

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

IN RE:	§	Chapter 11
	§	
EVANGELICAL RETIREMENT	§	Case No. 23-07541
HOMES OF GREATER CHICAGO,	§	
INCORPORATED d/b/a FRIENDSHIP	§	
VILLAGE OF SCHAUMBURG,	§	
	§	
FEIN: 36-2815382,	§	
	§	
Debtor.	§	Hon. Timothy A. Barnes

**DISCLOSURE STATEMENT WITH RESPECT TO CHAPTER 11 PLAN OF
LIQUIDATION FILED BY UMB BANK, N.A., IN ITS CAPACITY AS BOND TRUSTEE**

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Dated: July 18, 2024

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THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE TRUSTEE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTOR'S CHAPTER 11 CASE, AND CERTAIN DOCUMENTS RELATED TO THE TRUSTEE PLAN THAT MAY BE ATTACHED HERETO AND THAT ARE INCORPORATED BY REFERENCE HEREIN. ALTHOUGH THE PLAN PROPONENT BELIEVES THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE TRUSTEE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE TRUSTEE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. THE PLAN PROPONENT DOES NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

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THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A AND SECTION 21E OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. SUCH STATEMENTS MAY CONTAIN WORDS SUCH AS "MAY," "WILL," "MIGHT," "EXPECT," "BELIEVE," "ANTICIPATE," "COULD," "WOULD," "ESTIMATE," "CONTINUE," "PURSUE," OR THE NEGATIVE THEREOF OR COMPARABLE TERMINOLOGY, AND MAY INCLUDE,

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CONFIRMATION AND EFFECTIVENESS OF THE TRUSTEE PLAN ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT DESCRIBED IN SECTION 10 OF THE TRUSTEE PLAN. THERE IS NO ASSURANCE THAT THE TRUSTEE PLAN WILL BE CONFIRMED OR, IF CONFIRMED, THAT SUCH MATERIAL CONDITIONS PRECEDENT WILL BE SATISFIED OR WAIVED. YOU ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING, BUT NOT LIMITED TO, THE TRUSTEE PLAN AND ARTICLE VIII OF THIS DISCLOSURE STATEMENT ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED BEFORE VOTING," BEFORE SUBMITTING YOUR BALLOT TO VOTE TO ACCEPT OR REJECT THE TRUSTEE PLAN.

THE PLAN PROPONENT HAS NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE TRUSTEE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE PLAN PROPONENT HAS NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE PLAN PROPONENT OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE TRUSTEE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS OR INTERESTS THAT ARE NOT ENTITLED TO VOTE ON THE TRUSTEE PLAN) WILL BE BOUND BY THE TERMS OF THE TRUSTEE PLAN AND ANY TRANSACTIONS CONTEMPLATED THEREBY.

THE PLAN PROPONENT SUPPORTS THE CONFIRMATION OF THE TRUSTEE PLAN AND RECOMMENDS THAT ALL HOLDERS OF CLAIMS AND INTERESTS WHOSE VOTES ARE BEING SOLICITED ACCEPT THE TRUSTEE PLAN.

EXHIBITS

1. Chapter 11 Plan of Liquidation
2. Liquidation Analysis

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I. EXECUTIVE SUMMARY

In compliance with Local Bankruptcy Rule 3016-1, the Plan Proponent submits this Executive Summary, which provides a general overview of this disclosure statement (as may be amended, supplemented, or otherwise modified from time to time, the “**Disclosure Statement**”) and the material terms of its proposed *Chapter 11 Plan of Liquidation* [Docket No. 776] (as may be amended, supplemented, or otherwise modified from time to time, the “**Trustee Plan**”).

UMB Bank, N.A., in its capacity as bond trustee (the “**Bond Trustee**”) and successor master trustee (the “**Master Trustee**”, and together with the Bond Trustee, the “**Bond Trustee**”) and as plan proponent (the “**Plan Proponent**”) will seek to have confirmed by the Bankruptcy Court for the Northern District of Illinois (the “**Bankruptcy Court**”) pursuant to Bankruptcy Code section 1129. A copy of the Trustee Plan is attached hereto as Exhibit 1. The Plan Proponent urges all parties to read this Executive Summary in conjunction with the remainder of this Disclosure Statement and the Trustee Plan. The rules of interpretation set forth in Section 1 of the Trustee Plan shall govern the interpretation of this Disclosure Statement.¹

A copy of the Trustee Plan and this Disclosure Statement and all other filed documents related to the Chapter 11 Case are available for free on the Case Website at <https://cases.stretto.com/FVS/>.

A. **Introduction**

The Plan Proponent has prepared this Disclosure Statement as required by Bankruptcy Code section 1125 and Bankruptcy Rule 3016(c). It is being distributed to assist Holders in evaluating the feasibility of the Trustee Plan, the treatment of Claims and Interests under the Trustee Plan, and whether the Trustee Plan satisfies the requirements for Confirmation set forth under Bankruptcy Code section 1129. The purpose of this Disclosure Statement is to assist those entitled to vote on the Trustee Plan to make an informed judgment when choosing whether to accept or reject the Trustee Plan.

This Disclosure Statement describes the background of the Debtor and the significant events leading up to the filing of the Chapter 11 Case. It also summarizes the Trustee Plan, which divides Claims and Interests into Classes and provides for the treatment of Allowed Claims and Interests.

THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION WITH RESPECT TO THE MERITS OF THE TRUSTEE PLAN. ALL CREDITORS ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE TRUSTEE PLAN.

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Trustee Plan, unless otherwise provided.

The summary of the Trustee Plan provided herein is qualified in its entirety by reference to the Trustee Plan. To the extent that the information provided in this Disclosure Statement and the Trustee Plan (including any Plan Supplements) conflict, the terms of the Trustee Plan (including any Plan Supplement(s)) will control.

B. The Trustee Plan

Evangelical Retirement Homes of Greater Chicago, Incorporated d/b/a Friendship Village of Schaumburg (“**FVS**” or the “**Debtor**”) is a private Illinois not-for-profit corporation that, as of the Petition Date, owned and operated a continuing care retirement community (“**CCRC**”) in Schaumburg, Illinois. As a result of liquidity constraints, the Debtor commenced the Chapter 11 Case on June 9, 2023.

Following the Petition Date, the Debtor undertook a process to sell substantially all of its assets. Following an auction, the Debtor entered into an asset purchase agreement with IL CCRC LLC pursuant to which the Debtor received, among other things, more than \$35,500,000 in Cash consideration. The Sale Transaction was approved by the Bankruptcy Court [Docket No. 365] (the “**Sale Order**”), and, since the Sale Closing, the Estate has held all Net Sale Proceeds to be distributed as set forth in the Trustee Plan.

The Debtor previously prepared and solicited votes to accept a plan which, among other things, was premised on a settlement with FSO that included various third-party releases, including releases related to the ERTC Funds and the Intercompany Claims. The Bond Trustee objected to confirmation of such plan and after a two (2) day contested evidentiary hearing the Court continued such hearing to July 29, 2024. The Trustee does not believe that such plan will ultimately be confirmed and thus has filed this pending Plan.

The Trustee Plan will distribute all of the Debtor’s Cash, including the Net Sale Proceeds, on the Effective Date in accordance with the priorities established in the Bankruptcy Code. Amounts necessary to pay Allowed Administrative Expenses Claims, including the DIP Facility Claims, and Professional Fee Claims will be placed into separate escrow accounts. Once an Administrative Expenses Claim and a Professional Fee Claim become an Allowed claim, it will be paid from the escrow account, as applicable. Additionally, on the Effective Date, (i) the Bond Trustee, on account of its Allowed Secured Bond Claim, will receive all Cash subject to its Lien, including the Net Sale Proceeds, less the amounts required to fund the costs and expenses of the Trustee Plan, and (ii) the Former Residents will receive their Pro Rata share of the Buyer Former Resident Contribution, *i.e.* \$2,000,000.

The Trustee Plan also maximizes the value of all assets remaining in the Estate after the initial distributions on the Effective Date by, among other things, (i) retaining all Causes of Action, including all Causes of Action against FSO and the Board, and (ii) establishing a Litigation Trust to prosecute and liquidate such claims. The Trustee Plan also provides that the Bond Trustee will advance \$2,000,000 from the proceeds it will receive under the Trustee Plan to finance the costs and expenses of the Litigation Trust. In accordance with the terms of the Trustee Plan and the Litigation Trust Agreement, Holders of Allowed General Unsecured Claims and Allowed Former Resident Claims will receive their respective Pro Rata share of any proceeds received from the liquidation of the Litigation Trust Assets (after reimbursement of the costs and expenses of

pursuing such Causes of Action and reimbursing the Bond Trustee for advancing the initial \$2.0 million to the Litigation Trust).

C. Summary of the Trustee Plan

(1) Purpose and Effect of the Trustee Plan

Chapter 11 allows debtors to reorganize or liquidate and wind up their affairs for the benefit of debtors and their creditors. Upon the commencement of a Chapter 11 case, an estate is created comprised of all the legal and equitable interests of a debtor as of the date the petition is filed, which typically remain in control of the debtor as a debtor-in-possession.

Pursuant to Bankruptcy Code section 362, the filing of a bankruptcy petition imposes an automatic stay of all attempts by creditors or third parties to collect or enforce prepetition claims against a debtor or otherwise interfere with its property or business, unless relief from the automatic stay is obtained from the bankruptcy court.

The Bankruptcy Code is designed to encourage the parties-in-interest in a Chapter 11 proceeding to negotiate the terms of a Chapter 11 plan so that it may be confirmed. A Chapter 11 plan is the vehicle for satisfying or otherwise addressing all claims against and interests in the debtor. Confirmation of a Chapter 11 plan makes it binding on a debtor and all of its creditors and the prior obligations owed by the debtor to such parties are compromised in exchange for the obligations specified in the Trustee Plan.

(2) Feasibility of the Trustee Plan

Pursuant to Bankruptcy Code section 1129(a)(11), among other things, the Bankruptcy Court must determine that Confirmation of the Trustee Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtor or any successors to the Debtor under the Trustee Plan. This condition is often referred to as the “feasibility” of a proposed plan. The Plan Proponent believes the Trustee Plan satisfies this requirement, to the extent the standard applies to a Chapter 11 plan of liquidation.

Here, the Trustee Plan provides for the liquidation of substantially all of the Debtor’s Assets and for the distribution of all Assets. Accordingly, all obligations under the Trustee Plan will be satisfied without the need for further reorganization of the Debtor.

(3) Best Interests of Creditors

Bankruptcy Code section 1129(a)(7) requires, as a condition to confirmation of a Chapter 11 plan, that each holder of impaired claims or interests receive property with a value not less than the amount such holder(s) would receive in a liquidation carried out under chapter 7 of the Bankruptcy Code as of the Effective Date. *See, e.g., In re Lason, Inc.*, 300 B.R. 227 (Bankr. D. Del. 2003) (“[T]he Court must contrive a hypothetical chapter 7 liquidation conducted on the effective date of the Trustee Plan.”); *In re Genesis Health Ventures Inc.*, 266 B.R. 591, 610 (D. Del. 2001) (Section 1129(a)(7)(A)(iii) requires a showing “that the holders of claims or interests comprising an impaired class either unanimously accept the Trustee Plan, or receiver, in terms of present value, an amount not less than they would receive in a liquidation of the debtor under

Chapter 7 occurring on the Trustee Plan's effective date."). The Plan Proponent believes the Trustee Plan satisfies this standard because, among other things, the recoveries expected to be available to Holders of Allowed Claims under the Trustee Plan will be greater than the recoveries parties can expect to be available in a chapter 7 liquidation scenario as of the Effective Date because of certain agreements by the Bond Trustee included in the Trustee Plan.

As a result of the Sale Closing, the Debtor is no longer a going concern enterprise but continues to have various assets that need to be administered.² While a Chapter 7 trustee may be able to distribute and/or liquidate the remaining assets in the Estate, the Plan Proponent believes that the Trustee Plan provides the greatest possible value to all stakeholders under the circumstances. Among other things, the Trustee Plan incorporates the Bond Trustee's agreement that it will (i) fund certain costs and expenses of the Trustee Plan, including payment to certain creditors, (ii) waive any claim to the Former Resident Contribution; and (iii) advance to the Litigation Trust significant upfront cash to better enable it to maximize the value of the Litigation Trust Assets. Such agreement is contingent on the confirmation of the Trustee Plan.

