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

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

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

DILWORTH PAXSON LLP
Lawrence G. McMichael
Peter C. Hughes
Anne M. Aaronson
1500 Market Street, Suite 3500E
Philadelphia, PA 19102
Telephone: (215) 575-7000
Facsimile: (215) 575-7200
Counsel For Debtors

Dated: ~~October 6,~~November 8, 2017

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

DISCLAIMER

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

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

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

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

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

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

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I. INTRODUCTION

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

Wordsworth Academy,

Wordsworth CUA 5, LLC, and

Wordsworth CUA 10, LLC

The Debtors submit this disclosure statement (as may be amended, the “Disclosure Statement”) pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”) for use in the solicitation of votes on the Joint Chapter 11 Plan dated as of ~~October 6~~, November 8, 2017 (as may be amended, the “Plan”). A copy of the Plan is attached hereto as Appendix A. Each capitalized term used in this Disclosure Statement but not otherwise defined herein has the meaning ascribed to such term in the Plan. In addition, all references in this Disclosure Statement to monetary figures refer to United States currency, unless otherwise expressly provided.

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

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

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

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

II. OVERVIEW OF THE PLAN

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

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

A. General Structure of the Plan

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

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

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

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

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

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

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

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

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

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

Type of Claim or Interest	Description and Treatment under Plan
<p>Class 4C — Subcontractor Claims against Wordsworth CUA 10, LLC</p> <p>Estimated Aggregate Allowed Amount: Approximately \$1,140,000</p>	<p>Class 4C consists of Subcontractor Claims against Wordsworth CUA 10, LLC, which include all Claims against Wordsworth CUA 10, LLC held by subcontractors or staffing agencies that being be paid in full pursuant to the Affiliation Agreement between the Debtors and PHMC.</p> <p>Under the Plan, Class 4C Subcontractor Claims against Wordsworth CUA 10, LLC are Impaired. Each Holder of a Class 4C Allowed Subcontractor Claim against Wordsworth CUA 10, LLC that is not satisfied on or before the Effective Date shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim payment in full, without interest, from the Reorganized Debtors' operating revenues over a period of six (6) months following the Effective Date.</p> <p>Estimated Percentage Recovery: 100 %</p>
<p>Class 5A — General Unsecured Claims against Wordsworth Academy</p> <p>Estimated Aggregate Allowed Amount: Approximately \$3,727,000</p>	<p>Class 5A consists of General Unsecured Claims against Wordsworth Academy, including Rejection Claims, that are not Administrative Claims; Priority Tax Claims; Secured Claims; Priority Claims; Class 3A Litigation Claims; Class 3B Litigation Claims; Class 3C Litigation Claims; Class 4A Subcontractor Claims, Class 4B Subcontractor Claims, Class 4C Subcontractor Claims, Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC; Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC; or Interests. <u>For the avoidance of doubt, the claim of the City of Philadelphia is included in Class 5A, to the extent that the City's claim against Wordsworth Academy is not fully secured by a right of setoff to the extent available under applicable law.</u></p> <p>Under the Plan, Class 5A General Unsecured Claims against Wordsworth Academy are Impaired. Each Holder of a Class 5A Allowed General Unsecured Claim against Wordsworth Academy shall receive, along with each Holder of a Class 5B and Class 5C Allowed General Unsecured Claim, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, a pro rata share of Distributable Cash.</p> <p>Estimated Percentage Recovery: 5.4<u>10</u> %</p>
<p>Class 5B — General Unsecured Claims against Wordsworth CUA 5,</p>	<p>Class 5B consists of General Unsecured Claims against Wordsworth CUA 5, LLC, including Rejection</p>

