree in writing to less favorable treatment of its Allowed Priority Unsecured Claim, each Holder of an Allowed Priority Unsecured Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for, its Allowed Priority Unsecured Claim:

a. payment in full, in Cash, on the later of (1) the Effective Date; or (2) the date such Priority Unsecured Claim is Allowed;

b. payment in the ordinary course of business between the Debtor and the Holder of such Allowed Priority Unsecured Claim; or

c. payment at such time and upon other terms as the Debtor and the Holder of such Allowed Priority Unsecured Claim may agree.

Voting. Class 1 is Unimpaired. Holders of Allowed Priority Unsecured Claims in Class 1 are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f). Holders of Priority Unsecured Claims are not entitled to vote to accept or reject the Plan.

(b) Class 2: Bondholder Secured Claims

Classification. Class 2 consists of the Allowed Bondholder Secured Claim.

Treatment. Upon the terms and subject to the conditions set forth in the Plan, in full and final satisfaction, settlement, release, and discharge of the Allowed Bondholder Secured Claim against the Debtor, the Bond Trustee shall receive, on behalf of the Holders of the Allowed Bondholder Secured Claim, (i) on the Effective Date or as soon as practicable thereafter, the Net Sale Proceeds and the Excluded Assets, including the Debtor's Cash on hand on the Effective Date, subject to the amounts required to fund the Wind Down Reserve; (ii) as directed by subsequent order of the Bankruptcy Court, the balance of the Contested Claim Reserve; and (iii) any funds remaining in the Wind Down Reserve after payments of applicable obligations. All Distributions made on account of the Bondholder Secured Claim shall be paid to the Bond Trustee, and the Bond Trustee shall make further Distributions to the holders of the Bonds as set forth in the Bond Documents. In addition to the foregoing and as allowed by the Final Cash Collateral Order, the Bond Trustee may apply any and all funds in its possession as set forth in the Bond Documents free from the automatic stay imposed by Bankruptcy Code section 362.

Voting. Class 2 is Impaired. Holders of Allowed Bondholder Secured Claims are entitled to vote to accept or reject the Plan.

(c) Class 3: SBW Secured Claim

Classification. Class 3 consists of the SBW Secured Claim.

Treatment. Except to the extent that the Holder of the Allowed SBW Claim, the Bond Trustee, and the Debtor agree in writing to a different treatment of its Allowed SBW Claim, the Holder of the Allowed SBW Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for its Allowed SBW Claim :

a. Payment, in Cash from the SBW Reserve of the amount the Bankruptcy Court determines that SBW is entitled to on account of its pari passu interest in the Purchase Price and/or the Excluded Assets to which its Lien applies; and/or

b. Payment, in Cash, from the SBW Reserve of any other amount a court of competent jurisdiction determines that SBW may be entitled to, including any potential claim related to prepetition setoffs by the Bond Trustee; and/or

c. Treatment as a General Unsecured Claim for the SBW Deficiency Claim.

Voting. Class 3 is Impaired. The Holder of the Allowed SBW Secured Claim is entitled to vote to accept or reject the Plan.

(d) Class 4: Mechanics Lien Claims

Classification. Class 4 consists of the Mechanics Lien Claims.

Treatment. Except to the extent that a Holder of an Allowed Mechanics Lienholder Claim, the Bond Trustee, and the Debtor agree in writing to less favorable treatment of its Allowed Mechanics Lienholder Claim, each Holder of an Allowed Mechanics Lienholder Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for its Allowed Mechanics Lienholder Claim:

a. Payment in full, in Cash, from the Mechanics Lien Reserve if the Bankruptcy Court determines that the Liens of the Mechanics Lienholders are superior to that of the Bond Trustee and a Final Order is entered regarding the actual amount of the Allowed Mechanics Lienholder Claims is determined by a court of competent jurisdiction; or

b. Treatment as a General Unsecured Claim if the Bankruptcy Court determines that the Liens of the Mechanics Lienholders are not superior to that of the Bond Trustee.

Voting. Class 4 is Impaired. Holders of Allowed Mechanics Lien Claims are entitled to vote to accept or reject the Plan.

(e) Class 5: Other Secured Claims

Classification. Class 5 consists of all Other Secured Claims.

Treatment. Except to the extent that a Holder of an Allowed Other Secured Claim and the Debtor agree in writing to less favorable treatment of its Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for, its Allowed Other Secured Claim:

a. payment in full, in Cash, of the unpaid portion of its Allowed Other Secured Claim on the following: (i) if such Allowed Other Secured Claim is Allowed as of the Effective Date, the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, the date such Allowed Other Secured Claim becomes due and payable, or as soon thereafter as is reasonably practicable); and (ii) if such Allowed Other Secured Claim is not Allowed as of the Effective Date, the date such Other Secured Claim is Allowed or as soon as reasonably thereafter practicable;

b. a Distribution of such Collateral securing the Other Secured Claim;

c. a Distribution of the proceeds of the sale or disposition of such Collateral securing the Other Secured Claim; or

d. such other treatment as the Debtor and the Holder of such Allowed Other Secured Claim may agree.

Voting. Class 5 is Unimpaired. Holders of Allowed Other Secured Claims in Class 5 conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f). Holders of Other Secured Claims are not entitled to vote to accept or reject the Plan.

(f) Class 6: General Unsecured Claims

Classification. Class 6 consists of General Unsecured Claims.

Treatment. Holders of General Unsecured Claims shall not receive any distribution on account of such General Unsecured Claims, and such General Unsecured Claims shall be discharged, cancelled, released, and extinguished as of the Effective Date, and shall be of no further force or effect.

Voting. Class 6 is Impaired. Holders of Allowed General Unsecured Claims, in Class 6, are deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g) and are not entitled to vote to accept or reject the Plan.

(g) Class 7: Trade Claims

Classification. Class 7 consists of all Trade Claims.

Treatment. Except to the extent that a Holder of an Allowed Trade Claim and the Debtor agrees in writing to less favorable treatment of its Allowed Trade Claim, each Holder of an Allowed Trade Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for, its Allowed Trade Claim, its Pro Rata share of the Trade Distribution.

Voting. Class 7 is Impaired. Holders of Allowed Trade Claims, in Class 7 are entitled to vote to accept or reject the Plan.

(3) Impaired Claims

Under the Plan, Holders of Claims in Classes 2, 3, 4, 6, and 7 are the Impaired Classes pursuant to Bankruptcy Code section 1124 because the Plan alters the legal, equitable or contractual rights of the Holders of such Claims treated in such Class.

(4) Deemed Acceptance or Rejection of the Plan and Voting Classes

Holders of Claims in Classes 1 and 5 are unimpaired, thus deemed to accept the Plan. Under Bankruptcy Code section 1126(f), Holders of such Claims are conclusively presumed to have accepted the Plan, and the votes of the Holders of such Claims shall not be solicited.

Holders of Claims in Classes 2, 3, 4, and 7 are Impaired and entitled to vote to accept or reject the Plan.

Holders of Claims in Class 6 are not entitled to receive any distribution under the Plan. Pursuant to Bankruptcy Code section 1126(g), Holders of Claims in Classes 6 are conclusively deemed to have rejected the Plan and the votes of these Holders therefore shall not be solicited.

(5) Acceptance by Impaired Classes

In order for the Plan to be accepted by an Impaired Class of Claims, a majority in number (*i.e.*, more than half) and two-thirds in dollar amount of the Claims voting (of each Impaired Class of Claims) must vote to accept the Plan. At least one (1) Impaired Class of creditors, excluding the votes of insiders, must actually vote to accept the Plan. The Debtor urges that you vote to accept the Plan.

(6) Cramdown and No Unfair Discrimination

To the extent that any Impaired Class does not accept the Plan, the Debtor will seek Confirmation pursuant to Bankruptcy Code section 1129(b). This provision allows the Bankruptcy Court to confirm a plan accepted by at least one impaired class so long as it does not unfairly discriminate and is fair and equitable with respect to each class of claims and interest that is impaired and has not accepted the plan. Colloquially, this mechanism is known as a "cramdown."

The Debtor believes the treatment of Claims describe in the Plan are fair and equitable and do not discriminate unfairly. The proposed treatment of Claims provides that each Holder of such Claim or Interest will be treated identically within its respective class and that, except when agreed to by such Holder, no Holder of any Claim or Interest junior will receive or retain any property on account of such junior Claim or Interest.

C. Executory Contracts and Unexpired Leases

(1) Background

The Bidding Procedures Order and the Sale Order contemplate the treatment of Executory Contracts and Unexpired Leases. Although nothing in the Plan shall be deemed to supersede the Bidding Procedures Order and Sale Order, Article VII of the Plan is included out of an abundance of caution.

(2) Rejection of Executory Contracts and Unexpired Leases

All Executory Contracts and Unexpired Leases of the Debtor which have not been assumed, assigned, or rejected, prior to the Effective Date shall be deemed rejected.

(3) Rejection Claims

In the event that the rejection of an executory contract or unexpired lease by any of the Debtor pursuant to the Plan results in a Rejection Claim in favor of a counterparty to such executory contract or unexpired lease, such Rejection Claim, if not heretofore evidenced by a timely and properly filed Proof of Claim, shall be forever barred and shall not be enforceable against the Debtor, or their respective properties or interests in property as agents, successors, or assigns, unless a Proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Debtor and the Plan Administrator on or before the date that is 30 days after the Effective Date. All Allowed Rejection Claims shall be treated as General Unsecured Claims pursuant to the terms of the Plan.