(4) Analysis of Recoveries to Holders of Claims and Interests under the Trustee Plan and Recommendation of the Debtor

As set forth more fully below, the Plan Proponent believes the Trustee Plan provides the best recoveries possible for the Debtor's stakeholders and the Plan Proponent recommends that, if you are entitled to vote, you vote to accept the Trustee Plan.

The classified claimants who may recover Distributions are Holders of Claims in Classes 1, 2, 3, 4, 5 and 6. Thus, Cash available following the escrowing of monies sufficient to satisfy Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims, and U.S. Trustee Fees, shall be distributed to secured creditors, in accordance with their senior secured status *vis a vis* one another, on account of Allowed Class 1, 2, and 3 Claims; *provided, however*, that, upon information and belief, the Plan Proponent is unaware of any Class 1 Claims that may be Allowed and, therefore, estimates that no payment will be made to any Holder of a Class 1 Claim.

(5) Classification and Treatment of Claims and Interests Under the Trustee Plan

Section 3 of the Trustee Plan describes the Classes of Claims and Interests and their treatment under the Trustee Plan, which is also summarized herein. Current Residents who elected to continue to reside at the Community had their Residency Agreements assumed, on modified terms, and therefore have no remaining Claims against the Estate, and therefore, Current Residents are not classified under the Trustee Plan. Allowed Claims (other than Administrative Expense Claims, Professional Fee Claims, Priority Tax Claims, and U.S. Trustee Fees) are placed in the following Classes and will receive the following treatment under the Trustee Plan:

² Such assets include, without limitation, all Causes of Action, Cash, Cash Collateral, Accounts Receivable, and Medicare and/or Medicaid collections.

Summary of Classification and Treatment of Claims Under the Trustee Plan

Class	Estimated Allowed Claims³	Treatment & Voting Rights	Estimated Recovery⁴
Class 1 – Other Priority Claims	\$481,000	Unimpaired, deemed to accept	100%
Class 2 – Bond Claims	\$131,643,278	Impaired, entitled to vote	[TBD]
Class 3 – Other Secured Claims	\$40,000	Unimpaired, deemed to accept	100%
Class 4 – General Unsecured Claims	[TBD] ⁵	Impaired, entitled to vote	[TBD] ⁶
Class 5 – Former Residents Claims	\$20,000,000	Impaired, entitled to vote	[TBD] ⁷
Class 6 – Intercompany Claims	N/A ⁸	Impaired, not entitled to vote	0.0%
Class 7 – Interests in Debtor	N/A	Impaired, not entitled to vote	0.0%

³ These amounts represent estimated Allowed Claims, and do not represent amounts actually asserted by creditors in Proofs of Claim or otherwise. Following the Effective Date, the Litigation Trustee and/or the Bond Trustee will review and analyze all Claims in the Chapter 11 Case, and object, as reasonably necessary, to such Claims. Therefore, there can be no assurances of the exact amount of the Allowed Claims at this time. Rather, the actual amount of the Allowed Claims may be greater or lower than estimated.

⁴ The estimated percentage recovery is based upon, among other things, an estimate of the Allowed Claims in the Chapter 11 Case. As set forth above, the actual amount of the Allowed Claims may be greater or lower than estimated. Thus, the actual recoveries may be higher or lower than projected depending upon, among other things, the amounts and priorities of Claims that are Allowed by the Bankruptcy Court.

⁵ Includes (i) the Bond Deficiency Claim, (ii) the Deficiency Claim of the Other Secured Claim Holder (Leaf Capital Funding, LLC), which is estimated to be approximately \$62,327, (iii) Non-Resident General Unsecured Claims of approximately \$5,968,100.97, which includes the Allowed General Unsecured Claim of Morrison Management Specialists, Inc. in the amount of \$2,012,100.97, and (iv) any Rejection Claims that arise as a result of a Holder of a Current Resident Claim electing not to consent to be bound by the terms of a modified Residency Agreement and, thus, causing their Residency Agreement to be rejected.

⁶ Holders of Allowed General Unsecured Claims are estimated to receive Distributions ranging from [TBD] of their Allowed General Unsecured Claims, depending on the value of the Litigation Trust Assets, including the FSO Causes of Action, D&O Causes of Action, and the liquidation of other Litigation Trust Assets.

⁷ Former Residents will receive \$2,000,000 from the Sale in accordance with the terms of the Community APA, as well as a Pro Rata share of any recovery by the Litigation Trust.

⁸ FSO has filed a Proof of Claim in the amount of \$232,000; however, as set forth herein, the Litigation Trustee will be objecting to FSO's claim.

(6) Summary of Voting Requirements for Plan Confirmation

(a) In General

Under the Bankruptcy Code, only holders of Claims that are “impaired” are entitled to vote to accept or reject the Trustee Plan. Under Bankruptcy Code section 1124, a class of claims or interests is deemed to be “impaired” unless (1) the Trustee Plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof; or (2) notwithstanding any legal right to an accelerated payment of such claim or interest, the Trustee Plan, among other things, 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. An Impaired class of creditors votes to accept a plan if the holders of at least two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of those creditors that actually cast ballots vote to accept such plan. See 11 U.S.C. § 1124. Classes that are not impaired are not entitled to vote and are deemed to accept a plan. Classes that are not entitled to a distribution and will not retain property under a plan are deemed to reject a plan.

A class of interest holders is deemed to accept a plan if the holders of at least two-thirds (2/3) in amount of those interest holders that actually cast ballots vote to accept such plan. A class of interest holders is Impaired, not entitled to vote, and deemed to reject the Trustee Plan if the Trustee Plan treats such holders by providing that they will retain no property and receive no Distributions under the Trustee Plan. Pursuant to the Bankruptcy Code, only holders of Claims and Interests who actually vote on the Trustee Plan will be counted for purposes of determining whether the required number of acceptances have been obtained. Failure to deliver a properly completed ballot (“**Ballot**”) to the Voting Agent by the Voting Deadline will result in an abstention, which means such vote will not be counted.

(b) Classes Entitled to Vote

The Holders of Claims in Classes 2, 4, and 5 are Impaired under the Trustee Plan and entitled to vote to accept or reject the Trustee Plan.

(c) Classes Deemed to Accept the Trustee Plan

The Holders of Claims in Classes 1 and 3 are Unimpaired under the Trustee Plan and, thus, such Holders are deemed to accept the Trustee Plan.

(d) Classes Deemed to Reject the Trustee Plan

The Holders of Interests in Class 7 are Impaired and deemed to reject the Trustee Plan as Interests in the Debtor shall be terminated on the Effective Date. Holders of Class 6 (Intercompany) Claims are not entitled to vote due to status as an insider of Debtor.

(e) Voting Deadline

The Voting Agent will assist the Plan Proponent with the transmission of the Solicitation Materials (as defined herein) and the tabulation of votes with respect to the Trustee Plan. Holders of Claims classified in Voting Classes (as defined herein) will have the right to vote to accept or

reject the Trustee Plan. To be counted, votes must be submitted in accordance with the voting instructions, which require such votes to be made in writing prior to [TBD] at 4:00 p.m. (Central Time) (the “**Voting Deadline**”). The record date for determining which holders may vote on the Trustee Plan is [TBD], 2024, or the date that the Disclosure Statement Hearing is concluded, whichever is later (the “**Voting Record Date**”).

(f) **Voting Instructions**

Bankruptcy Code section 1126(c) defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed claims in that class, counting only those claims that actually vote to accept or to reject such plan. *See* 11 U.S.C. § 1126(c). As stated above, to be counted as votes to accept or reject the Trustee Plan, all Ballots must be properly executed, completed, and timely delivered by the Voting Deadline. Holders of Claims in Voting Classes will receive a Ballot with instructions for submitting the Ballot.

Most holders of Claims related to the Bonds will submit votes by completing a Ballot and returning it to their specified bank, broker, nominee or other intermediary (a “**Nominee**”). Each Nominee may provide specific instructions to beneficial holders of Bond Claims related with respect to how to complete and submit a Ballot. Such holders will be instructed to return their Ballot to the Nominee to enable the Nominee to complete and submit a master Ballot to the Voting Agent so that it is received by the Voting Deadline. Beneficial holders of Claims related to the Bonds should carefully follow the instructions that accompany their Ballot to ensure that it is properly received by the Nominee with sufficient time for the Nominee to complete a master Ballot that can be delivered to the Voting Agent by the Voting Deadline. Voting instructions are more fully described in the Ballots.

The Plan Proponent may accept (a) Ballots from voters via first class mail, overnight courier, and hand delivery, or, except for Ballots of holders of Bond Claims (“**Bondholder Ballots**”), via electronic transmissions, solely through an online balloting portal to be maintained by the Voting Agent (“**E-Ballot**”); and (b) Bondholder Ballots, including Master Ballots submitted by Nominees, on behalf of beneficial holders, via e-mail to FVSsecuritiesvote@Stretto.com. Parties, other than parties submitting Bondholder Ballots, may cast an E-Ballot solely through an online balloting portal on the Case Website located at <https://cases.stretto.com/FVS>, and electronically sign and submit the Ballot. Instructions for electronic, online transmission of Ballots are set forth on the Ballot. The encrypted ballot data and audit trail created by such electronic submission shall become part of the record of any Ballot submitted in this manner and the creditor’s electronic signature will be deemed to be immediately legally valid and effective.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, revocation, or withdrawal of Ballots will be determined by the Plan Proponent in its sole discretion, and such determination will be final and binding unless otherwise ordered by the Bankruptcy Court. Once a party delivers a valid Ballot for the acceptance or rejection of the Trustee Plan, such party may not withdraw or revoke such acceptance or rejection without the Plan Proponent’s written consent or an order of the Bankruptcy Court. The Plan Proponent also reserves the right to reject any and all Ballots not in proper form,

if the acceptance of which would, in the opinion of the Plan Proponent with the advice of its counsel, be unlawful.

The Plan Proponent further reserves the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions therein) by the Plan Proponent, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Plan Proponent (or the Bankruptcy Court) determines. Neither the Plan Proponent nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities are cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

If a holder of a Claim casts more than one (1) Ballot with respect to the same Claim prior to the Voting Deadline, the last valid Ballot timely received shall be deemed to reflect the voter's intent and shall supersede and revoke any earlier received Ballot. If a holder of a Claim simultaneously casts inconsistent duplicate Ballots with respect to the same Claim, such Ballots shall not be counted.

(g) Additional Information

If you hold one or more Claims in a Voting Class and have any questions about (i) the procedure for voting with respect to your Claim, (ii) the Solicitation Materials, or (iii) obtaining or replacing a Ballot, the Trustee Plan, this Disclosure Statement, or any exhibits to such documents, please contact the Voting Agent by (a) calling (855) 886-6266 (toll-free) or (949) 784-0581 (international); (b) writing to FVS Ballot Processing, c/o Stretto, 410 Exchange, Suite 100, Irvine, CA 92602; or (c) emailing at TeamFVS@stretto.com with a reference to "FVS" in the subject line.

(7) The Confirmation Hearing

On [TBD], the Plan Proponent filed a motion to approve the Plan Proponent's Disclosure Statement, wherein the Plan Proponent requested, among other things, that the Bankruptcy Court: (i) approve the Trustee Plan for solicitation; (ii) schedule a hearing to consider confirmation of the Trustee Plan (the "**Confirmation Hearing**"); and (iii) approve the proposed form of notice of such Confirmation Hearing ("**Confirmation Hearing Notice**"). The Bankruptcy Court established [TBD] (the "**Disclosure Statement Hearing**") as the date of hearing to consider approval of the Disclosure Statement and related deadlines, including the date of the Confirmation Hearing, which is [TBD]. Following the Disclosure Statement Hearing, subject to the Bankruptcy Court's approval, the Plan Proponent will provide the Confirmation Hearing Notice to all necessary parties in accordance with applicable law.

The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on any master service list ordered by the Bankruptcy Court and any entities which

filed objections to the Trustee Plan, without further notice to parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. the Trustee Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

(8) Effect of Confirmation and Consummation of the Trustee Plan

Following Confirmation, subject to the occurrences of certain conditions precedent set forth under Section 9 of the Trustee Plan, the Trustee Plan will be consummated on the Effective Date. Among other things, on the Effective Date, all Assets, including the Retained Causes of Action, will be transferred to the Litigation Trust. For the avoidance of doubt, the Trustee Plan does not grant releases or exculpation to any party.