Type of Claim or Interest	Description and Treatment under Plan
<p>LLC</p> <p>Estimated Aggregate Allowed Amount: Approximately \$13,00013,000, assuming that the Class 5B Claim of M & T Bank is allowed in the amount of \$0.00.</p>	<p>Claims, that are not Administrative Claims; Priority Tax Claims; Secured Claims; Priority Claims; Class 3A Litigation Claims; Class 3B Litigation Claims; Class 3C Litigation Claims; Class 4A Subcontractor Claims, Class 4B Subcontractor Claims, Class 4C Subcontractor Claims, Class 5A General Unsecured Claims against Wordsworth Academy; Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC; or Interests. For the avoidance of doubt, the claim of the City of Philadelphia is included in Class 5B, to the extent that the City’s claim against Wordsworth CUA 5, LLC is not fully secured by a right of setoff to the extent available under applicable law.</p> <p>Under the Plan, Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC are Impaired. Each Holder of a Class 5B Allowed General Unsecured Claim against Wordsworth CUA 5, LLC shall receive, along with each Holder of a Class 5A and Class 5C Allowed General Unsecured Claim, in full satisfaction, settlement, release, extinguishment and discharge of such Claim, a pro rata share of Distributable Cash.</p> <p>Estimated Percentage Recovery: 5.410 % (If M&T Bank’s Class 5B claim is not allowed)</p>
<p>Class 5C — General Unsecured Claims against Wordsworth CUA 10, LLC</p> <p>Estimated Aggregate Allowed Amount: Approximately \$600.00600.00, assuming that the Class 5C Claim of M & T Bank is allowed in the amount of \$0.00.</p>	<p>Class 5C consists of General Unsecured Claims against Wordsworth CUA 10, LLC, including Rejection Claims, that are not Administrative Claims; Priority Tax Claims; Secured Claims; Priority Claims; Class 3A Litigation Claims; Class 3B Litigation Claims; Class 3C Litigation Claims; Class 4A Subcontractor Claims, Class 4B Subcontractor Claims, Class 4C Subcontractor Claims, Class 5A General Unsecured Claims against Wordsworth Academy; Class 5B General Unsecured Claims against Wordsworth CUA 5, LLC; or Interests. For the avoidance of doubt, the claim of the City of Philadelphia is included in Class 5C to the extent that the City’s claim against Wordsworth CUA 10, LLC is not fully secured by a right of setoff to the extent available under applicable law.</p> <p>Under the Plan, Class 5C General Unsecured Claims against Wordsworth CUA 10, LLC are Impaired. Each Holder of a Class 5C Allowed General Unsecured Claim against Wordsworth CUA 10, LLC shall receive, along with each Holder of a Class 5A and Class 5B Allowed General Unsecured Claim, in full satisfaction, settlement, release,</p>

Type of Claim or Interest	Description and Treatment under Plan
	extinguishment and discharge of such Claim, a pro rata share of Distributable Cash. Estimated Percentage Recovery: 5.4 10 % (If M&T Bank's Class 5C claim is not allowed) .
Class 6 — Interests Estimated Aggregate Allowed Amount: Approximately \$0.00	Class 6 consists of Wordsworth's ownership interest in Wordsworth CUA 5, LLC and Wordsworth CUA 10, LLC and the membership interests of the Boards in each of the Debtors. Under the Plan, Class 6 Interests are Unimpaired. Each Holder of Allowed Class 6 Interests shall retain its Interest only to the extent provided in the Affiliation Agreement and receive no Property or other value distribution on account of its Interest. Estimated Percentage Recovery: 0%

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

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Interests

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

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

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

CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

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

B. Voting Rights

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

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

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

C. Solicitation Materials

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

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

If by regular mail:

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

Brooklyn, NY 11219

If by overnight courier or hand delivery:

Donlin, Recano & Company, Inc.
Re: Wordsworth
Attn: Voting Department
15th Ave.
Brooklyn, NY 11219

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

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

D. Voting Procedures, Ballots and Voting Deadline

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

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

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN December 4, 2017, AT 5:00 P.M. EASTERN TIME (THE "VOTING DEADLINE") BY THE FOLLOWING:

If by regular mail, overnight courier or hand delivery:

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

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

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

If by regular mail, overnight courier or hand delivery:

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

If by telephone:

Christine Chapman-Tomlin
215-575-7224

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

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

E. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for **December ~~11~~, 2017 at ~~10:00~~ 9:30 a.m.** (prevailing Eastern time). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Objections to confirmation of the Plan or proposed modifications to the Plan, if any, must (i) be in writing, (ii) conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, (iii) state the name and address of the objecting party and the amount and nature of the claim or interest of such party, (iv) state with particularity the basis and nature of any objection to the Plan and (v) be filed electronically, together with proof of service, with the United States Bankruptcy Court for the Eastern District of Pennsylvania, 900 Market Street, Suite 400, Philadelphia, Pennsylvania 19107, www.paeb.uscourts.gov, and served on the parties listed in the Confirmation Hearing notice, in each case so as to be actually received on or before 5:00 p.m. (prevailing Eastern time) on **~~NOVEMBER 11~~, DECEMBER 12, 2017**. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

IV. GENERAL INFORMATION CONCERNING THE DEBTORS

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

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

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

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

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

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

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

B. Management and Employees

1. Management

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

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

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

2. Employees/Labor

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

None of the Employees are unionized.