To the extent that any and all of the Debtor's insurance policies that were not transferred to the Purchaser pursuant to the Stalking Horse APA, including any primary director and officer liability, employment practices liability, or fiduciary liability insurance policies, are considered executory contracts, then notwithstanding anything contained in the Plan to the contrary, such insurance policies, shall be deemed rejected as of the Effective Date. Unless otherwise determined by the Bankruptcy Court, pursuant to a Final Order, no payments are required to cure any defaults of the Debtor existing as of the Confirmation Date with respect to each such policy. For the avoidance of any doubt, all rights under any insurance policy that is not an executory contract and was not transferred to the Purchaser pursuant to the Stalking Horse APA and the Sale Order, and all rights under any other insurance policies that were not transferred to the Purchaser pursuant to the Stalking Horse APA and the Sale Order and under which the Debtor may be a beneficiary, shall be preserved and shall vest with the Plan Administrator and shall remain in full force and effect after the Effective Date for the term thereof; and nothing herein shall alter or adversely affect the rights of any non-Debtor beneficiaries of or covered Persons or Entities under such insurance policies. Further, for the avoidance of any doubt, the Plan Administrator may bring or assert Estate Claims under the any primary director and officer liability, employment practices liability, or fiduciary liability insurance policies, as insolvency trustees, receivers, examiners, conservators, liquidators, rehabilitators or similar officials, as those terms are used in the policies.

D. Means for Implementation

(1) Effective Date

The Effective Date shall not occur until the conditions for the Effective Date or satisfied or otherwise waived in accordance with the terms of the Plan. Upon occurrence of the Effective Date, the Debtor shall File the Notice of Effective Date, which shall also be posted on the Case Website.

(2) Implementation of the Plan

(a) Corporate Action; Effectuating Documents

On the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the trustees or officers of the Debtor.

The Board shall remain intact until the Debtor is dissolved. All corporate action shall be taken in accordance with the certificate of incorporation and the bylaws of the Debtor. On the date of dissolution, the Debtor, the officers and trustees of the Board shall be deemed to have resigned to the extent permissible under applicable law.

The officers and trustees of the Debtor shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such other actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan.

(b) Resident Matters

Pursuant to the Stalking Horse APA and Sale Order, and as more fully described in the Disclosure Statement, on the Sale Closing Date, Covenant assumed all Residency Agreements, including entrance fee refunds and related resident obligations. Covenant also acquired the Debtor's interest in Entrance Fee Deposits.

The Plan Administrator will provide notice to all counterparties to the Option Agreements as required by the documents and will oversee the conversion of Option Deposits to Entrance Fee Deposits and any requests for return of Option Deposits.

(c) Transfer of Net Sale Proceeds

The Bond Trustee shall receive the following on account of the Bond Claim on the Effective Date, or as soon as practicable thereafter, the Net Sale Proceeds of the Sale and the Excluded Assets, including the Debtor's Cash on hand on the Effective Date less any amounts required for the Wind Down Budget and funding the Contested Claim Reserve; provided that any funds remaining in the Wind Down Reserve shall be paid to the Bond Trustee in accordance with the treatment of the Allowed Bondholders Secured Claim as set forth herein. All distributions made on account of the Bond Claim shall be paid to the Bond Trustee, and the Bond Trustee shall make further distributions to the holders of the Bonds as set forth in the Bond Documents.

(d) Contested Claim Reserve

On the Effective Date, the Debtor will establish the Contested Claim Reserve in the original amount of $10,118,514.15, which includes the SBW Reserve of $1,226,543.17 and Mechanics Lien Reserve of $8,891,970.98.

The SBW Reserve will be established because, at this time, it is unclear (a) to what extent the SBW Liens attach to the Excluded Assets and/or Purchase Price, (b) whether, and to what extent, SBW may have an Administrative Expense Claim pursuant to Bankruptcy Code section 507(b) and/or replacement liens as provided in the Final Cash Collateral Order, (c) whether, and to what extent, SBW may have a claim against the Bond Trustee related to prepetition setoffs and (d) whether the Bond Trustee has defenses to the foregoing or any counterclaims against SBW. To the extent that SBW's Liens do attach to the Excluded Assets and/or the Purchase Price (or a portion thereof), SBW would be entitled to the Pro Rata/pari passu amount of the Excluded Assets and/or the Purchase Price on which its Liens attach. The Debtor will continue to hold the SBW Reserve until the earlier of (a) resolution between the Bond Trustee and SBW as to the amount of SBW's claims, including the Allowed SBW Secured Claim, any Administrative Expense Claim asserted by SBW, and/or any claim asserted by SBW against the Bond Trustee for prepetition setoffs, or (b) a Final Order is entered by a court of competent jurisdiction as to a determination of the amount of SBW's claims; provided that any claim by SBW against the Bond Trustee for prepetition setoffs and any claim by the Bond Trustee must be brought within six (6) months of the Effective Date or shall be waived; provided further that upon the initiation and during the continuance of any action by either party, all defenses and counterclaims by such parties are preserved for assertion consistent with applicable rules and not otherwise waived. The Bond Trustee and SBW each reserve all rights under the Intercreditor Agreement, and the Final Cash Collateral Order, and nothing in the Plan shall be deemed to modify or otherwise affect such rights.

The Mechanics Lienholders have asserted that the Mechanics Lien Claims are secured and such liens are superior to the liens of the Bond Trustee. The aggregate amount asserted Mechanics Lien Claims is $11,618,514.15 and the holders may be entitled to additional amounts based on attorney fees and costs if successful. The Debtor has also asserted counterclaims in the approximate amount of $3,000,000, which may setoff amounts owed to the Mechanics Lienholders. The Debtor will establish the Mechanics Lien Reserve in the amount of $8,891,970.98, pending resolution of the Mechanics Lien Dispute.

Following the Bankruptcy Court's determination as to the relative priority of the Claims of the Bond Trustee and the Mechanics Lienholders, (a) if the Mechanics Lienholders are determined to have liens superior to that of the Bond Trustee the parties will proceed to liquidate the amount of the Mechanics Lienholder Claims in a court of competent jurisdiction and once the Mechanics Lienholders Claims are fully liquidated, the parties will provide notice to the Bankruptcy Court and make any payments from the Contested Claim Reserve; or (b) the Mechanics Lien Reserve will be transferred to the Bond Trustee.

(e) Wind Down Budget

Pursuant to the Wind Down Budget, an amount of Cash will remain the Estate to: (a) fund operations through the Effective Date; (b) pay Allowed Administrative Expense Claims, Allowed

Professional Fee Claims, Allowed Priority Tax Claims, U.S. Trustee Fees, Allowed Other Secured Claims, and Allowed Priority Unsecured Claims; and (c) provide funding for the Plan Administrator and professionals to conduct an orderly wind down of the Estate in accordance with the Plan.

The remaining balance of the Wind Down Reserve, if any, will be transferred to the Bond Trustee upon entry of the Final Decree.

E. Provisions Regarding the Plan Administrator

(1) Distributions

All Distributions under the Plan shall be made by the Plan Administrator.

(2) Retention of Assets and Liabilities

After the Effective Date, in accordance with the Plan, the Debtor (under the authority of the Plan Administrator) shall retain the Remaining Assets and any remaining obligations of the Debtor's Estate, including, without limitation, the payment of any Allowed Administrative Expense Claims.

(3) Plan Administrator

Appointment of the Plan Administrator. Jamie Spencer has been selected by the Debtor to serve as the Plan Administrator. The Plan Administrator shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

Establishment of the Plan Administrator. On the Effective Date, the Plan Administrator shall be established. On the Effective Date, the Plan Administrator will control the funds in the Wind Down Reserve and the Contested Claim Reserve for Distributions on account of Allowed Claims in accordance with the Plan.

Duties of the Plan Administrator. The Plan Administrator shall (i) be a representative of the Estate pursuant to Bankruptcy Code section 1123, (ii) have the rights and powers set forth in the Plan, and (iii) be governed in all things by the terms hereof. The Plan Administrator shall have reasonable access to the Debtor's books and records on reasonable prior notice to Covenant or its designee. Subject to the terms and limitations of the Plan, the Plan Administrator shall be authorized, empowered, and directed to take all actions necessary to comply with the Plan and exercise and fulfill the duties and obligations arising hereunder, including, without limitation, to (i) act as a trustee for and administer the Remaining Assets, (ii) take any action necessary to transfer the Remaining Assets to the Plan Administrator and, to the extent deemed feasible by the Plan Administrator, dissolve the Debtor in accordance with the Plan and applicable law, (iii) retain attorneys, advisors, and other Professionals as may be necessary and appropriate to perform the duties required of, and the obligations assumed by, the Plan Administrator under the Plan, without the need for prior court approval, (iv) execute any documents, instruments, contracts, and agreements necessary and appropriate to carry out the powers and duties of the Plan Administrator, (v) open, maintain, and administer bank accounts as necessary to discharge the duties of the Plan

Administrator under the Plan, (vi) administer, sell, liquidate, or otherwise dispose of the Remaining Assets in accordance with the Plan, (vii) file and prosecute objections to, and negotiate, settle, or otherwise resolve, any and all Disputed Claims, subject to Bankruptcy Court approval as appropriate, (viii) serve as the Estate's representative before the Bankruptcy Court and other courts of competent jurisdiction with respect to matters concerning the Plan Administrator, (ix) prepare and file quarterly financial reports after the Effective Date, (x) comply with applicable orders of the Bankruptcy Court and any other Court of competent jurisdiction over the matters set forth herein, and all applicable laws and regulations concerning the matters set forth herein, (xi) prepare any audits, (xii) administer Option Deposits, (xiii) oversee the Wind Down Budget, and (xiv) distribute the proceeds of the Contested Claim Reserve. Notwithstanding anything to the contrary in the Plan or any other documents or Order, the Plan Administrator shall not assume any obligations with respect to, and shall have no responsibility or obligation to take any action or steps with respect to, any retirement or benefits plan (whether ERISA qualified or not) of the Debtor, and shall have no liability in connection with any such plans.