D. Miscellaneous Terms

(1) Assumption of Current Resident Modified Residency Agreements

As a result of the sale of substantially all of the Debtor's Assets to the Purchaser, the Community remains an operating CCRC, and Current Residents were provided with the opportunity to continue to reside at the Community and to participate in the Current Resident Entrance Fee Program. In connection therewith, pursuant to the terms of the Community APA and the Sale Order, the Debtor assumed and assigned to Purchaser modified Residency Agreement with respect to all Residency Agreements between the Debtor and Residents residing at the Community on the Closing Date; *provided, however*, that any Resident who may have elected not to sign an addendum to the Residency Agreement shall not be permitted to participate in the program and such Residency Agreement is rejected under the Sale Order. Accordingly, through the Sale Transaction, approximately \$77 million in refund obligations to current residents were resolved.

(2) Entrance Fee Escrow

As of the date hereof, the Entrance Fee Escrow, which is maintained by the Debtor for the benefit of certain residents, holds approximately \$620,000 in funds that will be disbursed in accordance with the terms of the Escrow Agreement and Option Agreements. Upon information and belief, the Debtor has begun and will continue to cooperate and work with Residents and the Escrow Agent to cause the Escrow Agent to disburse the funds from the Entrance Fee Escrow, after expense, to return deposits and Entrance Fees to Residents irrespective of whether such Resident elects or elected to continue to reside at the Community after the Sale Closing.

(3) Solicitation Procedures

Only Holders in Classes 2, 4, and 5 (the "**Voting Classes**") are entitled to vote on the Trustee Plan. Accordingly, Holders in Voting Classes will receive a solicitation package that will include the following materials (collectively, the "**Solicitation Materials**");

- a Ballot, which will include the voting instructions, and a postage-prepaid return envelope (with the exception that Solicitation Packages provided to Nominees will not include postage-prepaid return envelopes);
- a copy of this Disclosure Statement with all exhibits, including the Trustee Plan, and any other supplements or amendments to these documents, and the Disclosure Statement Order, excluding exhibits;
- the Confirmation Hearing Notice; and
- such other materials as the Bankruptcy Court may direct.

In lieu of the foregoing Solicitation Materials, the Plan Proponent will distribute the following forms and notices, subject to Bankruptcy Court approval, to holders of Claims that are not in Voting Classes:

- a notice of non-voting status; and
- the Confirmation Hearing Notice.

II. BACKGROUND INFORMATION

A. Overview of the Debtor's Business

Prior to the Sale Closing, the Debtor, a private Illinois not-for-profit corporation, owned and operated a CCRC in Schaumburg, Illinois. The Community, which is the largest CCRC in Illinois, was known as Friendship Village of Schaumburg and was home to approximately 600 residents. The Community offered its residents a continuum of care in a campus-style setting, providing living accommodations and related healthcare and support services to persons aged 62 or older. The Community was situated on more than 60 acres and, as of the Petition Date, was comprised of 537 independent living apartments, 84 assisted living units, 169 nursing care units, and 25 memory care units.

As is common practice in the CCRC industry, the Debtor primarily received revenue from Entrance Fees and monthly service fees under Residency Agreements. Before a prospective Resident would move into the Community, they were required to execute a Residency Agreement. Several types of Residency Agreements had been offered by the Debtor over the years preceding the Petition Date with the various contracts differing in the required Entrance Fee deposit, monthly service fees, and the amount of the Entrance Fee to be refunded, if any. As described more fully below, when the Debtor began to experience financial distress, it implemented an arrangement that is commonly used by distressed CCRCs and designed to encourage sales and improve occupancy, notwithstanding the Community's financial distress, while maintaining optionality for residents. Through this program, prospective residents were offered the opportunity to move into the Community pursuant to an Option Agreement that allows Option Deposits to be securely placed with the Escrow Agent until the resident elects to either move out of the Community and receive the full amount of the Option Deposit or remain as a resident at the Community and have the Option Deposit converted to an Entrance Fee. Because the Community was sold and the Purchaser

converted to a rental (versus Entrance Fee) business model, all residents who deposited funds into the Entrance Fee Escrow will receive the full refund of such deposits.

B. The Debtor's Organizational Structure

(1) Corporate Governance

The Debtor is governed by the Board and managed by the sole member of the Debtor, Friendship Senior Options, NFP (“FSO”), an Illinois not-for-profit corporation chartered under the laws of Illinois, a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “IRC”).

(2) Management of the Debtor Prior to the Sale Closing

Prior to the Sale Closing, pursuant to the Management Agreement, FSO served as the exclusive manager of the day-to-day operations of the Debtor. The categories of services that FSO provided to FVS include: (i) corporate management; (ii) personnel lease; (iii) financial; (iv) human resources; (v) information technology; (vi) marketing; (vii) risk management; (viii) equipment and supplies; (ix) third party and resident billing and collection services; (x) contract negotiations; and (xi) licenses, permits, certifications and accreditations. In exchange for these services, the Debtor would reimburse certain costs incurred by FSO in providing goods and management services to the Debtor and pay a management fee as set forth in the Management Agreement. During the Chapter 11 Case, as of the date hereof, the Debtor has only remitted pass-through expense reimbursement for goods and services actually provided by FSO and has otherwise not paid FSO any management fees.

(3) CCRC Regulators

The CCRC industry nationwide is regulated by various state and federal agencies. Each state has a different regulatory scheme governing CCRCs. As a Medicare-certified CCRC operating in the State of Illinois, the Debtor is regulated by, among others, the Illinois Department of Public Health.

C. Prepetition Capital Structure

As of the Petition Date, on a book value basis, the Debtor had approximately \$99,600,000 in Assets consisting of approximately (i) \$72,000 in Cash and cash equivalents; (ii) \$2,200,000 of restricted assets; (iii) \$100,000 in inventory; (iv) \$800,000 in prepaid expenses; (v) \$2,200,000 in accounts receivable; (vi) \$89,800,000 in net fixed assets; (vii) \$4,300,000 in long term investments; and (viii) a receivable from FSO.⁹ As of the Petition Date, the Debtor owed

⁹ The Plan Proponent sent the Debtor correspondence, dated January 4, 2024, wherein the Plan Proponent made certain requests of the Debtor, including confirmation that the Debtor had or would provide notice to its insurance carrier(s) regarding “potential breach of fiduciary duty claims against the directors and officers of the Debtor and FSO related to, among other things, fraudulent conveyances, the intermingling of corporate funds, the improper withholding of the ERTC Funds, and the improper elimination of an \$8.8 million liability that FSO owed to the Debtor” The Debtor provided notice of the Plan Proponent’s letter to its insurance carriers.

approximately \$131,600,000 on account of the bond obligations and \$96,000,000 of unsecured obligations (including contingent amounts owed to Residents).

(1) Bond Obligations

The Debtor's indebtedness under the Master Indenture (as defined below) includes obligations under the Series 2017 Bonds and the Guaranteed Bonds.

The development of the Community was initially financed through the issuance of bonds by Illinois Finance Authority (the "**Issuer**"). In 2017, the Issuer and the Bond Trustee entered into the Bond Trust Indenture (the "**2017 Bond Indenture**"), dated December 1, 2017, pursuant to which the Issuer issued revenue bonds in the aggregate principal amount of \$122,550,000 (the "**Series 2017 Bonds**") to (a) refund the outstanding bond debt, (b) pay or reimburse FVS for certain costs of constructing, renovating, remodeling, and equipping the campus, and (c) fund a debt service reserve fund. The Debtor and the Issuer entered into that certain Loan Agreement, dated December 1, 2017, pursuant to which the Issuer agreed to lend the proceeds of the Series 2017 Bonds to the Debtor.

The Series 2017 Bonds are secured by FVS's Direct Note Obligation, Series 2017-2 (Illinois Finance Authority) in the principal amount of \$122,550,000 to be issued pursuant to a Master Trust Indenture, dated as of July 15, 2005 (the "**Original Master Indenture**"), and as supplemented and amended by a Third Supplemental Master Indenture dated December 1, 2017 (the "**Third Supplemental Master Indenture**" and collectively with the Original Master Indenture, the "**Master Indenture**") between the Debtor and Wells Fargo Bank, National Association, as master trustee (the "**Master Trustee**"). The Bond Trustee is entitled to the protection of the covenants, restrictions and other obligations imposed upon FVS by the Master Indenture.

The following additional bonds (collectively, the "**Guaranteed Bonds**") are secured by FVS's Direct Note Obligation, Series 2017 (Illinois Finance Authority): (i) Taxable Bonds, Series 2017A (GreenFields of Geneva Project); (ii) Series 2017B (GreenFields of Geneva Project); and (iii) Series 2017C Bonds (GreenFields of Geneva Project). Prepetition, the Debtor provided a secured guaranty for repayment of the Guaranteed Bonds and the obligations under the Guaranteed Bonds are pari passu with the obligations under the Master Indenture.

As of the Petition Date, the Debtor's indebtedness under the Series 2017 Bonds and the Guaranteed Bonds was approximately \$131,000,000 and secured by the Bond Trustee's lien against primarily all of the Debtor's Assets.

(2) Other Debt

In addition to the secured obligations under the Bonds, the Debtor estimates the following liabilities as of the Petition Date: (i) approximately \$40,000 of debt to one or more other secured creditors; (ii) approximately \$3,900,000 of unsecured debt due to trade creditors, including Morrison; (iii) approximately \$5,200,000 of triggered, non-Contingent liabilities to former residents; (iv) approximately \$14,800,000 of untriggered, Contingent liabilities to former residents; (v) approximately \$77,700,000 of untriggered, Contingent liabilities to current residents; and (vi) approximately \$232,000 of unsecured debt to FSO.

III. EVENTS LEADING TO THE CHAPTER 11 FILING

Prior to the Sale Closing, the Debtor relied on revenue generated by existing and new residents to, among other things, maintain day-to-day operations, service debt obligations and honor Refund Obligations. However, like other communities and facilities in the senior living industry, especially CCRCs, for years FVS faced challenges that threatened its ability to honor long-term debt obligations and maintain stable operations, including optimal occupancy levels.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. The extent to which COVID-19 has affected all aspects of life for senior citizens cannot be denied or understated, especially because senior citizens are acutely susceptible to its effects. Research shows that as of June 14, 2023, more than 93% of the total deaths caused by COVID-19 were among those aged 50 and older.¹⁰

The effects of COVID-19 were immediately felt by the Community. In February 2020, the Debtor was meeting its census and operating goals. On March 20, 2020, Governor Pritzker announced a Stay at Home order to help minimize the spread of COVID-19.¹¹ The emergency orders and state-wide shut down directly impacted the Community and its operations. Census began to decline, and stress was put on Residents and employees from dealing with the associated state and federal guidelines. Although CCRCs are somewhat better equipped to handle COVID-19 because of the independent nature of the units, including individual kitchens, the social distancing and isolation had a negative impact on the residents. The Debtor incurred significant expenses in responding to the pandemic, including but not limited to a significant increase in staffing costs.

In addition to responding to the direct risks to residents and staff, prospective residents were hesitant to move into the Community due to fears of COVID-19. Moreover, the State of Illinois did not allow any new Residents to be admitted to assisted living, memory care, or nursing home units for a period of time. The marketing efforts, which typically include site visits or onsite events, were significantly limited by state and federal regulations. Despite the best efforts of FVS's marketing team, the number of new move ins dropped precipitously and did not recover by the Petition Date.

As a result of COVID-19's effect on census and the resulting effect on revenue, the Debtor began to face liquidity constraints. By January 2022, the Debtor was unable to make a debt service payment of approximately \$708,642.00, inclusive of interest, due under the 2017 Bond Documents, which payment was partially funded with funds held in reserve funds under the 2017 Bond Documents. On January 5, 2021, the Debtor informed the Bond Trustee that it could no longer afford to pay debt service on the Series 2017 Bonds. This discussion ultimately led to the decision to market the Community to accomplish an affiliation or similar transaction whereby a new operator would own and operator the Community.

On March 9, 2022, the Debtor engaged B.C. Ziegler and Company to run a sales and marketing process. Multiple bids were received and the Debtor engaged in negotiations over a

¹⁰ See <https://www.statista.com/statistics/1191568/reported-deaths-from-covid-by-age-us/>.