C. Summary of Assets

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

D. Historical Financial Information

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

V. THE CHAPTER 11 CASES

A. Continuation of Operations; Stay of Litigation

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

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

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

B. First Day Motions

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

- joint administration of the Debtors' bankruptcy cases;
- the maintenance of the Debtors' bank accounts and operation of their cash management systems substantially as such systems existed prior to the Petition Date;
- payment of employees' prepetition compensation, benefits and expense reimbursement amounts;
- authority to use cash collateral in the post-petition operation of the Debtors' business;

- authority to obtain post-petition financing with which the Debtors may fund their post-petition operations;
- an extension of the statutory period by which the Debtors must file their Schedules and Statement of Financial Affairs; and
- an extension of the statutory period during which utilities are prohibited from altering, refusing or discontinuing services and/or requiring adequate assurance of payment as a condition of receiving services.

C. Retention of Professionals

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

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

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

E. Significant Restructuring Events

1. Affiliation with PHMC

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

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

To effectuate the Affiliation Agreement, PHMC will be obtaining funding, ~~which will constitute the exit facility used~~ [through its lender](#) to retire the Debtor-in-Possession Facilities

described below and will provide funding of the Distributable Cash payable to Class 5A, Class 5B and Class 5C Claims under the Plan. PHMC's lender will acquire the positions presently held by the lenders providing the Debtor-in-Possession Facilities vis-à-vis the Debtors' assets. Additionally, to the extent that the Debtors' post-Effective Date revenues are insufficient to pay the Class 4A, Class 4B and Class 4C Subcontractor Claims in addition to the Debtors' operating expenses, the Exit Facility shall be used to fund payment of the Class 4A, Class 4B and Class 4C Subcontractor Claims as provided in the Plan. The terms of the Exit Facility are still being negotiated as of the date of this Disclosure Statement and have not yet been agreed upon. Further details will be provided at the Confirmation Hearing.

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

2. Debtor-in-Possession Facilities

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

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

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

On August 23, 2017, the Debtors filed the Motion Of The Debtors For Entry Of Interim And Final Orders: (I) Authorizing Them To Obtain Post-Petition Financing From Siena Lending Group LLC Pursuant To Sections 363 And 364 Of The Bankruptcy Code, (II) Authorizing Them To Enter Into The Debtor-In-Possession Loan And Security Agreement, And (III) Granting Liens And Administrative Priority Claims To DIP Lender Pursuant To Section 364 Of Bankruptcy Code And Modifying The Automatic Stay To Implement The Terms Of The DIP Order (Docket No. 221) (the "Siena DIP Financing Motion"). By the Siena DIP Financing Motion, the Debtors obtained approval of a debtor-in-possession financing facility, provided by Siena Lending Group

LLC (the “Siena DIP Lender”), in an aggregate amount not to exceed \$5,000,000 (the “Siena DIP Loan”). The Debtors determined that the loan was necessary to ensure timely and uninterrupted payment of the Debtors’ ongoing operating expenses, including post-petition wages, salaries and vendor costs, and so that the Debtors will have the necessary liquidity to complete a successful reorganization. The Siena DIP Loan was in addition to, and did not replace, the Initial Dip Loan.

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

3. Litigation

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

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

VI. SUMMARY OF THE PLAN

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

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

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTORS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS AND

OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Overall Structure of the Plan

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

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

B. Substantive Consolidation

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

C. Classification and Treatment of Claims and Interests

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

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

the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

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

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

1. Treatment of Unclassified Claims under the Plan

(a) Administrative Claims

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

Under the Plan, Administrative Claims are Unimpaired. Unless otherwise provided for therein, each Holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (a) the amount of such unpaid Allowed Claim in Cash on or as soon as reasonably practicable after the later of (i) the Effective

Date, (ii) the date on which such Administrative Claim becomes Allowed, or (iii) a date agreed to in writing by the Debtors and the Holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors, or as the Bankruptcy Court may order.