Accounting and Reporting. The Plan Administrator shall maintain an accounting of receipts and disbursements with respect to the Plan Administrator, which shall be open to inspection and review by the Bankruptcy Court and any Holder of an Allowed Claim or its respective Professionals, upon reasonable notice to the Plan Administrator. After the Effective Date, the Plan Administrator shall serve the United States Trustee with, and shall file with the Bankruptcy Court, a quarterly financial report for each quarter (or portion thereof) that the Chapter 11 Case remains open, as well as a final financial report after the Bankruptcy Court enters a Final Decree closing the Chapter 11 Case.

Plan Administrator Expenses. The Plan Administrator may, in the ordinary course of business and without the necessity for any application to, or approval of, the Bankruptcy Court, pay any accrued but unpaid reasonable and documented expenses of the Plan Administrator from the Remaining Assets.

Retention of Professionals. Attorneys, advisors, and any other Professional retained by the Plan Administrator shall submit to the Plan Administrator periodic statements for all reasonable compensation for services rendered, and reimbursement for actual and necessary expenses incurred, by such Professionals. The Plan Administrator shall have twenty days to object to any such statement. If an objection is received by a Professional and cannot be promptly resolved by such professional and the Plan Administrator, the dispute shall be submitted by the Plan Administrator to the Bankruptcy Court for adjudication. The Bankruptcy Court shall retain jurisdiction to adjudicate any such objection. If no objection is raised to a statement within the twenty day period, such statement shall be promptly paid by the Plan Administrator.

Termination of the Plan Administrator. The Plan Administrator shall be terminated upon the earlier of (a) the three year anniversary of the Effective Date or (b) the entry by the Bankruptcy Court of a Final Decree closing the Chapter 11 Case and submission by the Plan Administrator of the final financial report to the Bankruptcy Court. On or prior to the date of termination of the Plan Administrator, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Plan Administrator for cause shown. The Plan Administrator may resign at any time by giving the U.S. Trustee at least thirty days' written notice of the Plan Administrator's intention to do so, in which case the resignation shall be effective on the thirtieth day following issuance of such

notice or such other date agreed to by the U.S. Trustee. In the event of a resignation, the resigning Plan Administrator shall render to the successor Plan Administrator an accounting of monies and assets received, disbursed, and held during the term of office of the resigning Plan Administrator. Upon the resignation or termination of the Plan Administrator prior to the three year anniversary of the Effective Date or entry by the Bankruptcy Court of a Final Decree closing of the Chapter 11 Case, the U.S. Trustee shall appoint a successor Plan Administrator; *provided, however*, that the U.S. Trustee shall file with the Bankruptcy Court a notice of the appointment of such successor. In the event of a resignation of the Plan Administrator, the resigning Plan Administrator shall be entitled to payment of all compensation earned by the Plan Administrator through and including the effective date of such resignation.

Limitation on Liability. No recourse shall ever be had, directly or indirectly, against the Plan Administrator or its officers, directors, agents, employees, attorneys, advisors, or other professionals by legal or equitable proceedings or by virtue of any statute or otherwise, or any deed of trust, mortgage, pledge, or note, or upon any promise, contract, instrument, undertaking, obligation, covenant, or agreement whatsoever executed by the Plan Administrator under the Plan or by reason of the creation of any indebtedness by the Plan Administrator under the Plan for any purpose authorized by the Plan. All such liabilities, covenants, and agreements of the Plan Administrator, its respective officers, directors, agents, employees, attorneys, advisors, or other Professionals, whether in writing or otherwise, under the Plan shall be enforceable, if at all, only against, and shall be satisfied only out of, the Remaining Assets. Every undertaking, contract, covenant or agreement entered into in writing by the Plan Administrator shall provide expressly against the personal liability of the Plan Administrator. The Plan Administrator and its officers, directors, agents, employees, attorneys, advisors and other Professionals shall not be liable for any act they may do, or omit to do, hereunder in good faith and in the exercise of their respective best judgment and the fact that such act or omission was advised, directed, or approved by an attorney acting as counsel for the Plan Administrator shall be conclusive evidence of such good faith and best judgment; *provided, however*, that this Section shall not apply to any bad faith, fraud, gross negligence, or willful misconduct by the Plan Administrator or its officers, directors, agents, employees, attorneys, advisors, or other professionals.

Reliance on Documents. The Plan Administrator may rely, and shall be protected in acting or refraining from acting, upon any certificates, opinions, statements, instruments, or reports believed by it to be genuine and to have been signed or presented by the proper entity, including, without limitation, claims lists and data provided to the Plan Administrator by the Claims and Balloting Agent or the Debtor, upon which the Plan Administrator shall base Distributions.

(4) Causes of Action

As set forth in the Liquidation Analysis, the Debtor has evaluated all potential Causes of Action and determined that they are of de minimis value. Thus, notwithstanding anything in the Plan to the contrary, all Causes of Action shall be waived and released by the Debtor and the Estate as of the date the Final Decree is entered. For the avoidance of doubt, prior to the entry of the Final Decree, the Causes of Action shall be retained by the Estate unless otherwise ordered by the Bankruptcy Court.

(5) Rights and Powers of the Plan Administrator

Except as otherwise set forth in the Plan, the Plan Administrator shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (ii) establish, as necessary, disbursement accounts for the deposit and Distribution of all amounts distributed under the Plan; (iii) make Distributions in accordance with the Plan, (iv) object to Claims, as appropriate, (v) employ and compensate professionals to represent it with respect to its responsibilities, (vi) assert any of the Debtor's claims, Causes of Action, rights of setoff, or other legal or equitable defenses, and (vii) exercise such other powers as may be vested in the Plan Administrator by order of the Bankruptcy Court pursuant to the Plan, or as deemed by the Plan Administrator to be necessary and proper to implement the provisions hereof. Except as otherwise set forth in the Plan, the Plan Administrator may take any and all actions that it deems reasonably necessary or appropriate to defend against any Claim, including, without limitation, the right to: (a) exercise any and all judgment and discretion with respect to the manner in which to defend against or settle any Claim, including, without limitation, the retention of professionals, experts, and consultants and (b) enter into a settlement agreement or agreements; provided, that such settlement is entered into by the Plan Administrator in good faith.

(6) Post-Confirmation Date Expenses of the Plan Administrator

The Plan Administrator shall receive reasonable compensation for services rendered pursuant to the Plan without further Court Order. In addition, except as otherwise ordered by the Bankruptcy Court, the amount of reasonable fees and expenses incurred by the Plan Administrator on or after the Effective Date (including, without limitation, reasonable attorney and professional fees and expenses) shall be paid without further Court Order.

F. Provisions Governing Distributions Under the Plan

For the avoidance of doubt, this Article VI shall not apply to any distribution made or to be made to the Bond Trustee.

(1) Method of Payment

Unless otherwise expressly agreed in writing, all Cash payments to be made pursuant to the Plan shall be made by check drawn on a domestic bank or an electronic wire.

(2) Objections to and Resolution of Claims

The Plan Administrator shall have the right to file objections to Claims after the Effective Date. All objections shall be litigated to entry of a Final Order; provided, however, that only the Plan Administrator shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections without approval of the Bankruptcy Court.

(3) Claims Objection Deadline

The Plan Administrator and any other party in interest to the extent permitted pursuant to Bankruptcy Code section 502(a), shall file and serve any objection to any Claim no later than the Claims Objection Deadline; provided, however, the Claims Objection Deadline may be extended

by the Bankruptcy Court from time to time upon notice of motion by the Plan Administrator for cause.

(4) No Distribution Pending Allowance

Notwithstanding any other provision of the Plan, no payment or Distribution of Cash or other property shall be made with respect to any portion of a Disputed Claim unless and until all objections to such Claim are resolved by Final Order or as otherwise permitted by the Plan.

(5) Escrow of Cash Distributions

On any date that Distributions are to be made under the terms of the Plan, the Plan Administrator shall deposit in one or more segregated accounts, Cash or property equal to 100% of the Cash or property that would be distributed on such date on account of Disputed Claims as if each such Disputed Claim were an Allowed Claim but for the pendency of a dispute with respect thereto. The Plan Administrator shall also segregate any interest, dividends, or proceeds of such Cash. Such Cash, together with any interest, dividends, or proceeds thereof, shall be held in trust for the benefit of the Holders of all such Disputed Claims pending determination of their entitlement thereto.

(6) Distribution After Allowance

Except as otherwise provided herein, within the later of (i) seven Business Days after a Claim becomes an Allowed Claim and (ii) thirty days after the expiration of the Claims Objection Deadline, the Plan Administrator shall distribute all Cash or other property, including any interest, dividends, or proceeds thereof, to which a Holder of an Allowed Claim is then entitled.