¹¹ See <https://www.illinois.gov/news/press-release.21326.html>.

period of months with the highest bidder, but the bidder ultimately decided not to go forward with the contemplated transaction and, instead, expressed desire for an asset sale rather than an affiliation. Given this development, the Debtor engaged Grandbridge Real Estate Capital (“**Grandbridge**”) to plan and execute a sale process, and negotiations with the preferred bidder continued for an additional three (3) months before the potential purchaser informed the Debtor it preferred to purchase the Community through a bankruptcy sale and auction. Although steps were taken to accommodate the bidder’s request, on April 17, 2023, the potential purchaser withdrew its bid and terminated negotiation discussions. Left with little runway and no other option, the Debtor commenced the Chapter 11 Case and prepared to implement a sale process that would be subject to the oversight of the Bankruptcy Court.

In summary, the Debtor was forced to file the Chapter 11 Case for multiple reasons, including the impact of the COVID-19 pandemic on the senior housing industry followed by an unsuccessful, pre-Petition Date marketing process that left the Debtor with insufficient liquidity to sustain operations and debt without the protections of the Bankruptcy Code.

IV. EVENTS DURING THE CHAPTER 11 CASE

A. First Day Pleadings

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

The first day motions requested relief from the Bankruptcy Court to, among other things: (i) protect resident confidentiality; (ii) authorize interim use of cash collateral; (iii) maintain the Debtor’s cash management system; (iv) maintain utilities; (v) waive the requirement of a patient care ombudsman; and (vi) authorize the Debtor to continue its escrow arrangement for new resident deposits. These motions were supported by the *Declaration of Mike Flynn, Chief Executive Officer of the Debtor in Support of the Debtor’s First Day Pleadings* [Docket No. 16]. The Bankruptcy Court conducted hearings and entered orders with respect to each of the first day motions. See Docket Nos. 72, 77, 84, 85, 86, 149, and 246.

B. Cash Collateral and DIP Financing

In the ordinary course of business, the Debtor requires Cash on hand and cash flow from its operations to fund its working capital, liquidity needs and other routine payables. In addition, the Debtor requires Cash on hand to administer the Chapter 11 Case. Under the 2017 Bond Documents, the Bond Trustee has a first priority security interest in and liens on primarily all of the Debtor’s prepetition assets.

As stated above, on the Petition Date, the Debtor filed a motion requesting authority to use cash collateral [Docket No. 9] (the “**Cash Collateral Motion**”), and thereafter a first and second interim order with respect to the Cash Collateral Motion, with the Bond Trustee’s consent, were entered. See Docket No. 85 and 152. On August 11, 2023, the Bankruptcy Court entered its final order approving the Cash Collateral Motion (the “**Final Cash Collateral Order**”). See Docket

No. 207. With the Bond Trustee's consent, on October 30, 2023, the Debtor filed a Cash Collateral budget to replace the budget attached to the Final Cash Collateral Order. *See* Docket No. 299.

On July 24, 2023, the Debtor filed a motion requesting approval to obtain post-petition financing on an unsecured administrative priority basis with the loan facility to be issued by the DIP Lender [Docket No. 166] (the "**DIP Motion**"). In response, certain objections and/or notices of objection were filed. *See* Docket Nos. 177, 180, and 181.

The Bond Trustee's limited objection to the DIP Motion [Docket No. 181] (the "**DIP Objection**"), filed on August 2, 2023, asserted, among other things, that the Bond Trustee had questions regarding the monies FSO used to fund the DIP Facility and, therefore, believed such ERTC funds "may be property of the Debtor's bankruptcy estate, and, therefore should not be subject to a 'loan' from FSO." *See* DIP Objection, ¶ 1. The Bond Trustee asserted in its limited objection that there were "a multitude of unresolved and pending questions regarding the Debtor's rights and interest in the monies that are being 'advanced' by the DIP Lender . . . to fund the DIP Facility." *Id.* Additionally, the Bond Trustee asserted that the Debtor had "determined not to pursue or even preserve [related] rights." The Debtor rejected the Bond Trustee's arguments, and elected to enter into the DIP Facility.

On August 11, 2023, the Bankruptcy Court entered an order approving the DIP Motion [Docket No. 205] (the "**DIP Order**"). The DIP Order provides the Debtor with authority to borrow up to \$3,000,000 from the DIP Lender, and, as of the date hereof, the Debtor has borrowed approximately \$3,000,000. In response to the Bond Trustee's concerns, as raised in the limited DIP Objection, the DIP Order provides, in relevant part, that:

The Debtor's entry into the DIP Term Sheet shall not and does not waive any rights and/or interests the Debtor may have in the ERTC Funds, including the DIP Funds, nor prevent any further findings by this Court or any court of competent jurisdiction that the ERTC Funds, including the DIP Proceeds, are property of the Debtor's bankruptcy estate under 11 U.S.C. § 541. In the event it is determined that any Draws were funded by ERTC Funds that a court of competent jurisdiction determines by final order are property of the Debtor's estate, then the Debtor's right to access and utilize such funds shall no longer be subject to the terms of this Order and the DIP Term Sheet.

DIP Order, ¶ 4.1.

C. Schedules and Statements

On July 6, 2023, the Debtor filed its Schedules and Statement of Financial Affairs. *See* Docket Nos. 132-134. On January 15, 2024, the Debtor filed amended Schedules. *See* Docket No. 464.

D. Retention of Professionals

During the Chapter 11 Case, the Bankruptcy Court has approved the Debtor's retention and employment of the following Professionals to assist in the administration of the Debtor's Chapter 11 Case: (a) DopkeLaw LLC, as restructuring counsel to the Debtor; (b) Polsinelli PC as co-counsel to the Debtor; (c) Wyse Advisors, LLC as financial advisor; (d) Stretto, Inc.

(“**Stretto**”) as claims and noticing agent and administrative advisor; (e) Grandbridge, as real estate broker with respect to the sale of the Community;¹² and (f) Avison Young – Chicago, LLC (“**Avison Young**”), as real estate broker with respect to the Huntley Property.

E. Appointment of the Committee

On June 23, 2023, the United States Trustee (the “**U.S. Trustee**”) appointed the official committee of unsecured creditors (the “**Committee**”), which is comprised entirely of Residents and/or representatives of Residents: (a) Kathryn Dahl; (b) Lawrence A. Gerlach; (c) Barbara Hershberger; (d) Matthew Hower; (e) Jerry A. Horney; (f) Leonard R. Kofkin; and (g) Daniel M. Scheibenreif. The Committee has retained Crane, Simon, Clar & Goodman, as counsel, and Newpoint Advisors Corporation, as financial advisor.

F. Sale of Substantially all the Debtor’s Assets

On June 14, 2023, the Debtor filed the Bid Procedures and Sale Motion, which, among other things, sought entry of an order establishing bid procedures and approval of a marketing process for the sale of substantially all the Debtor’s assets.¹³ On July 12, 2023, the Bankruptcy Court entered the Bid Procedures Order, approving the Debtor’s bid procedures and establishing key deadlines and dates, including, without limitation:

- Stalking Horse LOI Deadline: July 25, 2023;
- Stalking Horse Agreement Deadline: September 11, 2023 at 4:00 p.m.;
- Stalking Horse Designation Deadline: September 15, 2023 at 4:00 p.m.;
- Overbid Deadline: October 16, 2023;
- Auction Date: October 20, 2023;
- Notice of Designated Contracts: October 25, 2023 at 4:00 p.m.;
- Sale Objection Deadline: October 26, 2023 at 4:00 p.m.;
- Adequate Assurance Objection Deadline: October 30, 2023 at 4:00 p.m.; and
- Sale Hearing: November 1, 2023 at 11:00 a.m.

In accordance with the Bid Procedures Order, the Debtor, through its professionals and advisors conducted a comprehensive post-petition marketing and sale process. On September 11, 2023, the Debtor received multiple bids, each in compliance with the Bid Procedures Order. On September 15, 2023, the *Debtor filed its Notice of Filing Executed Version of Stalking Horse Asset*

¹² On November 1, 2023, the Debtor filed a motion to retain Continuum Advisors, LLC, as a result of the change of employment with respect to the Debtor’s real estate broker, David Kliewer. *See* Docket No. 304

¹³ Capitalized terms that are used but not defined in this Article IV.G. shall have the meanings ascribed to them in the Community APA.

Purchase Agreement [Docket No. 247], wherein the Debtor designated IL CCRC, LLC as the stalking horse bidder (the “**Stalking Horse**”) and provided a copy of the Stalking Horse APA. The Bond Trustee, as the only creditor with a right to object to the Debtor’s designation of the Stalking Horse, did not object and the deadline to do so expired on September 20, 2023 at 4:00 p.m.

October 16, 2023 at 4:00 p.m., the Debtor timely filed its proposed sale order, as required by the Bid Procedures Order. *See* Docket No. 272.

(1) **Competing Bids, Auction, and Sale Hearing**

Under the terms of the Bid Procedures Order, Lapis Municipal Opportunities Fund (“**Lapis**”) was deemed a qualified bidder, and prior to October 20, 2023, Lapis announced its intentions to attend and participate at the auction. Accordingly, on October 20, 2023, the Debtor conducted an auction that was continued and ultimately closed on October 24, 2023. Before closing the auction, the Debtor determined that the bid of the Stalking Horse was the highest and best offer and announced that the Stalking Horse Bidder was the Winning Bidder and further designated Lapis Municipal Opportunities Fund as the Backup Bidder. On October 26, 2023, the Debtor filed the Notice of Filing Executed Winning Bidder Asset Purchase Agreement with copies of the Asset Purchase Agreement (“**Winning Bid APA**”) and a redline reflecting changes between the Stalking Horse APA and the Winning Bid APA, each attached thereto. *See* Docket No. 292.

On November 8, 2023, the Bankruptcy Court conducted the Sale Hearing and approved the Sale Transaction. On November 22, 2023, the Bankruptcy Court entered the Sale Order, which, among other things, approved the Sale to the Purchaser for the Purchase Price of approximately \$35.5 million. *See* Docket No. 365. Upon the Sale Closing, the Purchaser acquired the Purchased Assets (as defined in the Community APA) and assumed the Assumed Liabilities (as defined in APA). The Purchased and Excluded Assets are summarized below, and to the extent of any inconsistency, the Community APA shall control:

(2) **Purchased Assets**¹⁴

Under Article 2.1 of the Community APA, the Debtor agreed to sell and the Purchaser agreed to purchase the following assets (collectively, the “**Purchased Assets**”):

- a. The Facility, the Premises and the improvements thereon;
- b. the Books and Records;
- c. the Assumed Contracts;
- d. the Equipment;
- e. the Inventory;

¹⁴ Capitalized terms used in this section but not otherwise defined in the Trustee Plan and/or this Disclosure Statement shall have the meanings ascribed to such terms in the Community APA.

- f. to the extent transferable under applicable law, the Permits;
- g. all Resident Trust Funds;
- h. Option Deposits and other deposits relating to the Business;
- i. any and all prepaid fees and other amounts for room and service charges of Residents relating to periods on or after Closing;
- j. all Intellectual Property, including, without limitation, community specific intellectual property, including domain name FriendshipVillage.org, as well as the name “Friendship Village of Schaumburg” and related logos and marketing materials;
- k. subject to the Buyer’s establishment of a qualified vehicle on the Closing Date to accept or otherwise hold it (or an Affiliate of Seller qualified to accept or otherwise hold it, to the extent mutually agreeable between Buyer and Seller), the Gift Annuity Account and any endowment or donor-restricted funds held by Seller (collectively, the “Endowment”), to be used solely for charitable purposes as required therein; and
- l. any and all other items of tangible and intangible personal property and assets required, used or useful for the operation of the Facility or the Business.

(3) Excluded Assets¹⁵

Under Article 2.2 of the Community APA, the Debtor did not agree to sell and the Purchaser did not agree to purchase the following assets (collectively, the “**Excluded Assets**”).

- a. the Entrance Fees;
- b. all cash and cash equivalents;
- c. the operating checking account;
- d. the Purchase Price and all rights under this Agreement;
- e. the Accounts Receivable of the Business;
- f. the debt service reserve funds, interest reserve funds, and any other funds or accounts held by the Master Trustee, the Guaranteed Bonds Trustee, and/or the Schaumburg Bonds Trustee in connection with the Bonds (unless otherwise specifically provided for herein);
- g. all claims and causes of action, including avoidance actions under Chapter 5 of the

¹⁵ Capitalized terms used in this section but not otherwise defined in the Trustee Plan and/or this Disclosure Statement shall have the meanings ascribed to such terms in the Community APA.