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

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

(b) Priority Tax Claims

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

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

Date, the Debtors shall have the right to prepay at any time, in whole or in part, any Allowed Priority Tax Claim without premium or penalty of any sort or nature.

2. Treatment of Classified Claims and Interests under the Plan

(a) Class 1: Priority Claims

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

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

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

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

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

recovery on their Claims against any insurance coverage available to the Debtors, in full satisfaction, settlement, release, extinguishment and discharge of such Claim.

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

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

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

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

share of Distributable Cash following the allowance or disallowance of each Claim asserted as a general unsecured claim against the Debtors' Estates.

The Debtors and Committee believe that none of the Distributable Cash should be paid on account of M&T Bank's Class 5B or Class 5C Claims. M&T disputes and disagrees with the Debtors and Committee's position concerning the use of Distributable Cash to pay M&T's Class 5B and/or Class 5C Claims. If the Bankruptcy Court determines that the Class 2 Claim and/or M&T Bank's Class 5B and/or Class 5C Claims must receive payment from Distributable Cash on account of any unsecured portion of such claim, the Debtors will amend the Plan to provide for a different treatment of Class 2 and/or Class 5 Claims. Any such amendment that results in \$400,000 of Distributable Cash not being available for distribution to Holders of Class 5 Claims, other than M&T Bank, shall be considered to be a material amendment requiring re-solicitation.

(f) Class 6: Interests

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

D. Reservation of Rights Regarding Claims

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

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

E. Allowed Claims, Distribution Rights and Objections to Claims

1. Allowance Requirement

Only Holders of Allowed Claims are entitled to receive distributions under the Plan. An Allowed Administrative Claim is a Claim or any portion thereof that has been Allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, that was incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases and as to which there is no dispute as to the Debtors' liability, or that has become Allowed by failure to object pursuant to Section 8.05 of the Plan. An Allowed Claim is such Claim or any portion thereof (other than an Administrative Claim) of (a) any Claim against any of the Debtors that has been listed by the Debtors in the Schedules, as such Schedules may have been amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim the amount or existence of

which has been determined or allowed by a Final Order, or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that at the time of the Effective Date the Debtors have not identified such Claim as being objectionable in part or in whole and no objection to the allowance thereof has been filed by the Claims Objection Deadline; provided, however, that the term Allowed, with reference to any Claim, shall not include (x) any unliquidated claim or (y) interest or attorneys' fees on or related to any Claim that accrues from and after the Petition Date unless otherwise expressly provided for in the Plan.

2. Timing of Distributions

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

3. Making of Distributions

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

Distributions to Holders of Allowed Claims shall be made by the Distribution Agent or Debtors, if no Distribution Agent is appointed: (a) at the last known addresses of such Holders or (b) at the addresses set forth in any written notices of address changes delivered to the Debtors or

the Distribution Agent. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Debtors or Distribution Agent is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest.

4. Failure to Negotiate Checks/Unclaimed Distributions

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

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

5. Objection Procedures

Unless otherwise ordered by the Court after notice and a hearing, under the Plan, on and after the Effective Date, any party objecting to Claims (other than Claims specifically Allowed in the Plan) shall serve a copy of each such objection upon the Holder of the Claim to which the

objection is made as soon as practicable, but in no event later than the Claims Objection Deadline. An objection to any Claim shall be deemed properly served on the Holder thereof if the objecting party effects service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Federal Rule of Bankruptcy Procedure 7004, (ii) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto, or (iii) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Cases.

E. Disposition of Executory Contracts and Unexpired Leases

1. Contracts and Leases Deemed Rejected

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

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

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

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

To the extent that the above-listed contracts, agreements, licenses, policies, programs and plans are executory contracts, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless a Treatment Objection is timely filed and properly served, each of them will be deemed assumed (as modified or terminated) as of the Effective Date with a Cure of zero dollars. However, notwithstanding anything else herein, at the discretion of the Debtors, the assumed executory contracts shall be subject to modification in accordance with the terms thereof.