(7) Investment of Segregated Cash and Property

To the extent practicable, the Plan Administrator may invest any Cash or other property segregated on account of a Disputed Claim, undeliverable distribution, or any proceeds thereof (i) in a manner that will yield a reasonable net return taking into account the safety of the investment or (ii) in any manner permitted by Bankruptcy Code section 345; provided, however, that the Plan Administrator shall be under no obligation to so invest such Cash or proceeds and shall have no liability to any party for any investment made or any omission to invest such Cash, other property, or proceeds.

(8) Delivery of Distributions

Except as provided herein, Distributions to Holders of Allowed Claims shall be made: (1) at the addresses set forth on the respective Proofs of Claim Filed by such holders; (2) at the addresses set forth in any written notices of address changes delivered to the Plan Administrator after the date of any related Proof of Claim; or (3) at the address reflected in the Schedules if no Proof of Claim is filed and the Plan Administrator has not received a written notice of a change of address. The Plan Administrator shall be entitled to conclusively rely on the Distribution Matrix for purposes of making Distributions.

Undeliverable Distributions. If the Distribution to the Holder of any Claim is returned to the Plan Administrator as undeliverable, no further distribution shall be made to such Holder unless and until the Plan Administrator is notified in writing of such Holder's then current address. Undeliverable Distributions shall remain in the possession of the Plan Administrator until the earlier of (a) such time as a Distribution becomes deliverable or (b) such undeliverable Distribution becomes an Unclaimed Distribution.

Until such time as an undeliverable Distribution becomes an Unclaimed Distribution, within thirty days after the end of each calendar quarter following the Effective Date, or upon such other interval as the Bankruptcy Court may order, but in no event less frequently than annually, the Plan Administrator shall make distributions of all Cash and property that has become deliverable during the preceding quarter. Each such Distribution shall include the net return yielded from the investment of any undeliverable Cash, from the date such Distribution would have been due had it then been deliverable to the date that such Distribution becomes deliverable.

The Plan Administrator shall make reasonable efforts to update or correct contact information for recipients of undeliverable Distributions; provided, however, that nothing contained in the Plan shall require the Plan Administrator to locate any Holder of an Allowed Claim.

(9) Unclaimed Distributions

Any Cash or other property to be distributed under the Plan shall revert to the Plan Administrator if it is not claimed by the Entity on or before the Unclaimed Distribution Deadline. If such Cash or other property is not claimed on or before the Unclaimed Distribution Deadline, the Distribution made to such Entity shall be deemed to be reduced to zero.

(10) Setoff

The Debtor or Plan Administrator, as applicable, retains the right to reduce any Claim by way of setoff in accordance with the Debtor's books and records and in accordance with the Bankruptcy Code.

(11) Minimum Distributions

Notwithstanding anything herein to the contrary, the Plan Administrator shall not be required to make Distributions or payments of less than $25.00.

G. Conditions Precedent to Confirmation and Effective Date

(1) Conditions Precedent to Confirmation

The following is the list of conditions precedent to Confirmation:

(1) the Interim Approval and Procedures Order is entered;

(2) the Confirmation Order shall be in form and substance reasonably acceptable to the Debtor, Bond Trustee, SBW, and the Committee;

(3) the Plan shall not have been materially amended, altered, or modified from the Plan, unless such material amendment, alteration or modification has been made in accordance with Article VIII herein.

(2) Conditions Precedent to Effective Date

The following is the list of conditions precedent to the Effective Date:

(1) the Bankruptcy Court shall have entered the Confirmation Order and the Confirmation Order shall be a Final Order;

(2) the Sale Closing shall have occurred;

(3) no stay of the Confirmation Order shall then be in effect;

(4) the Plan Administrator shall be appointed;

(5) the Plan shall not have been materially amended, altered, or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration, or modification has been made in accordance with Article VIII herein; and

(6) the Debtor shall have Filed the Notice of the Effective Date.

(3) Waiver of Conditions

The conditions precedent to Confirmation and conditions precedent to the Effective Date may be waived in whole or in part, in writing, by the Debtor, without further order of the Bankruptcy Court.

(4) Effect of Nonoccurrence of Conditions

If the conditions precedent to the Effective Date are not satisfied or waived, the Debtor may, upon motion and notice to parties in interest, seek to vacate the Confirmation Order; *provided, however*, that notwithstanding the filing of such motion, the Confirmation Order may not be vacated if each of the conditions precedent to the Effective Date are satisfied or waived before the Bankruptcy Court enters an order granting such motion.

If the Confirmation Order is vacated: (a) the Plan is null and void in all respects; and (b) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against the Debtor, or (ii) prejudice, in any manner, the rights of the Debtor or any other party in interest.

H. Exculpation, Releases, and Injunctions

(1) Injunctions

All injunctions or stays provided for in the Chapter 11 Case under Bankruptcy Code sections 105 or 362, or otherwise, and in existence on the Confirmation Date shall remain in full force and effect until the later of (a) the Effective Date, or (b) the date indicated in the order

providing for such injunction or stay. Notwithstanding the foregoing, nothing herein shall be otherwise deemed to modify, limit, amend or supersede any injunctions or stays granted in the Sale Order.

Except as otherwise provided in the Plan or to the extent necessary to enforce the terms and conditions of the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all entities who have held, hold, or may hold Claims against the Debtor shall be permanently enjoined from taking any of the following actions against any property that is to be distributed under the terms of the Plan on account of any such Claims: (a) commencing or continuing, in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any lien or encumbrance; (d) asserting a setoff, right, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Debtor; and (e) 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 such entities shall not be precluded from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order; *provided, further*, that the foregoing shall not apply to any acts, omissions, claims, causes of action or other obligations expressly set forth in and preserved by the Plan or any defenses thereto. Notwithstanding the foregoing, nothing herein shall be otherwise deemed to modify, limit, amend or supersede any injunctions or stays granted in the Sale Order.

(2) Exculpation

Except as otherwise specifically provided in the Plan, none of the Exculpated Parties shall have or incur any liability to any holder of a Claim or Interest (including Estate Claims) for any act or omission in connection with, related to, or arising out of the Chapter 11 Case, the Plan, the pursuit of Confirmation, the consummation of the Plan, the administration of the Plan, the property to be liquidated and/or distributed under the Plan or any prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the liquidation of the Debtor, except for their fraud, bad faith, illegal conduct, or willful or gross negligence as determined by a Final Order of a court of competent jurisdiction, and in all respects shall be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan.

The foregoing paragraph shall apply to attorneys to the greatest extent permissible under applicable bar rules and case law.

(3) Estate Releases

PURSUANT TO BANKRUPTCY CODE SECTION 1123(B), AND NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, ON AND AFTER THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, THE RELEASED PARTIES SHALL BE DEEMED RELEASED BY THE DEBTOR AND THE ESTATE FROM ANY AND ALL CLAIMS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER (OTHER THAN FOR ILLEGAL CONDUCT, GROSS NEGLIGENCE, BAD FAITH, OR FRAUD), INCLUDING DERIVATIVE CLAIMS ASSERTED OR ASSERTABLE ON BEHALF OF THE DEBTOR OR THE ESTATE,

AS APPLICABLE, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, THAT ANY OF THE DEBTOR OR THE ESTATE, AS APPLICABLE, WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN ITS OWN RIGHT, OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTOR, THE CHAPTER 11 CASE, THE PURCHASE, SALE, TRANSFER, OR RESCISSION OF THE PURCHASE, SALE, OR TRANSFER OF ANY DEBT, SECURITY, ASSET, RIGHT, OR INTEREST OF THE DEBTOR, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTOR AND ANY RELEASED PARTY, THE RESTRUCTURING OF CLAIMS AND INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASES THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN AND ANY OTHER AGREEMENTS OR DOCUMENTS EFFECTUATING THE PLAN, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS, AND ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE RELATING TO THE DEBTOR OR THE ESTATE. FOR PURPOSES OF THE RELEASES CONTAINED IN THE PLAN, THE PLAN ADMINISTRATOR DEEMED TO BE A SUCCESSOR TO THE ESTATE AND, THEREFORE, IS BOUND BY THE RELEASES CONTAINED IN THE PLAN.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE RELEASE OF THE RELEASED PARTIES BY THE DEBTOR AND THE ESTATE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE RELEASE OF THE RELEASED PARTIES BY THE DEBTOR AND THE ESTATE IS: (A) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (B) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR OR THE ESTATE; (C) IN THE BEST INTERESTS OF THE DEBTOR, THE ESTATE AND ALL HOLDERS OF CLAIMS AND INTERESTS; (D) FAIR, EQUITABLE, AND REASONABLE; (E) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (F) A BAR TO THE DEBTOR OR THE ESTATE ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE RELEASE BY THE DEBTOR OR THE ESTATE.