Bankruptcy Code;

- h. all set-off rights to claims filed or asserted in the Chapter 11 Case (except to the extent arising in connection with an Assumed Contract which is subject to a Cure Amount);
- i. hold-backs and escrows for any prorations or Taxes being paid by Seller in connection with the Closing or afterward, and utility deposits;
- j. all insurance policies of Seller, any prepaid insurance premiums and any rights or claims or proceeds arising from such policies, except those assigned to Buyer under Section 2.9 of this Agreement, and except any residual of the workers' compensation policy collateral following liquidation of claims;
- k. all Tax refunds, credits (including the Employee Retention Credit, if any), rebates, and overpayments related to Seller's operation of the Business prior to Closing solely to the extent received by Seller prior to Closing or, if not yet received, applied for by Seller or its Affiliates prior to the Execution Date;
- l. all (i) corporate seals, corporate organizational records, minute books, charter documents, record books, and stock transfer books pertaining to Seller, (ii) original Tax, accounting and financial records which pertain exclusively to the Excluded Assets, and (iii) such other files, books and records which pertain exclusively to the Excluded Assets or to the formation, existence, membership, or capitalization of Seller or its Affiliates;
- m. all Inventory and Assets disposed of or exhausted through the Closing Date in the ordinary course of business; provided, that such Inventory and Assets are likewise replenished in the ordinary course of business;
- n. all Rejected Contracts;
- o. any records which Seller is legally required to retain in its possession and any records related to Excluded Assets or Retained Liabilities (as hereinafter defined);
- p. all equipment and tangible property located at the Business but not owned by Seller, or subject to an equipment lease or vehicle lease or software license that is not an Assumed Contract, and all other assets, properties and rights not related to or used in the Business;
- q. personnel records for Employees who are not Transferred Employees and, to the extent the transfer of such records (whether directly or by means of the sale of a Seller) to Buyer or its affiliates is prohibited by applicable law, for Transferred Employees, and all Organizational Documents and minute books of Seller; board designated, restricted and trustee-held or other escrowed funds (such as the debt service reserves, self-insurance trusts, workers compensation trusts, working capital trust assets, and assets and investments restricted as to use), donor restricted assets, beneficial interests in charitable trusts and accrued earnings on all of the

foregoing;

- r. the Gift Annuity Account and any endowment or donor-restricted funds held by Seller (collectively, the “Endowment”);
- s. the FSO Management Agreement, and any intercompany obligations between Seller and FSO;
- t. all Benefit Plans and all trust agreements, services agreements, and assets attributable thereto; and
- u. Seller’s attorney-client and work-product privileges.

(4) Dispute Regarding Equipment

At the Sale Hearing, the Debtor asserted ownership with respect to certain Equipment that was included in the proposed Purchased Assets, and Morrison Management Specialists, Inc. (“**Morrison**”) objected, asserting an ownership interest with respect to such Equipment (the “**Disputed Property**”). The Bankruptcy Court set a briefing schedule and a hearing concerning the Disputed Property. Following briefing and oral argument, the Bankruptcy Court overruled Morrison’s objection and found the Debtor owned the Equipment that was the subject to the dispute with Morrison. *See* Docket Nos. 309, 329, 377, 393, and 426. Additionally, the Bankruptcy Court required the Debtor to set aside \$2,712,100.97 from proceeds of the Sale Transaction (the “**Morrison Escrow Funds**”) to ensure Morrison could recover on its claim, including interest, if Morrison is able to establish a priority interest in the Disputed Property. *See* Docket No. 426. A day after the Sale Closing occurred, on December 29, 2024, Morrison filed a Notice of Appeal (the “**Morrison Appeal**”). *See* Docket No. 433. As detailed below, the dispute with Morrison has been settled.

G. Sale of Huntley Property

On October 4, 2023, the Debtor filed an application to employ Avison Young, as broker, with respect to the Huntley Property. *See* Docket No. 261. On October 11, 2023, the Bankruptcy Court entered its *Order Authorizing the Employment and Retention of Avison Young – Chicago, LLC as Debtor’s Real Estate Advisor and Broker Effective as of August 28, 2023*. The Huntley Property, which has been held in trust for the benefit of the Debtor by Chicago Title Land Trust Company (the “**Land Trust**”), was marketed by Avison Young for the benefit of the Estate. On January 10, 2024, the Bankruptcy Court granted the Debtor’s motion to sell the Huntley Property, approving the terms of an agreement, including a cash purchase price of \$450,000, and authorized the Debtor and the Land Trust to transfer the title to Prime Group. The sale closed on January 31, 2024, and, as a result, the Debtor’s Estate received net sale proceeds of approximately \$420,000 after payment of closing costs, fees, and satisfaction of debts, including, without limitation a commission payment to Avison Young in the amount of \$27,000.

H. Claims Process and Bar Dates

Pursuant to the Bar Date Order, all creditors holding or wishing to assert unsecured or secured, priority or nonpriority Claims against the Debtor’s estate, accruing prior to the Petition

Date were required to file a separate, completed, and executed Proof of Claim Form on account of each such Claim, together with accompanying documentation by the Claims Bar Date, October 13, 2023 at 11:59 p.m. More than 300 claims were filed by the Claims Bar Date. On January 15, 2024, the Debtor amended its schedules. Accordingly, with respect to certain Claims the Amended Schedules Bar Date may apply.

Pursuant to the Bar Date Order, Governmental Units with Claims against the Debtor or the Debtor's estate, accruing prior to the Petition Date, are required to file Proofs of Claim by the Governmental Bar Date, November 17, 2023 at 11:59 p.m.

Because the resolution process for Claims is incomplete as the Debtor has focused its efforts and resources on, among other things, the sale of substantially all of its assets and soliciting a plan to propose classification and treatment of Allowed Claims, among other things, the Claims figures identified in the Trustee Plan and this Disclosure Statement represent estimates only and, in particular, the estimated recoveries for Holders of General Unsecured Claims could be materially lower if the actual amounts of Allowed General Unsecured Claims are higher than current estimates.

I. Exclusivity

On September 20, 2023, the Debtor filed a motion to extend to: (i) December 6, 2023, the period within which only the Debtor can file a Chapter 11 plan; and (ii) February 5, 2024, the period within which only the Debtor can solicit votes to accept or reject such a plan. *See* Docket No. 250. On September 28, 2023, the Bankruptcy Court approved the Debtor's motion, establishing the extended exclusivity periods, as requested. *See* Docket No. 254.

The extended exclusivity periods have expired.

J. Disputes and Potential Disputes and/or Litigation

(1) Generally; Claims Against FSO and the Board

As of the Petition Date, the Debtor was not prosecuting any claims or causes of action. Since the Petition Date, certain constituents, including the Bond Trustee and the Committee, have expressed the belief that certain potential claims may exist. Specifically, the Plan Proponent believes the Estate has claims related to:

- turnover of up to \$7.6 million in ERTC Funds to the Estate;
- approximately \$8.8 million intercompany liability from FSO to Debtor that appeared on the Debtor's books as of the Petition Date until it was eliminated through retroactive adjusting journal entries made on the Debtor's books after the commencement of the Chapter 11 case;
- the above-market management fee charged to the Debtor for the purpose of providing monetary support to an under-performing affiliate;

- transfer(s) of funds from the Debtor to FSO and/or FSO's affiliates to support the operations at such entities to the detriment of the Debtor; and
- breaches of fiduciary duties by the Debtor's directors.

The Debtor, however, has rejected all efforts by, primarily, the Bond Trustee to investigate or pursue any such claims. The Debtor has stated that it is unaware of the existence of any claim or cause of action that would warrant litigation against, among others, its corporate parent, FSO. The Debtor has also opposed the Bond Trustee's request for standing to pursue certain claims on behalf of the Estate. See Docket No. 487.

The Debtor and/or FSO have a \$10 million insurance policy against which judgments on such claims could potentially be collected.

As part of the Trustee's Plan, such potential claims, along with all other Causes of Action, will be transferred to the Litigation Trust which will be funded with a \$2.0 million advance from the Bond Trustee to further investigate and prosecute such claims. As set forth herein, all net recoveries from the prosecution of such claims and Causes of Action **not otherwise subject to the Bond Trustee's Lien** shall be distributed to holders of Allowed Unsecured Claim and Former Resident Claims on a Pro Rata basis (after reimbursement of the costs and expenses of pursuing such Retained Causes of Action and reimbursing the Bond Trustee for advancing the Litigation Trust Funding).

(2) Morrison Appeal

On June 21, 2024, the Bankruptcy Court entered an order approving a settlement between the Debtor, the Bond Trustee, and Morrison resolving the Morrison Appeal. Under the terms of the agreement, Morrison was paid \$700,000 from the Morrison Escrow Funds, and the remainder of such funds, i.e., \$2,012,100.97, was released to the Debtor subject to the Bond Trustee's Lien. Morrison was also granted an Allowed General Unsecured Claim in the amount of \$2,012,100.97.

V. SUMMARY OF THE TRUSTEE PLAN

THIS SECTION PROVIDES A DETAILED SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT AND IMPLEMENTATION OF THE TRUSTEE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE TRUSTEE PLAN, WHICH IS ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT 1.

The Claims against the Debtor are divided into Classes according to their seniority and other criteria. The Classes of Claims and Interests against the Debtor and its Estate and the funds and other property to be distributed under the Trustee Plan are more fully described below.

THE TRUSTEE PLAN PROPONENT BELIEVES THE TRUSTEE PLAN AFFORDS CREDITORS THE POTENTIAL FOR THE GREATEST REALIZATION OF THE VALUE OF THE DEBTOR'S ASSETS.

A. Unclassified Claims

(1) Administrative Expense Claims

(a) *Deadline to File Administrative Expense Claims.*

Holders of an Administrative Expense Claim (other than Holders of Professional Fee Claims and U.S. Trustee Fees) must file with the Bankruptcy Court and serve upon the Litigation Trustee, and the Plan Proponent, **proof of such Administrative Expense Claim so as to be received by 4:00 p.m. (prevailing Central Time) on the Administrative Expense Bar Date.** For the avoidance of doubt, the DIP Lender, as Holder of the DIP Facility Claims, shall be required to file an Administrative Expense Claim for the allowance and satisfaction of such Claims.

Holders of Administrative Expense Claims that are required to file and serve a request for payment of such Administrative Expense Claims and that do not File such a request on or before the applicable Administrative Expense Bar Date shall forever be barred from asserting such Administrative Expense Claims against the Debtor, the Estate, the Litigation Trustee, or the Litigation Trust, as applicable, or their respective property, including the Administrative Expense Escrow Account. The Litigation Trustee or the Bond Trustee may file and serve objections to the Administrative Expense Claims on or before the Administrative Expense Objection Deadline.

(b) *Administrative Expense Escrow Amount.*

The Debtor shall deliver to the Plan Proponent a reasonable and good faith estimate of Administrative Expense Claims projected to be outstanding as of the anticipated Effective Date, and shall deliver such estimate no later than five (5) Business Days prior to the anticipated Effective Date. For the avoidance of doubt, no such estimate shall be considered or deemed an admission or limitation with respect to the amount of the Administrative Expense Claims, which are subject to claimants filing proof of such claims by the Administrative Expense Bar Date. If the Debtor does not provide an estimate, the Plan Proponent may estimate the total Administrative Expense Claims. The total aggregate amount so estimated pursuant to this paragraph to be outstanding as of the anticipated Effective Date shall be utilized by the Plan Proponent to determine the amount to be funded to the Administrative Expense Escrow Account (the “**Administrative Expense Escrow Amount**”).

(c) *Administrative Expense Escrow Account.*

No later than the Effective Date, the Plan Proponent shall establish an escrow account with, and to be maintained by, the Bond Trustee in the name of the Litigation Trustee (the “**Administrative Expense Escrow Account**”). On or prior to the Effective Date, the Debtor or the Litigation Trustee, as applicable, shall deposit Cash in an amount equal to the Administrative Expense Escrow Amount into the Administrative Expense Escrow Account. The Cash used to fund the Administrative Expense Escrow Account shall be (i) all of the net sale proceeds from the Huntley Property Sale, (ii) all of the net sale proceeds attributable to the Parking Parcel, which shall be \$120,000, and (iii) the Cash held by the Debtor in its operating account exclusive of Cash representing the Net Sale Proceeds, and the net sale proceeds (i) from the Huntley Property Sale and (ii) attributable the Parking Parcel. To the extent such monies are in an amount less than the Administrative Claims Escrow Amount, the Debtor or Litigation Trustee, as applicable, with the

Bond Trustee's consent, may use the Net Sale Proceeds that are subject to the Bond Trustee's Lien to satisfy such shortfall.