2. Schedules of Executory Contracts and Unexpired Leases

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

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

3. Assumption and Rejection Procedures and Resolution of Treatment Objections

(a) Proposed Assumption

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

(b) Proposed Rejection

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

(c) Resolution of Treatment Objections

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

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

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

(d) Rejection Claims

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

4. Assignment

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

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

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

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

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

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

G. Means for Implementation of the Plan

1. Continued Existence/Structure

Except as otherwise provided in the Plan and Affiliation Agreement, on the Effective Date, Wordsworth Academy shall continue to exist as a non-profit entity organized under the laws of the Commonwealth of Pennsylvania and the CUAs shall exist as non-profit entities organized under the laws of the Commonwealth of Pennsylvania. Each of the Debtor entities shall become a subsidiary of PHMC or its affiliate, Turning Points for Children, as provided in the Affiliation Agreement.

2. Restructuring Distributions

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

3. Organization Action

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

H. Confirmation and/or Consummation

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

1. Requirements for Confirmation of the Plan

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

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the Debtors or by a Person acquiring property under the Plan for services or for costs and expenses in, or in connection with, the

Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

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

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

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

2. Conditions to Confirmation Date and Effective Date

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

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

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

I. Effects of Confirmation

1. Vesting of Assets

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

2. Injunction

(a) Claims and Interests

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

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

(b) Exculpation and Limitation of Liability

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

3. Releases and Discharge Injunction

(a) Releases by Debtors in Favor of Third Parties

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

(b) Releases by Creditors of Claims

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

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

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

(c) Discharge Injunction

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

(d) No Successor Liability

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

J. Retention of Jurisdiction

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

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

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

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

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

K. Amendment, Alteration and Revocation of Plan

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

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

L. Plan Implementation Documents

The documents necessary to implement the Plan include the following:

- Affiliation Agreement

VII. CERTAIN RISK FACTORS TO BE CONSIDERED

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

A. General Considerations

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

B. Certain Bankruptcy Considerations

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

C. Claims Estimations

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

D. Conditions Precedent to Consummation

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

E. Inherent Uncertainty of Financial Projections

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

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

E. Certain Tax Considerations

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

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

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

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

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

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

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

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

A. Federal Income Tax Consequences to the Debtors

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

B. Federal Income Tax Consequences to Claim Holders

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

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

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

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

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

C. Other Tax Matters

1. Information Reporting and Backup Withholding

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

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

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

2. Importance of Obtaining Professional Tax Assistance

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

IX. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

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

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

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

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

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

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

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

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

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

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

B. Acceptance of the Plan

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

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

C. Best Interests Test

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

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

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

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

D. Liquidation Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

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

A. Alternative Plan(s) of Reorganization

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

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

B. Liquidation

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

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

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

XI. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

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

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

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

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

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

C. Solicitation Order

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

D. Waivers of Defects, Irregularities, Etc.

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

E. Withdrawal of Ballots; Revocation

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

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

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

E. Voting Rights of Disputed Claimants

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

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

G. Further Information; Additional Copies

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

If by regular mail, overnight courier or hand delivery:

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

If by telephone:

Christine Chapman-Tomlin
215-575-7224

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all Holders of Claims and Interests in Classes 2 through 5 to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before December ~~4,8~~, 2017, at 5:00 p.m. prevailing Eastern time.

~~October 6,~~ November 8, 2017

WORDSWORTH ACADEMY,
WORDSWORTH CUA 5, LLC,

AND WORDSWORTH CUA 10,
LLC.

By: /s/ _____

Name: Don Stewart

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

APPENDIX A

[DEBTORS' JOINT CHAPTER 11 PLAN]

APPENDIX B

[FINANCIAL PROJECTIONS]

APPENDIX C



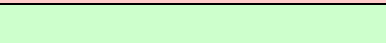
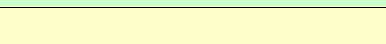

[LIQUIDATION ANALYSIS]

APPENDIX D

[AUDITED FINANCIALS FOR FISCAL YEAR ENDED JUNE 30, 2016]

Document comparison by Workshare Compare on Thursday, November 09,
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Rendering set	Standard

Legend:	
Insertion	
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