(4) Third Party Release

EFFECTIVE AS OF THE EFFECTIVE DATE, EACH OF THE RELEASING PARTIES CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER RELEASES (AND EACH ENTITY SO RELEASED SHALL BE DEEMED RELEASED BY THE RELEASING PARTIES) EACH AND ALL OF THE RELEASED PARTIES, AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, INTERESTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER (OTHER THAN FOR ILLEGAL CONDUCT, GROSS NEGLIGENCE, BAD FAITH, OR FRAUD), INCLUDING WITH

RESPECT TO ANY RIGHTS OR CLAIMS THAT COULD HAVE BEEN ASSERTED AGAINST ANY OR ALL OF THE RELEASED PARTIES WITH RESPECT TO ANY DERIVATIVE CLAIMS, ASSERTED OR ASSERTABLE ON BEHALF OF THE DEBTOR, OR THE ESTATE, AS APPLICABLE, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, THAT SUCH ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY), BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTOR, THE CHAPTER 11 CASE, THE PURCHASE, SALE, TRANSFER, OR RESCISSION OF THE PURCHASE, SALE, OR TRANSFER OF ANY DEBT, SECURITY, ASSET, RIGHT, OR INTEREST OF THE DEBTOR, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTOR AND ANY RELEASED PARTY, THE RESTRUCTURING OR ANY ALLEGED RESTRUCTURING OR REORGANIZATION OF CLAIMS AND INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASE, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN AND ANY OTHER AGREEMENTS OR DOCUMENTS EFFECTUATING THE PLAN, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS (INCLUDING, FOR THE AVOIDANCE OF DOUBT, PROVIDING ANY LEGAL OPINION REQUESTED BY ANY ENTITY REGARDING ANY TRANSACTION, CONTRACT, INSTRUMENT, DOCUMENT, OR OTHER AGREEMENT CONTEMPLATED BY THE PLAN OR THE RELIANCE BY ANY RELEASED PARTY ON THE PLAN OR THE CONFIRMATION ORDER IN LIEU OF SUCH LEGAL OPINION), AND ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE RELATING TO THE DEBTOR OR THE ESTATE.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE THIRD PARTY RELEASES ARE: (A) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (B) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE RELEASING PARTIES; (C) IN THE BEST INTERESTS OF THE DEBTOR, THE ESTATE AND ALL HOLDERS OF CLAIMS AND INTERESTS; (D) FAIR, EQUITABLE AND REASONABLE; (E) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; (F) CONSENSUAL; AND (G) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

NO PROVISION HEREOF OR OF THE PLAN SHALL AFFECT, REDUCE, OR WAIVE ANY PARTY IN INTEREST'S RIGHT TO OBJECT TO OR CONTEST ANY FEE APPLICATION OR REQUEST IN CONNECTION WITH THE CHAPTER 11 CASE OR ANY CHAPTER 7 MATTER IN THE EVENT OF CONVERSION OR AFFECT, REDUCE, OR

WAIVE SUCH PARTIES IN INTEREST'S RIGHTS UNDER THE TREATMENT OF CLAIMS AND ADMINISTRATIVE EXPENSE CLAIMS AS STATED HEREIN ABOVE.

I. Retention of Jurisdiction

Following the Confirmation Date and the Effective Date, the Bankruptcy Court shall retain jurisdiction for the following purposes:

(1) to hear and determine any objections to Claims and to address any issues relating to Disputed Claims;

(2) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(3) to issue such orders in aid of execution and consummation of the Plan, to the extent authorized by Bankruptcy Code section 1142;

(4) to consider any amendments to or modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(5) to hear and determine all requests for compensation and reimbursement of expenses to the extent allowed by the Bankruptcy Court under Bankruptcy Code sections 330 or 503;

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

(7) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Sale Order;

(8) to hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346 and 505;

(9) to hear any other matter not inconsistent with the Bankruptcy Code;

(10) to enter the Final Decree;

(11) to ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

(12) to decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters and grant or deny any applications involving the Debtor which may be pending on the Effective Date, including, without limitation, the Mechanics Lien Dispute and any claims asserted by SBW;

(13) to issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the occurrence of the Effective Date or enforcement of the Plan, except as otherwise provided herein;

(14) to determine any other matters that may arise in connection with or related to the Plan, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created or implemented in connection with the Plan;

(15) to determine any other matters that may arise in connection with or related to the Sale Order or any contract, instrument, release, indenture, or other agreement or document created or implemented in connection with the Sale Order;

(16) to enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, exculpations, and rulings entered in connection with the Chapter 11 Case (whether or not the Chapter 11 Case has been closed);

(17) to resolve disputes concerning any reserves with respect to Disputed Claims or the administration thereof; and

(18) to resolve any disputes concerning whether a Person or Entity had sufficient notice of the Chapter 11 Case, the Bar Dates, or the Confirmation Hearing for the purpose of determining whether a Claim or Interest is discharged hereunder, or for any other purpose.

J. Miscellaneous Provisions

(1) Amendment or Modification of the Plan

Alterations, amendments, or modifications of the Plan may be proposed in writing by the Debtor at any time before the Confirmation Date, provided that the Plan, as altered, amended, or modified, satisfies the conditions of Bankruptcy Code sections 1122 and 1123 and the Debtor shall have complied with Bankruptcy Code section 1125. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

(2) Exhibits/Schedules

All exhibits and schedules to the Plan are incorporated into and are part of the Plan as if set forth in full herein.

(3) Filing of Additional Documents

On or before the Effective Date, the Debtor may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtor and all Holders of Claims receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

(4) Binding Effect of the Plan

The Plan shall be binding upon and inure to the benefit of the Debtor, the Holders of Claims, and their respective successors and assigns. Notwithstanding anything to the contrary herein, (i) nothing in the Plan modifies, alters, or amends the respective rights and obligations of the Debtor or Covenant under the Sale Order, the Stalking Horse APA, or any other document governing the Sale, and (ii) the Bond Documents shall continue to govern the rights of and among the Bond Trustee and the beneficial owners of the Bonds.

(5) Governing Law

Except as required by the Bankruptcy Code, the Bankruptcy Rules, or the Local Rules, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with the laws of the State of New Hampshire.

(6) Time

To the extent that any time for the occurrence or happening of an event as set forth in the Plan falls on a day that is not a Business Day, the time for the next occurrence or happening of said event shall be extended to the next Business Day.

(7) Severability

Should any provision of the Plan be deemed unenforceable after the Effective Date, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of the Plan.

(8) Revocation

The Debtor reserves the right to revoke and withdraw the Plan prior to the entry of the Confirmation Order. If the Debtor revokes or withdraws the Plan, the Plan shall be deemed null and void, and nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtor, any other Person, or to prejudice in any manner the rights of such parties in any further proceedings involving the Debtor.

(9) Dissolution of the Committee

On the Effective Date, the Committee shall be dissolved and its members deemed released of any continuing duties, responsibilities and obligations in connection with the Chapter 11 Case

or the Plan and its implementation, and the retention and employment of the Committee's Professionals shall terminate, except with respect to: (a) any matters concerning Distributions; (b) prosecuting applications for Professionals' compensation and reimbursement of expenses incurred as a member of the Committee; (c) asserting, disputing and participating in resolution of Professional Fee Claims; or (d) prosecuting or participating in any appeal of the Confirmation Order or any request for consideration thereof. Upon the resolution of (a) through (d), the Committee shall be immediately dissolved, and released.

(10) Claims Agent

Donlin Recano, in its capacity as Claims and Noticing Agent and as Administrative Agent, shall be relieved of such duties on the date of the entry of the Final Decree or upon written notice by the Debtor or Plan Administrator.

(11) Inconsistency

To the extent that the Plan conflicts with or is inconsistent with any agreement related to the Plan, the provisions of the Plan shall control; *provided, however*, that nothing in the Plan shall be deemed to supersede, amend, modify the provisions of the Sale Order, the Bidding Procedures Order, the Stalking Horse APA, or the Cash Collateral Order.

In the event of any inconsistency between any provision of any of the foregoing documents, and any provision of the Confirmation Order, the Confirmation Order shall control and take precedence; *provided, however*, that nothing in the Confirmation Order shall be deemed to supersede, amend, modify the provisions of the Sale Order, the Bidding Procedures Order, the Stalking Horse APA, or the Cash Collateral Order.

(12) No Admissions

Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed an admission by any Entity with respect to any matter set forth herein.

(13) Reservation of Rights

Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the filing of the Plan, any statement or provision contained herein, or the taking of any action by the Debtor with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of the Debtor or Holders of Claims before the Effective Date.

(14) Compromise of Controversies

Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan and in the Chapter 11 Case. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements, provided for in the Plan and the Chapter 11 Case. The Bankruptcy Court's findings

shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, the Estate, and all Holders of Claims against the Debtor.

V. Confirmation Procedures

A. Confirmation Procedures

(1) Combined Hearing

The Confirmation Hearing before the Bankruptcy Court has been scheduled for May 5, 2022 at 9:00 a.m. (prevailing Eastern Time) to consider: (a) final approval of the Disclosure Statement as providing adequate information pursuant to Bankruptcy Code section 1125 and (b) confirmation of the Plan pursuant to Bankruptcy Code section 1129. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court.

(2) Procedure for Objections

Any objection to approval or confirmation of the Plan must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objection must be Filed by April 14, 2022 at 4:00 p.m. with the Bankruptcy Court and served on the Debtor's counsel, the Committee, the Bond Trustee, the U.S. Trustee, and all parties who have filed a notice of appearance. Unless an objection is timely Filed and served, it may not be considered by the Bankruptcy Court.

(3) Requirements for Confirmation

The Bankruptcy Court will confirm the Plan only if the requirements of Bankruptcy Code section 1129 are met. As set forth in the Plan, the Debtor believes that the Plan: (a) meets the cramdown requirements; (b) meets the feasibility requirements; (c) is in the best interests of creditors; (d) has been proposed in good faith; and (e) meets all other technical requirements imposed by the Bankruptcy Code.