The sole source of payment of Allowed Administrative Expense Claims shall be the amounts held in the Administrative Expense Escrow Account. Holders of Allowed Administrative Expense Claims shall not be entitled to Distributions from the Litigation Trust or any other accounts created under the Trustee Plan, or any source other than the Administrative Expense Escrow Account, on account of their Allowed Administrative Expense Claim. The Administrative Expense Escrow Account shall be maintained in trust solely for Holders of Allowed Administrative Expense Claims until all Administrative Claims Allowed by the Bankruptcy Court have been irrevocably paid in full to the Holders of such claims pursuant to one or more Final Orders of the Bankruptcy Court or as otherwise agreed by the Holder of an Allowed Administrative Expense Claim and the Litigation Trustee with the Bond Trustee's consent. The Cash utilized to make payments from the Administrative Expense Escrow Account to Holders of Allowed Administrative Expense Claims shall be allocated (i) *first*, to the net sale proceeds from the Huntley Property Sale, (ii) *second*, the net sale proceeds attributable to the Parking Parcel, (iii), *third*, the Cash held by the Debtor in its operating account exclusive of Cash representing Net Sale Proceeds, and the net sale proceeds (i) from the Huntley Property Sale and (ii) attributable the Parking Parcel, and (iv) *fourth*, to the Net Sale Proceeds contributed by the Bond Trustee who shall continue to hold a Lien on such monies.

No funds held In the Administrative Expense Escrow Account shall be property of the Debtor or the Estate, the Litigation Trust, or any respective successors thereto, as applicable, except to the extent such funds exceed the Allowed Administrative Expense Claims, which funds shall remain subject to the Bond Trustee's Lien, as applicable. When all Allowed Administrative Expense Claims have been irrevocably paid in full to the Holders of such claims, any remaining funds held in the Administrative Expense Escrow Account, to the extent such funds represent the net sale proceeds from the Huntley Property Sale and/or the net sale proceeds attributable to the Parking Parcel, shall be turned over to the Litigation Trustee and shall constitute Litigation Trust Assets, without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity. To the extent any of the remaining funds held in the Administrative Expense Escrow Account represent the Net Sale Proceeds contributed by the Bond Trustee, such funds shall be paid directly to the Bond Trustee without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

(d) *Treatment of Allowed Administrative Expense Claims.*

Except to the extent that a Holder of an Allowed Administrative Expense Claim agrees to less favorable treatment or has been paid prior to the Effective Date with the consent of the Bond Trustee in full and final satisfaction, settlement, and release of and in exchange for release of each Allowed Administrative Expense Claim, and subject to Section 2.1.1 therein, each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in Cash by the Litigation Trustee from the Administrative Expense Escrow Account on (or as soon thereafter as is reasonably practicable) the later of (i) the Effective Date and (ii) the first Business Day after the date that is ten (10) calendar days after the date an Administrative Expense Claim becomes an Allowed Administrative Expense Claim; *provided, however*, that Allowed Administrative Expense Claims representing liabilities incurred in the

ordinary course of business by the Debtor, as debtor in possession, shall be paid by the Debtor, with the consent of the Bond Trustee or the Litigation Trustee, as applicable, in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any orders or agreements governing, instruments evidencing, or other documents establishing, such liabilities.

(2) Professional Fee Claims

(a) *Deadline to File Professional Fee Claims; Notice of Final Fee Hearing.*

All Professionals requesting payment or satisfaction of Professional Fee Claims for services rendered before the Effective Date (including compensation requested by any Professional or other entity for making a substantial contribution in the Chapter 11 Case) shall File an application for final allowance of compensation and reimbursement of expenses **so as to be received by 4:00 p.m. (prevailing Central Time) on the Professional Fee Claim Bar Date.**

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

(b) *Professional Fee Escrow Amount.*

The Professionals shall deliver to the Plan Proponent a reasonable and good-faith estimate of their unpaid fees and expenses incurred in rendering services to the Debtor before and as of the Effective Date projected to be outstanding as of the anticipated Effective Date, and shall deliver such estimate no later than five (5) Business Days prior to the anticipated Effective Date. For the avoidance of doubt, such estimate shall be considered a cap with respect to the amount of the fees and expenses that may be the subject of such Professional's final request for payment of Professional Fee Claims Filed with the Bankruptcy Court. If a Professional does not provide an estimate, the Plan Proponent may estimate the unpaid and unbilled fees and expenses of such Professional. The total aggregate amount so estimated to be outstanding as of the anticipated Effective Date shall be utilized by the Plan Proponent to determine the amount to be funded to the Professional Fee Escrow Account (the "**Professional Fee Escrow Amount**").

(c) *Professional Fee Escrow Account.*

No later than the Effective Date, the Plan Proponent shall establish an escrow account with, and to be maintained by, the Bond Trustee in the name of the Litigation Trustee (the "**Professional Fee Escrow Account**"). On or prior to the Effective Date, the Debtor or the Litigation Trustee, as applicable, shall, with the Bond Trustee's consent, deposit Cash from the Net Sale Proceeds subject to the Bond Trustee's Lien in an amount equal to Professional Fee Escrow Amount into the Professional Fee Escrow Account.

The sole source of payment of Allowed Professional Fee Claims shall be the amounts held in the Professional Fee Escrow Account. Holders of Professional Fee Claims shall not be entitled

to distributions from the Litigation Trust or any other accounts created under the Trustee Plan, or any source other than the Professional Fee Escrow Account, on account of their Professional Fee Claims. The Professional Fee Escrow Account shall be maintained in trust solely for the Professionals until all Professional Fee Claims Allowed by the Bankruptcy Court have been irrevocably paid in full to the Professionals pursuant to one or more Final Orders of the Bankruptcy Court. No funds held in the Professional Fee Escrow Account shall be property of the Debtor, the Estate, the Litigation Trust, or any respective successors thereto, as applicable, except to the extent such funds exceed the Professional Fee Claims Allowed by the Bankruptcy Court. When all Professional Fee Claims Allowed by the Bankruptcy Court have been paid in full to the Professionals pursuant to one or more Final Orders of the Bankruptcy Court, any remaining funds held in the Professional Fee Escrow Account shall continue to be subject to the Bond Trustee's Lien and shall be directly released to the Bond Trustee without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

(d) *Payment of Allowed Professional Fee Claims.*

The Litigation Trustee shall pay Professional Fee Claims in Cash to such Professionals in the amount the Bankruptcy Court allows solely from and to the extent of funds held in the Professional Fee Escrow Account as soon as reasonably practicable after all such Professional Fee Claims are Allowed by entry of a Final Order of the Bankruptcy Court or upon such other terms as agreed by the Holder of such an Allowed Professional Fee Claims and the Litigation Trustee.

(3) *Priority Tax Claims*

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

(4) *Escrow Resident Claims*

As of November 14, 2023 and January 17, 2024, the Entrance Fee Escrow held approximately \$5,300,000 and \$4,900,000, respectively. As of February 29, 2024, the Entrance Fee Escrow holds approximately \$620,000. Thus, numerous depositors have already received the return of their Option Deposits. The remaining Option Deposits will be released pursuant to applicable agreements as soon as reasonably practicable and no later than Confirmation.

(5) *U.S. Trustee Fees*

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

B. Classification and Treatment of Claims and Interests

(1) Classification of Claims and Interests

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

Except to the extent that a Holder of an Allowed Claim or Allowed Interest, as applicable, agrees in writing to less favorable treatment for such Allowed Claim or Allowed Interest, as applicable, such Holder shall receive under the Trustee Plan the treatment described below and set forth in Section 7 of the Trustee Plan in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Holder's Allowed Claim or Allowed Interest. Unless otherwise indicated, the Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the Effective Date or as soon thereafter as reasonably practicable.

The following table designates the Classes of Claims and Interests in the Debtor and specifies which of those Classes are: (i) Impaired or Unimpaired; (ii) entitled to vote to accept or reject the Trustee Plan; and (iii) deemed to accept or reject the Trustee Plan.

Class	Estimated Allowed Claims¹⁶	Treatment & Voting Rights	Estimated Recovery¹⁷
Class 1 – Other Priority Claims	\$481,000	Unimpaired, deemed to accept	100%
Class 2 – Allowed Bond Claims	\$131,643,278	Impaired, entitled to vote	[TBD]
Class 3 – Other Secured Claims	\$40,000	Unimpaired, deemed to accept	100%

¹⁶ These amounts represent estimated Allowed Claims, and do not represent amounts actually asserted by creditors in Proofs of Claim or otherwise. Following the Effective Date, the Litigation Trustee and/or the Bond Trustee will review and analyze all Claims in the Chapter 11 Case, and object, as reasonably necessary, to such Claims. Therefore, there can be no assurances of the exact amount of the Allowed Claims at this time. Rather, the actual amount of the Allowed Claims may be greater or lower than estimated.

¹⁷ The estimated percentage recovery is based upon, among other things, an estimate of the Allowed Claims in the Chapter 11 Case. As set forth above, the actual amount of the Allowed Claims may be greater or lower than estimated. Thus, the actual recoveries may be higher or lower than projected depending upon, among other things, the amounts and priorities of Claims that are Allowed by the Bankruptcy Court.

Class	Estimated Allowed Claims ¹⁶	Treatment & Voting Rights	Estimated Recovery ¹⁷
Class 4 – General Unsecured Claims	[TBD] ¹⁸	Impaired, entitled to vote	[TBD] ¹⁹
Class 5 – Former Residents Claims	\$20,000,000	Impaired, entitled to vote	[TBD] ²⁰
Class 6 – Intercompany Claims	N/A ²¹	Impaired, not entitled to vote	0.0%
Class 7 – Interests in Debtor	N/A	Impaired, not entitled to vote	0.0%

(2) Treatment of Claims and Interests

(a) Class 1: Other Priority Claims

Classification. Class 1 consists of all Other Priority Claims.

Treatment. Except to the extent that a Holder of an Allowed Other Priority Claim agrees in writing to less favorable treatment of such Holder's Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for, its Allowed Other Priority Claim: (a) payment in full, in Cash, on the later of (i) the Effective Date; or (ii) the first Business Day after the date that is ten (10) calendar days after the date the date such Other Priority Claim is Allowed, or (b) payment at such time and upon other terms as the Litigation Trustee and the Holder of such Allowed Other Priority Claim may agree.

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

¹⁸ Includes (i) the Bond Deficiency Claim, (ii) the Deficiency Claim of the Other Secured Claim Holder (Leaf Capital Funding, LLC), which is estimated to be approximately \$62,327, (iii) Non-Resident General Unsecured Claims of approximately \$5,968,100.97, which includes the Allowed General Unsecured Claim of Morrison in the amount of \$2,012,100.97, and (iv) any Rejection Claims that arise as a result of a Holder of a Current Resident Claim electing not to consent to be bound by the terms of a modified Residency Agreement and, thus, causing their Residency Agreement to be rejected.

¹⁹ Holders of Allowed General Unsecured Claims are estimated to receive Distributions ranging from [TBD] of their Allowed General Unsecured Claims, depending on the value of the Litigation Trust Assets, including the FSO Causes of Action, D&O Causes of Action, and the liquidation of other Litigation Trust Assets.

²⁰ Former Residents will receive \$2,000,000 as set forth in the Community APA, as well as a Pro Rata share of any net recoveries by the Litigation Trust.

²¹ FSO has filed a Proof of Claim in the amount of \$232,000; however, as set forth herein, the Litigation Trustee will be objecting to FSO's claim.

(b) Class 2: Bond Claims

Classification. Class 2 consists of the Bond Claims.

Treatment. On the Effective Date, all Cash held in the name of the Debtor subject to the Bond Trustee's Lien, including the Net Sale Proceeds and all proceeds of accounts receivable, but excluding the net sale proceeds from the Huntley Property Sale and the Parking Parcel and the amounts required to fund the costs and expenses of the Trustee Plan, in an amount no less than [TBD] shall be paid to the Bond Trustee in satisfaction of the Bond Trustee's Lien on such Cash on account of its Allowed Secured Claim. Such funds shall be disbursed to the Bond Trustee who shall then disburse such funds to holders of the Bonds in accordance with the Original Bond Documents or such other documents controlling the distribution of payments on the Bonds. The Bond Trustee shall retain its Lien on any Assets in the Estate, including accounts receivable and any Intercompany Claims and the proceeds thereof, and such Assets shall remain subject to the Bond Trustee's Lien upon the transfer of those Assets into the Litigation Trust. Subject to the terms therein, including the Investigation Period described below, the Bond Trustee's Lien shall also attach to (i) the ERTC Funds in the event such monies are determined to be Assets of the Estate, and (ii) any proceeds of any Intercompany Claim.

The Bond Deficiency Claim shall be an Allowed General Unsecured Claim in the estimated amount of [TBD] (which amount is equal to the Allowed Bond Claim less the amount received by the Bond Trustee based upon its Allowed Secured Claim) that shall receive payments under the Trustee Plan on a Pro Rata basis with other holders of Allowed General Unsecured Claims

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

(c) Class 3: Other Secured Claims

Classification. Class 3 consists of all Other Secured Claims.

Treatment. Except to the extent that a Holder of an Allowed Other Secured Claim agrees in writing to less favorable treatment of its Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for, its Allowed Other Secured Claim: (a) payment in full, in Cash, of the unpaid portion of its Allowed Other Secured Claim on the following: (i) if such Allowed Other Secured Claim is Allowed as of the Effective Date, the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, the date such Allowed Other Secured Claim becomes due and payable, or as soon thereafter as is reasonably practicable); and (ii) if such Allowed Other Secured Claim is not Allowed as of the Effective Date, the date such Other Secured Claim is Allowed or as soon as reasonably thereafter practicable; (b) a Distribution of such Collateral securing the Other Secured Claim; (c) a Distribution of the proceeds of the sale or disposition of such Collateral securing the Other Secured Claim; and (d) such other treatment as the Holder of such Allowed Other Secured Claim may agree.

Voting. Class 3 is Unimpaired. Holders of Class 3 Claims are conclusively presumed to have accepted the Trustee Plan under Bankruptcy Code section 1126(f). Holders of Other Secured Claims are not entitled to vote to accept or reject the Trustee Plan.

(d) Class 4: General Unsecured Claims

Classification. Class 4 consists of all Deficiency Claims and Non-Resident General Unsecured Claims.

Treatment. Holders of Allowed General Unsecured Claims shall be paid a Pro Rata share of any net recoveries by the Litigation Trust pursuant to the terms of the Litigation Trust Agreement.

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

(e) Class 5: Former Resident Claims

Classification. Class 5 consists of all Claims of Former Residents.

Treatment. Holders of Class 5 Claims will recover (i) their Pro Rata share of \$2,000,000 (Buyer Former Resident Contribution), and (ii) their Pro Rata share of any net recoveries by the Litigation Trust that are to be distributed to such class pursuant to the terms of the Litigation Trust Agreement.

Voting. Class 5 is Impaired. Holders of Allowed Class 5 Claims are entitled to vote to accept or reject the Trustee Plan.

(f) Class 6: Intercompany Claims

Classification. Class 6 consists of FSO's Intercompany Claim against the Debtor.

Treatment. This Class consists of FSO's Intercompany Claim. There will be no Distribution to FSO on account of its Intercompany Claim(s). For the avoidance of doubt, the Plan Proponent disputes the validity of FSO's asserted claim and the Litigation Trustee may object to such claim.

Voting. Class 7 is Impaired. Holders of Intercompany Claims, in Class 7, are deemed to have rejected the Trustee Plan pursuant to Bankruptcy Code section 1126(g) and are not entitled to vote to accept or reject the Trustee Plan.

(g) Class 7: Interests in Debtor

Classification. Class 7 consists of FSO's Interests in the Debtor.

Treatment. Holders of Interests in the Debtor, which are held by FSO as the sole member of the Debtor, shall not receive any Distribution on account of such Interests, and such Interests shall be terminated on the Effective Date.

Voting. Class 7 is Impaired. Holders of Interests in the Debtor are deemed to have rejected the Trustee Plan pursuant to Bankruptcy Code section 1126(g) and are not entitled to vote to accept or reject the Trustee Plan.

(3) Acceptance or Rejection of the Trustee Plan

(a) Acceptance by an Impaired Class

In accordance with Bankruptcy Code section 1121) and except as provided in Bankruptcy Code section 1126(e), an Impaired Class of Claims shall have accepted the Trustee Plan if the Trustee Plan is accepted by the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject the Trustee Plan.

(b) Presumed Acceptance of the Trustee Plan

Classes 1 and 3 are not Impaired under the Trustee Plan and are, therefore, conclusively presumed to have accepted the Trustee Plan pursuant to Bankruptcy Code section 1126(f).

(c) Presumed Rejection of the Trustee Plan

Class 6 is conclusively presumed to have rejected the Trustee Plan pursuant to Bankruptcy Code section 1126(g).

(d) Voting Classes

Classes 2, 4, and 5 are entitled to vote to accept or reject the Trustee Plan.

(4) Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective Distributions and treatments under the Trustee Plan take into account the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, Bankruptcy Code section 510(b), or otherwise. For purposes of Bankruptcy Rule 7001(8), the Trustee Plan provides for subordination. The Litigation Trustee, as set forth therein, shall have the right to request to subordinate any Claim in accordance with any contractual, legal, or equitable subordination relating thereto under the Bankruptcy Code. Subordinated Claims shall not receive a Distribution under the Trustee Plan until any and all senior Allowed Claims are paid in full.

(a) Cramdown and No Unfair Discrimination

If all applicable requirements for confirmation of the Trustee Plan are met as set forth in Bankruptcy Code section 1129(a) except subsection (8) thereof, the Plan Proponent shall request that the Bankruptcy Court confirm the Trustee Plan in accordance with Bankruptcy Code section 1129(b) on the bases that the Trustee Plan is fair and equitable and does not discriminate unfairly with respect to each Class of Claims or Interests that is Impaired hereunder, and has not accepted or is deemed to reject, the Trustee Plan.

C. Means for Implementation and Effective Date of the Trustee Plan

(1) Distribution of Sale Proceeds

(a) Sale Transaction and Transfer of Net Sale Proceeds.

Consistent with the Community APA, and pursuant to the Sale Order, substantially all the Assets have been sold to the Purchaser, free and clear of all Liens, Claims, Encumbrances, and Interests, with all such Liens, Claims, Encumbrances and Interests attaching automatically to the Net Sale Proceeds in the same manner, extent, validity and priority as existed on the Closing Date. Net Sale Proceeds will be distributed pursuant to the Trustee Plan.

On the Effective Date, or as soon as practicable thereafter, the Bond Trustee shall receive on account of its Allowed Secured Claim all Cash held in the Debtor's name, including the Net Sale Proceeds, less the amounts required to fund the costs and expenses of the Trustee Plan, subject to its Lien. All Distributions made on account of the Allowed Bond Claims shall be paid to the Bond Trustee, and the Bond Trustee shall make further distributions to the Holders of the Bonds in accordance with the Original Bond Documents or such other documents controlling the distribution of payments on the Bonds.

(b) The Huntley Property Sale and Transfer of Related Proceeds

Pursuant to the Huntley PSA, which was approved by the Bankruptcy Court on January 10, 2024, the Huntley Property was sold and transferred to Prime Group, free and clear of any Liens, Claims, Encumbrances, and Interests. The sale closed on or about January 31, 2024.

The Estate received net sale proceeds of approximately \$420,000 after payment of closing costs, fees, and satisfaction of debts, including, without limitation a commission payment to Avison Young in the amount of \$27,000. Any remaining such net sale proceeds will be distributed in accordance with the Trustee Plan and applicable provisions of the Bankruptcy Code.

(2) Retained Causes of Action

As of the Petition Date, the Debtor's Estate had no pending claims or causes of action that it was prosecuting, as reflected in the Schedules. In accordance with Bankruptcy Code section 1123(b), the Litigation Trustee (and the Bond Trustee if the Litigation Trustee determines not to pursue any such Causes of Action) shall be vested with standing and the authority to enforce all rights to commence and pursue, as appropriate, any and all Causes of Action of the Debtor, including the FSO Causes of Action, the D&O Causes of Action, the ERTC Turnover Causes of Action and the Avoidance Actions, whether arising before or after the Petition Date (collectively, the "**Retained Causes of Action**"), and the Litigation Trustee's right(s) to commence, prosecute, or settle such Causes of Action shall be consistent with the terms of the Litigation Trust Agreement. The Litigation Trustee and/or the Bond Trustee on behalf of the Litigation Trust are the sole parties that may pursue such Causes of Action in accordance with the terms and conditions of the Litigation Trust and the Trustee Plan. No Person may rely on the absence of a specific reference in the Trustee Plan or the Disclosure Statement to any Cause of Action against such Person as any indication that the Litigation Trustee will not pursue any and all available Causes of Action against such Person. Except with respect to Causes of Action as to which the Debtor has released any

Person on or before the Effective Date, the Trustee Plan expressly reserves all rights to prosecute any and all Retained Causes of Action of the Debtor against any Person, except as otherwise expressly provided in the Trustee Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Trustee Plan, or by an order of the Bankruptcy Court, the Litigation Trustee expressly reserves all Retained Causes of Action for later adjudication and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the confirmation or consummation of the Trustee Plan. For the avoidance of doubt, the Retained Causes of Action include the following:

(a) FSO Causes of Action

Any Claims or Causes of Action held by the Debtor or the Estate against FSO, including any Claims or Causes of Action related to or arising from conversion of corporate assets and fraudulent conveyance, are not released pursuant to the Trustee Plan (collectively, the “FSO Causes of Action”). The FSO Causes of Action shall be assigned and transferred to the Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors’ rights, title, and interest in any FSO Causes of Action, and the Litigation Trustee shall have standing to pursue the FSO Causes of Action.

(b) Intercompany Claims

Any Intercompany Claims held by the Debtor or the Estate against any of its corporate affiliates, including FSO, are not released pursuant to the Trustee Plan. The Intercompany Claims shall be assigned and transferred to the Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors’ rights, title, and interest in any Intercompany Claims, and the Litigation Trustee shall have standing to pursue the Intercompany Claims.

(c) D&O Causes of Action

Any Claims or Causes of Action held by the Debtor or the Estate against the Debtor’s Directors and Officers, including any Claims or Causes of Action related to or arising from breaches of fiduciary duties, are not released pursuant to the Trustee Plan (collectively, the “D&O Causes of Action”). The D&O Causes of Action shall be assigned and transferred to the Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors’ rights, title, and interest in any D&O Causes of Action, and the Litigation Trustee shall have standing to pursue the D&O Causes of Action.

(d) ERTC Turnover Causes of Action

Any Claims or Causes of Action held by the Debtor or the Estate related to the ERTC Funds, including any Claims or Causes of Action that such monies are property of the Estate and FSO should be compelled to turnover of such monies to the Debtor (the “ERTC Turnover Causes of Action”). The ERTC Turnover Causes of Action shall be assigned and transferred to the

Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors' rights, title, and interest in any ERTC Turnover Causes of Action, and the Litigation Trustee shall have standing to pursue the ERTC Turnover Causes of Action.

In the event the Litigation Trustee decides not to pursue any Retained Cause of Action, the Bond Trustee shall have standing to pursue such claims on behalf of the Estate.

(3) Litigation Trust

Upon the Effective Date, a Litigation Trust will be formed, into which all Assets (other than the Cash distributed pursuant to Sections 4.1.1. and 4.1.2 therein), including all Retained Causes of Action of the Debtor, including the FSO Causes of Action, the D&O Causes of Action, and the ERTC Turnover Actions, shall be transferred. Holders of Litigation Trust Interests shall consist of Holders of Allowed Claims in Class 4 (General Unsecured Claims) and Class 5 (Former Resident Claims).

(i) Creation of the Litigation Trust. On or prior to the Effective Date, the Debtor shall execute the Litigation Trust Agreement. On the Effective Date, the Litigation Trust shall become effective and shall be deemed to be valid, binding and enforceable in accordance with the terms and provisions of the Trustee Plan and the Litigation Trust Agreement. After the Effective Date, the Litigation Trust Agreement may be amended in accordance with its terms without further order of the Bankruptcy Court. The Litigation Agreement must be acceptable in form and substance to the Bond Trustee and the Committee.