Additionally, pursuant to Bankruptcy Code section 1126, under the Plan, only Holders of Claims in Impaired Classes are entitled to vote.

B. Solicitation and Voting Procedures

(1) Eligibility to Vote on the Plan

Except as otherwise ordered by the Bankruptcy Court, only Holders of Claims in Classes 2, 3, 4, and 7 may vote on the Plan pursuant to Bankruptcy Code section 1126. To vote on the Plan, a Holder must hold a Claim in Classes 2, 3, 4, and 7 and have timely Filed a Proof of Claim, such Claim has otherwise been Allowed, or have a Claim that is identified on the Schedules and is not listed as disputed, unliquidated, or contingent.

ACCORDINGLY, A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASSES 2, 3, 4, AND 7.

(2) Solicitation Package

Accompanying the Disclosure Statement for the purposes of solicitation votes on the Plan are Solicitation Packages, which contain copies of: (a) the Confirmation Hearing Notice; (b) the Interim Approval and Procedures Order, excluding the exhibits annexed thereto; (c) a Ballot; and (d) such other documents the Bankruptcy Court may direct or approve or that the Debtor deems appropriate.

Holders of Claims in non-voting classes will receive packages consisting of: (a) the Confirmation Hearing Notice; and (b) a notice of such Holder's non-voting status.

(3) Voting Procedures and Voting Deadline

The Voting Record Date for determining which Holders of Claims in Classes 2 and 3 may vote on the Plan is the later of March 14, 2022 or the entry of the Interim Approval and Procedures Order.

The Voting Deadline by which Donlin Recano must RECEIVE original ballots by mail, overnight delivery, or hand delivery is April 14, 2022 at 4:00 p.m. (ET).

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed. Please carefully review the Ballot instructions and complete the Ballot by: (a) indicating your acceptance or rejection of the Plan; and (b) signing and returning the Ballot to Donlin Recano.

If you are a member of a Voting Class and did not receive a Ballot, received a damaged Ballot, or lost your Ballot, contact Donlin Recano at:

Donlin, Recano & Company, Inc.
Re: The Prospect-Woodward Home
P.O. Box 199043
Blythebourne Station
Brooklyn, NY 11219
Telephone: (877) 739-9997
Email: hvkinfo@donlinrecano.com

The following Ballots will not be counted or considered:

(1) any Ballot received after the Voting Deadline, unless the Bankruptcy Court grants an extension to the Voting Deadline with respect to such Ballot;

(2) any Ballot that is illegible or contains insufficient information;

(3) any Ballot cast by a Person or Entity that does not hold a Claim in a Voting Class;

(4) any Ballot for cast for a Claim designated as unliquidated, contingent, or disputed or as zero or unknown in amount, unless the claim holder has timely Filed a Proof of Claim and such Claim has otherwise been Allowed;

(5) any Ballot timely received that is cast in a manner that indicates neither acceptance nor rejection of the Plan or that indicates both acceptance and rejection of the Plan;

(6) simultaneous duplicative Ballots voted inconsistently;

(7) Ballots partially rejecting and partially accepting the Plan;

(8) any Ballot received other than the official form sent by Donlin Recano;

(9) any unsigned Ballot; or

(10) any Ballot that is submitted by facsimile.

(4) Deemed Acceptance or Rejection

Holders of Claims in Classes 1 and 5 are unimpaired, thus deemed to accept the Plan. Under Bankruptcy Code section 1126(f), Holders of such Claims are conclusively presumed to have accepted the Plan, and the votes of the Holders of such Claims shall not be solicited.

Holders of Claims in Classes 2, 3, 4, and 7 are Impaired and entitled to vote to accept or reject the Plan.

Holders of Claims in Classes 5 are not entitled to receive any distribution under the Plan. Pursuant to Bankruptcy Code section 1126(g), Holders of Claims in Classes 5 are conclusively deemed to have rejected the Plan and the votes of these Holders therefore shall not be solicited.

C. Confirmation Standards

(1) Acceptance by Impaired Classes

In order for the Plan to be accepted by an Impaired Class of Claims, a majority in number (*i.e.*, more than half) and two-thirds in dollar amount of the Claims voting (of each Impaired Class of Claims) must vote to accept the Plan. At least one (1) Impaired Class of creditors, excluding the votes of insiders, must actually vote to accept the Plan. The Debtor urges that you vote to accept the Plan.

YOU ARE URGED TO COMPLETE, DATE, SIGN AND PROMPTLY MAIL THE BALLOT ATTACHED TO THE NOTICE. PLEASE BE SURE TO COMPLETE THE BALLOT PROPERLY AND LEGIBLY IDENTIFY THE EXACT AMOUNT OF YOUR CLAIM AND THE NAME OF THE CREDITOR.

CREDITORS ELIGIBLE TO VOTE ON THE PLAN WILL HAVE THE OPTION TO OPT INTO THE THIRD PARTY RELEASE UNDER CERTAIN CIRCUMSTANCES. AS SET FORTH IN THE BALLOT, CREDITORS THAT VOTE TO ACCEPT THE PLAN CANNOT ELECT TO OPT OUT OF THE THIRD PARTY RELEASE. CREDITORS THAT DO NOT ACCEPT THE PLAN SHALL ONLY BE DEEMED TO CONSENT TO THE THIRD PARTY RELEASE IF THEY ELECT TO OPT IN TO THE THIRD PARTY RELEASE.

(2) Feasibility

The Bankruptcy Code requires that, in order for a plan to be confirmed, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or need for further reorganization of the debtor unless contemplated by the plan.

Here, the Plan provides for the liquidation and distribution of all of the Debtor's assets. Accordingly, the Debtor believes all chapter 11 plan obligations will be satisfied without the need for further reorganization of the Debtor.

(3) Best Interests Test and Alternatives

The Bankruptcy Code requires that the Bankruptcy Court determine that a plan accepted by the requisite number of creditors in an impaired class provides each such member of each impaired class of claims and interests a recovery that has value, on the effective date, at least equal to the value of the recovery that each such creditor would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

The Bankruptcy Code further requires that the Bankruptcy Court determine that a plan is in the best interests of each holder of a claim or interest in any such impaired class which has not voted to accept the plan. Thus, if an impaired class does not vote unanimously to confirm the plan, the best interests test requires that the Bankruptcy Court find that the plan provides to each member of such impaired class a recovery on account of the class member's claim or interest that has a value, on the effective date, at least equal to the value of the recovery that each such class member would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

Here, the Debtor believes the Plan satisfies the best interests test as the Liquidation Analysis, attached hereto as Exhibit A, demonstrates that the recoveries expected to be available to Holders of Allowed Claims under the Plan will be greater than the recoveries expected in a liquidation under chapter 7 of the Bankruptcy Code.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of the properties securing their liens. If any assets are remaining in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses (including those incurred by a chapter 7 trustee) are next to receive payment. Unsecured creditors are paid from any remaining proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, equity interest holders receive the balance that remains, if any, after all creditors are paid.

Substantially all of the Debtor's Assets have already been sold to Covenant under the Sale Order. Although a liquidation under chapter 7 of the Bankruptcy Code would have the same goal, the Plan provides the best source of recovery for several reasons. First, liquidation under chapter 7 of the Bankruptcy Code would not provide for a timely distribution and likely no distribution at all for certain creditors. Second, distributions would likely be smaller because of the fees and expenses incurred in a liquidation under chapter 7 of the Bankruptcy Code.

At this time, there are no alternative plans available to the Debtor. Now that the Sale has closed, the Debtor is no longer be a going concern enterprise and has few assets remaining, if any, to administer. Therefore, the Debtor believes that the Plan provides the greatest possible value to all stakeholders under the circumstances and has the greatest chance to be confirmed and consummated.

VI. Certain Risk Factors to be Considered

Prior to voting on the Plan, each Holder of a Claim entitled to vote should consider carefully the risk factors described below, as well as all of the information contained in this Disclosure Statement, including the exhibits hereto. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

Risk of Non-Confirmation of Plan. Although the Debtor believes the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate a re-solicitation of votes.

Cramdown. Although the Debtor believes that the requirements of Bankruptcy Code section 1129 have been met, the Bankruptcy Court is afforded discretion to determine whether dissenting Holders of Claims would receive more if the Debtor was liquidated under chapter 7 of the Bankruptcy Code.

Claims Estimation. Although the Debtor has undertaken its best efforts to estimate the amount of Claims in each Class is correct, the actual amount of allowed Claims may differ from the estimates.

Delays of Confirmation and/or Effective Date. Any delay in confirmation and effectiveness of the Plan could result in, among other things, increased Administrative Expense Claims. These or any other negative effects of delays in confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court.

Alternative Plan. If the Plan is not confirmed, the Debtor or any other party in interest could attempt to formulate a different plan. However, the additional costs, all of which would constitute Administrative Expense Claims, may be so significant that one or more parties in interest could request that the Chapter 11 Case be converted to chapter 7. Accordingly, the Debtor believes that the Plan enables creditors to realize the best return under the circumstances.

Mechanics Lienholder Claims Risk. As discussed in Section II(B)(3), the Mechanics Lienholders assert that their security interests are superior to that of the Bond Trustee. Under the terms of the Plan, a Contested Claims Reserve will be established while the Bond Trustee and the Mechanics Lienholders litigate this issue. If the Bankruptcy Court determines that the Mechanics Lienholders' security interest is superior, the Mechanics Lienholders will be paid in full. If the Mechanics Lienholder are junior to the Bond Trustee, the Mechanics Lienholders will not receive a distribution under the Plan.

SBW Claims Risk. SBW asserts that its security interest attaches to, among other things, the proceeds of the Sale. If correct, pursuant to the Intercreditor Agreement, SBW would be entitled to a Pro Rata share of the proceeds of the Sale. If the Bankruptcy Court determines that SBW's security interest did not attach to the proceeds of the Sale, SBW would not receive a distribution under the Plan. To preserve the status quo, the Contested Claims Reserve will be established while SBW and the Bond Trustee litigate this issue.

Potential Superpriority Claim. SBW has alleged that it possesses a superpriority claim in a presently unknown amount. If SBW successfully asserts a superpriority claim, recoveries under the Plan may be different than the Debtor has estimated.

Trade Claims Classification. Certain parties have objected to the classifications contained in the Plan. If the Court determines that the Debtor cannot separate the General Unsecured Claims and Trade Claims Classification, the Trade Distribution will not be available to any creditors.

Trade Claims Distribution. The Mechanics Lienholders assert that if they are unsuccessful in asserting that their security interests are superior to the Bond Trustee, the Mechanics Lien Claims will fall within the definition of "Trade Claims". If the Bankruptcy Court agrees with this contention, it would result in a much lower recovery for Holders of Trade Claims.

VII. Certain Federal Tax Consequences

The following discussion is a summary of certain U.S. federal income tax consequences of the Plan to the Debtor and to Holders of Claims. This discussion is based on the Tax Code, Treasury Regulations promulgated and proposed thereunder, judicial decisions and published administrative rules, and pronouncements of the IRS, all as in effect on the date hereof.

Due to the complexity of certain aspects of the Plan, the lack of applicable legal precedent, the possibility of changes in the law, the differences in the nature of the Claims, and each Holder's status and method of accounting and the potential for disputes as to legal and factual matters with the IRS, the tax consequences described herein are uncertain. No legal opinions have been requested from counsel with respect to any of the tax aspects of the Plan and no rulings have been or will be requested from the IRS with respect to the any of the issues discussed below. Further, legislative, judicial, or administrative changes may occur, perhaps with retroactive effect, which could affect the accuracy of the statements and conclusions set forth below as well as the tax consequences to the Debtor and the Holders of Claims.

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtor or the Holders of Claims in light of their personal circumstances, nor does the discussion deal with tax issues with respect to taxpayers subject to special treatment under the U.S. federal income tax laws (including, for example, insurance companies, financial institutions, real estate investment trusts, tax-exempt organizations, small business investment companies, regulated investment companies, foreign taxpayers, persons whose functional currency is not the U.S. dollar, persons subject to the alternative minimum tax, and persons holding Claims as part of a "straddle," "hedge," "constructive sale," or "conversion transaction" with other investments). This discussion does not address the tax consequences to Holders of Claims who did

not acquire such Claims at the issue price on original issue. No aspect of foreign, state, local or estate and gift taxation is addressed.

EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT WITH SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF THE PLAN.

A. Tax Consequences to the Debtor

The Debtor is a private foundation, as described in Section 509 of the Internal Revenue Code of 1986, as amended (the "IRC"). Typically, a private foundation is subject to an excise tax on its investment income as set forth in IRC Section 4940, generally at a rate of 1.39%. However, as an exempt operating foundation described in IRC Section 4940(d)(2), with a ruling issued July 9, 1986, the Debtor is exempt from excise taxes imposed under IRC Section 4940. Thus, assuming the Debtor continues to qualify as an exempt operating foundation, the sale of substantially all of the Debtor's assets will not cause a tax to be incurred by the estate.

If the Debtor dissolves at the conclusion of the bankruptcy proceedings, the Debtor will be required to comply with IRC Section 507 relating to the termination of its status as a private foundation. Pursuant to IRC Section 507, a private foundation may only terminate its status in a manner described in that section to avoid the imposition of a termination tax. In the instant case, since the Debtor will not have any assets which may be granted/transferred to another qualified organization, it will be required to provide notice to IRS of its intent to terminate pursuant to IRC Section 507(a)(1). Such notice (described below) must be provided once the Debtor no longer has any assets (e.g. at least one day after the last asset is transferred). At that time, because the Debtor will have no assets, the amount of the termination tax pursuant to IRC Section 507(c) will be zero.

When a private foundation terminates its status pursuant to IRC Section 507(a)(1), it must submit a statement to the Manager, Exempt Organizations Determinations, Tax Exempt and Government Entities Division (TE/GE). The statement must set forth in detail the computation and amount of the termination tax. It is customary to also include a copy of the filed certificate of dissolution and, in this case, something evidencing the bankruptcy and lack of assets. The submission of a Form 990-PF marked "Final" does not, in and of itself, satisfy the requirements of Section 507.

B. Tax Consequences for Holders of Claims

Generally, a Holder of a Claim should in most, but not all circumstances, recognize gain or loss equal to the difference between the "amount realized" by such Holder in exchange for its Claim and such Holder's adjusted tax basis in the Claim. The "amount realized" is equal to the sum of the cash and the fair market value of any other consideration received under a plan of reorganization in respect of a Holder's Claim. The tax basis of a Holder in a Claim will generally be equal to the Holder's cost. To the extent applicable, the character of any recognized gain or loss (e.g., ordinary income, or short-term or long-term capital gain, or loss) will depend upon the status of the Holder, the nature of the Claim in the Holder's hands, the purpose and circumstances of its acquisition, the Holder's holding period of the Claim, and the extent to which the Holder previously claimed a deduction for the worthlessness of all or a portion of the Claim. Generally, if

the Claim is a capital asset in the Holder's hands, any gain or loss realized generally will be characterized as capital gain or loss, and will constitute long-term capital gain or loss if the Holder has held such Claim for more than one year.

A Holder who received Cash (or potentially other consideration) in satisfaction of its Claims may recognize ordinary income or loss to the extent that any portion of such consideration is characterized as accrued interest. A Holder who did not previously include in income accrued but unpaid interest attributable to its Claim, and who receives a distribution on account of its Claim pursuant to the Plan, will be treated as having received interest income to the extent that any consideration received is characterized for United States federal income tax purposes as interest, regardless of whether such Holder realizes an overall gain or loss as a result of surrendering its Claim. A Holder who previously included in its income accrued but unpaid interest attributable to its Claim should recognize an ordinary loss to the extent that such accrued but unpaid interest is not satisfied, regardless of whether such Holder realizes an overall gain or loss as a result of the distribution it may receive under the Plan on account of its Claim.

C. Releases by the Debtor

Article IX of the Plan contains certain releases, exculpations, and injunction language. Parties are urged to read these provisions carefully to understand how Confirmation and consummation of the Plan will affect any claim, interest, right, or action with regard to the Debtor and certain third parties.

THE PLAN SHALL BIND ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR TO THE FULLEST EXTENT AUTHORIZED OR PROVIDED UNDER THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE AND ALL OTHER APPLICABLE LAW; PROVIDED, HOWEVER, THAT THE PLAN SHALL BE EXPRESSLY CONDITIONED UPON AND SUBJECT TO THE WIND DOWN BUDGET, THE SALE ORDER, THE STALKING HORSE APA, AND THE FINAL CASH COLLATERAL ORDER.

Under the voting procedures described in the Plan, the Debtor believes that these releases, exculpations, and injunction language are considered consensual under applicable bankruptcy law.

VIII. Recommendation

In the opinion of the Debtor, the Plan is superior and preferable to the alternatives described in the Disclosure Statement. Further, the value being provided to creditors under the Plan was subject to a competitive process through which parties other than Covenant could have provided higher and better bids, but determined, in their reasonable business judgment, that Covenant submitted the highest and best bid. Accordingly, the Debtor recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation.

Executed this 14th day of March, 2022
Topsfield, Massachusetts

/s/ Toby Shea
Toby Shea
Chief Restructuring Officer
The Prospect-Woodward Home

Exhibit 1

Liquidation Analysis

I. Background[1]

Bankruptcy Code section 1129(a)(7), which is often referred to as the "best interest of creditors" test requires, that as a condition to confirmation of a plan, each holder of a claim or interest in each impaired class must either (i) accept the plan or (ii) receive or retain under the plan property of value which is not less than the amount the holder of an impaired class claim would receive or retain in a hypothetical liquidation under chapter 7 of the Bankruptcy Code (the "Liquidation Analysis").

The Debtor prepared this Liquidation Analysis to include: (i) estimated cash proceeds which a chapter 7 trustee would generate if the Debtor's Chapter 11 Case were converted to a chapter 7 case on the Effective Date and the assets of the Debtor's Estate were liquidated; (ii) estimated distribution that each Holder of a Claim or interest would receive from the liquidation proceeds; and (iii) compared each Holder's estimated distribution and recovery under a chapter 7 liquidation to the distribution and recovery under the Plan.

The Liquidation Analysis is based upon certain assumptions, and as such, certain aspect may be different from those represented in the Plan. The Liquidation Analysis should be read in conjunction with the Disclosure Statement.

THE DEBTOR MAKES NO REPRESENTATIONS OR WARRANTIES REGARDING THE ACCURACY OR THESE ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN, OR A CHAPTER 7 TRUSTEE'S ABILITY TO ACHIEVE THE PROJECTED RESULTS. IN THE EVENT THAT THIS CHAPTER 11 CASE IS CONVERTED TO A CHAPTER 7 LIQUIDATION, ACTUAL RESULTS MAY VARY MATERIALLY FROM THE ESTIMATES AND PROJECTS SET FORTH IN THIS LIQUIDATION ANALYSIS.

II. Presentation

The Liquidation Analysis has been prepared assuming the Debtor converted its current Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code on or about April 29, 2022 (the "Liquidation Date"). The Liquidation Date represents the approximate date the Plan would be confirmed under a chapter 11 proceeding.

The Liquidation Analysis is based on a number of estimates and assumptions that are inherently subject to significant economic, competitive, and operational uncertainties and contingencies that are beyond the control of the Debtor or a chapter 7 trustee. Further, the actual amounts of Claims against the Debtor's Estate could vary materially from the estimates set forth in the Liquidation Analysis, depending on, among other things, the Claims asserted during Chapter 7. Accordingly, the Debtor cannot assure you that the values assumed would be realized or the Claims estimates assumed would not change if the Debtor was liquidated, nor can assurances be made that the Bankruptcy Court would accept this analysis or concur with these assumptions in making its determination under Bankruptcy Code section 1129(a).

[1] Capitalized terms used but not defined in the Liquidation Analysis shall have the meanings ascribed to them in the Plan and Disclosure Statement.

Unless otherwise identified herein, the Liquidation Analysis is based on the Debtor's unaudited financial statements as of December 31, 2021. The use of unaudited financial statements as of December 31, 2021, is consistent with the preparation of the Debtor's Schedules of Assets and Liabilities and Statement of Financial Affairs. The values presented herein, are assumed to be representative of the Debtor's assets and liabilities as of the Liquidation Date.

In preparing the Liquidation Analysis, the Debtor considered its books and records and relied on its own professional judgments, from all of which the Debtor estimated an amount of Claims that will ultimately become Allowed Claims. Such Claims have not been evaluated by the Debtor or Allowed by the Bankruptcy Court and, accordingly, the final amount of Allowed Claims against the Debtor may differ from the Claim amounts used to complete this Liquidation Analysis.

On the Liquidation Date, it is assumed the Bankruptcy Court would appoint a chapter 7 trustee to conduct the liquidation and administration of the remainder of the Debtor's Estate. The Distribution is assumed to be applied in the following order: (i) the payment of Administrative Expense Claims, including chapter 7 trustee costs, other supporting professional fee costs, and the costs to wind-down the Estate; (ii) Priority Unsecured Claims; (iii) Secured Claims, including the Bondholder Secured Claim and SBW Secured Claim and potentially the Mechanics Lienholder Claims; and (iv) Unsecured Claims, including General Unsecured Claims, Trade Claims, and Deficiency Claims.

The Liquidation Analysis assumes that upon conversion of the case to a case under chapter 7 of the Bankruptcy Code, any remaining assets will be sold, potential litigation and avoidance actions will be prosecuted. An extension of the liquidation process may result in an increase to wind-down costs which may negatively impact creditor recoveries.

III. Conclusion

The Liquidation Analysis demonstrates that Holders of Claims in certain Unimpaired Classes would receive a higher recovery under the Plan and would receive less than a full recovery in a hypothetical liquidation under chapter 7 of the Bankruptcy Code. Further, Holders of Claims in Impaired Classes would receive a lower recovery in a hypothetical liquidation than they would under the Plan.

The Prospect-Woodward Home
Liquidation Analysis

Assets Available for Distribution	Notes	Book Value	Recovery % Chapter 11	Recovery % Chapter 7	Proceeds Chapter 11	Proceeds Chapter 7
Cash and Cash Equivalents	1	32,102,062.19	100%	100%	32,102,062.19	32,102,062.19
Accounts Receivable		-	100%	100%	-	-
Restricted Assets	2	63,181.31	100%	0%	63,181.31	-
Causes of Action	3	-	100%	100%	-	-
Total Assets for Distribution		**32,165,243.50**			**32,165,243.50**	**32,102,062.19**

		Chapter 7		Chapter 11	
Wind Down Costs	**Notes**	**Low**	**High**	**Low**	**High**
Chapter 7 Trustee Fees	4	963,061.87	989,311.87	-	-
Chapter 7 Professional Fees	5	400,000.00	1,000,000.00	-	-
Chapter 11 Professional Fees	6	200,000.00	750,000.00	200,000.00	750,000.00
Wind-Down Costs	7	240,000.00	300,000.00	240,000.00	300,000.00
U.S. Trustee Fees	8	25,000.00	50,000.00	275,000.00	300,000.00
SBW Superpriority Claim	9	-	300,000.00	-	300,000.00
Other Administrative Expense Claims	10	-	90,000.00	-	90,000.00
Total Wind Down Costs		**1,828,061.87**	**3,479,311.87**	**715,000.00**	**1,740,000.00**
Net Proceeds Available to Creditors		**30,274,000.32**	**28,622,750.32**	**31,450,243.50**	**30,425,243.50**

Claims Analysis Chapter 7	Notes	Estimated Claim		Estimated Recovery %		Estimated Proceeds	
		Low	**High**	**Low**	**High**	**Low**	**High**
Class 1 - Priority Claims	11	-	-	100%	100%	-	-
Class 2 - Bond Claim		64,642,667.12	64,642,667.12	25.57%	46.83%	16,526,807.11	30,274,000.32
Class 3 - SBW Secured Claim		1,867,407.74	1,867,407.74	0%	45.52%	-	850,005.10
Class 4 - Mechanics Lien Claims		6,335,660.77	11,618,514.15	0%	100.00%	-	11,618,514.15
Class 5 - Other Secured Claims	12	-	-	100%	100%	-	-
Class 6 - General Unsecured Claims		-	208,757.51	0%	0%	-	-
Class 7 - Trade Claims		401,444.95	1,018,365.44	0%	0%	-	-

Claims Analysis Chapter 11	Notes	Estimated Claim		Estimated Recovery %		Estimated Proceeds	
		Low	**High**	**Low**	**High**	**Low**	**High**
Class 1 - Priority Claims		-	-	100%	100%	-	-
Class 2 - Bond Claim		64,642,667.12	64,642,667.12	28.18%	48.55%	18,217,284.21	31,387,062.19
Class 3 - SBW Secured Claim		1,867,407.74	1,867,407.74	0%	47.19%	-	881,256.61
Class 4 - Mechanics Lien Claims		6,335,660.77	11,618,514.15	0%	100.00%	-	11,618,514.15
Class 5 - Other Secured Claims		-	-	100%	100%	-	-
Class 6 - General Unsecured Claims		-	208,757.51	0%	0%	-	-
Class 7 - Trade Claims		401,444.95	1,018,365.44	6.20%	15.74%	63,181.31	63,181.31

1. The cash balances are projected as of April 29, 2022, consistent with the assumed Effective Date of the Plan or date of conversion. Cash balances are based on the Budget as of February 15, 2022.

2. Restricted assets consist of funds allocated by the Board to pay trade creditors under the Plan pursuant to RSA 293-B. If these funds cannot be used for this purpose, the funds would be retained by Covenant.

3. The Debtor has evaluated all potential Causes of Action. Upon this examination, and in consultation with the Committee who independently evaluated the Causes of Action, the Debtor has determined that there is de minimis value associated with the Causes of Action. Moreover, even assuming *arguendo* that such Causes of Action had value, there is no available funding source to fund the litigation of these Causes of Action. Finally, prior to the Petition Date, the Debtor routinely paid all creditors, meaning all potential preference actions would likely be subject to the ordinary course of business defense or other defenses.

4. Bankruptcy Code section 326 limits chapter 7 trustee fees to 3% of "all moneys disbursed or turned over in the case by the trustee to parties in interest, excluding the debtor, but including holders of secured claims." If this Chapter 11 Case was converted to a case under chapter 7 of the Bankruptcy Code, the chapter 7 trustee may be entitled to fees up to 3% of all cash on hand.

5. A chapter 7 trustee may employ counsel and financial professionals, such as forensic accountants. The chapter 7 trustee may also seek to litigate the Mechanics Lienholder Dispute and SBW Claims, instead of allowing the Bond Trustee, SBW, and the Mechanics Lienholders to litigate the dispute, which would greatly increase chapter 7 professional fees.

6. Because the majority of the Debtor's chapter 11 professional fees have been or will be incurred by the anticipated conversion date, such fees would be Administrative Expense Claims.

7. The estimates for Wind Down Costs include the cost of all the duties of the Plan Administrator in the Plan and other trailing payable costs.

8. The Debtor has incurred approximately $296,000 in quarterly fees pursuant to 28 U.S.C. § 1930(a)(6). If the Debtor makes distributions under the Plan, it will have to pay quarterly fees on those distributions, which would not be paid if the Chapter 11 Case was converted to a case under chapter 7 of the Bankruptcy Code.

9. SBW has asserted that it may be entitled to recovery on certain claims in an amount up to $300,000.

10. The Debtor has estimated that there may be other Administrative Expense Claims, including 503(b)(9) Claims.

11. The Debtor estimates that there are no Priority Claims.

12. The Debtor estimates that there are no Other Secured Claims.