(ii) Purpose of the Litigation Trust. The Litigation Trust shall be formed for the purposes of: (a) liquidating any non-Cash Litigation Trust Assets; (b) maximizing recovery of the Litigation Trust Assets for the benefit of the holders of Litigation Trust Interests; (c) distributing the proceeds of the Litigation Trust Assets to holders of Litigation Trust Interests in accordance with the Trustee Plan and the Litigation Trust Agreement; (d) prosecuting or otherwise resolving the Retained Causes of Action, including the FSO Causes of Action and the D&O Causes of Action for the benefit of holders of Litigation Trust Interests; I (e) winding down the Chapter 11 Case.

(iii) Funding of the Litigation Trust. On the Effective Date, the Bond Trustee shall deliver or cause to be delivered the Litigation Trust Funding into the Litigation Trust to be used exclusively for the purpose of paying Litigation Trust Expenses.

(iv) Transfer of Litigation Trust Assets. As of the Effective Date, pursuant to the provisions of sections 1141(b) and (c) of the Bankruptcy Code, the Debtor and the Estate shall preserve, transfer and assign all of its right, title, and interest in and to all of the Litigation Trust Assets, which shall automatically vest in the Litigation Trust free and clear of all Claims, Liens, encumbrances, charges, Interests, and other interests other than the Bond Trustee's Lien on such Assets, subject only to the Allowed Claims of the Holders of Litigation Trust Interests pursuant to the terms of the Trustee Plan and the Litigation Trust Agreement.

(v) Appointment of Litigation Trustee. Prior to Confirmation, the Litigation Trustee shall be identified by the Plan Proponent, and on the Effective Date, shall be the Estate's representative with respect to Litigation Trust Assets in accordance with Bankruptcy Code section

1123 and such trustee shall have all powers, authority and responsibilities specified in the Trustee Plan and Litigation Trust Agreement solely with respect to the Litigation Trust Assets, including, without limitation, the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code and Bankruptcy Rule 2004.

(vi) Governance of Litigation Trust. The Litigation Trust shall be governed by the Litigation Trust Agreement and administered by the Litigation Trustee who shall report to the Litigation Trust Oversight Committee in accordance with the terms of the Trustee Plan and the Litigation Trust Agreement.

(vii) Tax Treatment. Except to the extent allocable to Disputed Claims, consistent with the principles of Revenue Procedure 94-45, 1994-2 C.B. 684, as of the Effective Date, for federal income tax purposes, (i) the Debtor will be deemed to transfer the Litigation Trust Assets to the holders of the Litigation Trust Interests, (ii) the holders of the Litigation Trust Interests will be deemed to transfer such Assets to the Litigation Trust, (iii) the Litigation Trust will be treated as a “liquidating trust,” as defined in Treasury Regulation section 301.7701-4(d), and as a “grantor trust” within the meaning of Internal Revenue Code sections 671-679 and (iv) the holders of the Litigation Trust Interests will be treated as the “grantors” of the Litigation Trust.

(viii) Securities Registration Exemption. The Litigation Trust Interests shall not be deemed “securities” under applicable laws, but to the extent such units are deemed to be “securities,” the Plan Proponent believes the issuance of such units under the Trustee Plan is exempt, pursuant to Bankruptcy Code section 1145 (except with respect to an entity that is an “underwriter” as defined in Bankruptcy Code section 1145(b)).

(ix) Rights, Powers, and Duties of the Litigation Trust and the Litigation Trust Trustee. The Litigation Trust will act for the benefit of holders of Litigation Trust Interests in a fiduciary capacity and shall have comparable authority as a bankruptcy trustee of the Debtor, as the exclusive representative of the Estate under section 1123(a)(5)(B) of the Bankruptcy Code or any corresponding federal or state laws with respect to the Litigation Trust Assets and shall succeed to all of the Debtor’s and the Estate’s rights with respect thereto, subject to the provisions of the Trustee Plan and the Litigation Trust Agreement. The Litigation Trust is the successor to the Debtor and the Estate. The powers, rights and duties of the Litigation Trustee shall arise on the Effective Date and shall include, all subject to the terms and conditions of the Litigation Trust Agreement, the following:

(a) commencing, pursuing and liquidating Retained Causes of Action, including the FSO Causes of Action, the Intercompany Claims, the D&O Causes of Action, and the ERTC Turnover Causes of Action;

(b) engaging attorneys, consultants, agents, employees and any other professional persons to assist the Litigation Trustee with respect to the Litigation Trustee’s responsibilities;

(c) paying the fees and expenses of the attorneys, consultants, agents, employees and other professional persons engaged by the Litigation Trust and paying all other expenses;

- (d) compromising and settling Claims without notice or Bankruptcy Court approval;
- (e) calculating and implementing distributions of Litigation Trust Assets for the benefit of the holders of the Litigation Trust Interests;
- (f) resolving issues involving Claims and Interests in accordance with the Trustee Plan;
- (g) making Distributions of the Litigation Trust Assets and the proceeds thereof in accordance with the Trustee Plan and the Litigation Trust Agreement;
- (h) overseeing compliance with accounting, finance and reporting obligations, including preparing financial statements and U.S. Trustee post-confirmation quarterly reports, and filing such reports on the docket of the Chapter 11 Case until such time as a final decree has been entered;
- (i) consulting with members of the Litigation Trust Oversight Committee regarding the potential prosecution and/or settlement of Retained Causes of Action and reporting to the Litigation Trust Oversight Committee regarding such matters, and seeking approval from the Litigation Trust Oversight Committee regarding the prosecution and/or settlement of each Cause of Action, to the extent set forth in the Litigation Trust Agreement;
- (j) investing Cash in accordance with Bankruptcy Code section 345, and withdrawing and making Distributions of Cash to holders of Litigation Trust Interests holding and paying taxes and other obligations incurred by the Litigation Trustee in connection with winding down the Estate in accordance with the Trustee Plan;
- (k) coordinating the turnover of property, if any, subject to rejected executory contracts or abandonment or liquidation of any Litigation Trust Assets;
- (l) taking possession of all books, records, and files of the Debtor and the Estate; and providing for the retention and storage of such books, records, and files until such time as the Litigation Trust determines, in accordance with the Litigation Trust Agreement, that retention of same is no longer necessary or required;
- (m) succeeding to all privileges of the Debtor, including but not limited to the attorney-client privilege;
- (n) paying taxes or other obligations incurred by the Litigation Trust;
- (o) overseeing the filing of final tax returns, refund requests, audits and other corporate dissolution documents, as required;
- (p) performing any additional corporate actions as necessary to carry out the wind down and liquidation of the Estate;

(q) exercising such other powers as may be vested in or assumed by the Litigation Trustee pursuant to the Trustee Plan, the Litigation Trust Agreement or other Order of the Bankruptcy Court or as may be needed or appropriate to carry out the provisions of the Trustee Plan; and

(r) undertaking all administrative functions of the Chapter 11 Case, including the payment of fees payable to the U.S. Trustee and the ultimate closing of the Chapter 11 Case.

(x) Retention of Books and Records; Privileges. On the Effective Date, and subject to the terms of the Community APA, the Debtor's books and records or rights thereto shall be transferred to the Litigation Trust, which shall continue to preserve all financial books and records, emails, and other financial documents relating to the Debtor's business that are currently in the Debtor's possession, custody or control. The Litigation Trustee shall succeed to all privileges of the Debtor, including but not limited to the attorney-client privilege.

(xi) Litigation Trust Interests. Holders of Claims in Classes 4 and 5 shall, by operation of the Trustee Plan, receive a Pro Rata share of the Litigation Trust Interests in accordance with the terms of and priorities set forth in the Litigation Trust Agreement. Litigation Trust Interests shall also be reserved for holders of Disputed Claims which, if Allowed, would be entitled to participate in Distributions from the Litigation Trust, and such reserved Litigation Trust Interests shall be held by the Litigation Trustee pending allowance or disallowance of such Claims. No other Person shall have any interest, legal, beneficial or otherwise, in the Litigation Trust Assets upon the assignment and transfer of such assets to the Litigation Trust other than Holders of Litigation Trust Interests. The Litigation Trust Interests shall be uncertificated and shall be nontransferable except upon death of the holder or by operation of law. Holders of Litigation Trust Interests shall have no voting rights with respect to such interests.

(xii) Distributions from the Litigation Trust.

(a) Generally. Except as otherwise provided therein, net distributions (after payment of expenses) from the Litigation Trust of Litigation Trust Assets or proceeds thereof (not otherwise subject to the Bond Trustee's Lien) shall be made as follows:

- *First*, any outstanding fees and expenses of the Litigation Trust;
- *Second*, in consideration for the Litigation Trust Funding, to the Bond Trustee in an amount equal to the Litigation Trust Funding (plus the Litigation Trust Funding Fee); and
- *Third*, on a Pro Rata basis to Holders of Litigation Trust Interests.

(b) Distribution of Proceeds from ERTC Turnover Action. Notwithstanding anything to the contrary therein, upon the entry of a Final Order finding that the ERTC Funds are property of the Debtor and/or the Estate, (i) the DIP Facility Claims shall be avoided, and (ii) the Bond Trustee's Lien shall immediately attach to such monies, subject to the Investigation Period. Upon receipt of the ERTC Funds, or any portion thereof, and, subject to any

Challenge, the Bond Trustee's Lien, , the Litigation Trustee shall distribute such monies directly to the Bond Trustee for distribution to Holders of the Bonds. If such funds are found to not be subject to the Bond Trustee's Lien based upon any successful Challenge, such funds shall be retained by the Litigation Trustee and distributed in accordance with the terms of the Litigation Trust.

(c) Distributions of Proceeds from the Intercompany Claims. Notwithstanding anything to the contrary therein, upon entry of a Final Order finding FSO or any other corporate affiliate of the Debtor is liable to the Debtor for any Intercompany Claim, the Bond Trustee's Lien shall immediately attach to such payment rights and the proceeds thereof, subject to the Investigation Period. Upon receipt of such proceeds, or any portion thereof, the Litigation Trustee shall distribute such monies directly to the Bond Trustee for distribution to Holders of the Bonds subject to any successful Challenge.

(4) *Post-Effective Date Challenge Period*

On the Effective Date, the Litigation Trustee shall retain counsel for the Committee ("**Investigation Counsel**"), and, for a period of thirty (30) calendar days following the Effective Date (such period of time, the "**Investigation Period**"), Investigation Counsel, on behalf of the Litigation Trustee, may file an adversary proceeding or contested matter (a "**Challenge**") challenging the amount validity, extent, enforceability, perfection or priority of the Bond Trustee's security interest in and Lien on any of the Litigation Trust Assets, including the ERTC Funds and the Intercompany Claims, and the proceeds thereof. If no Challenge is commenced during the Investigation Period, then the Bond Trustee's Lien on such Assets shall be deemed legal, valid, binding, perfected, not subject to defense, counterclaim, offset of any kind, subordination and otherwise unavoidable. For the avoidance of doubt, any Challenge brought after the expiration of the Investigation Period shall be barred. The Litigation Trustee shall be entitled to make no more than \$25,000 from the Litigation Trust Funding available to reimburse for any fees and expenses incurred in investigating the validity, extent, enforceability, perfection or priority of the Bond Trustee's security interest in and Lien on any of the Litigation Trust Assets.

(5) *Entrance Fee Escrow*

As of the date hereof, the Entrance Fee Escrow, which is maintained by the Debtor for the benefit of certain residents, holds approximately \$620,000 in funds that will distributed be as soon as practicable and no later than Confirmation. The Debtor or the Litigation Trustee, as applicable, shall cooperate and work with Residents and the Escrow Agent to cause the Escrow Agent to disburse the funds from the Entrance Fee Escrow, after expense, to return deposits and Entrance Fees to Residents irrespective of whether such Resident elected to continue to reside at the Community after the Sale Closing

(6) *Other Resident Matters*

Pursuant to the Community APA and Sale Order, on the date of the Sale Closing, all Residency Agreements between the Debtor and Former Residents were rejected. The Purchaser offered modified Residency Agreements to Residents who resided at the Community as of the Closing Date, converting the Residency Agreements into monthly rental agreements. The Debtor

assumed and assigned to Purchaser the modified Residency Agreements, and the Purchaser agreed to honor a portion of the Debtor's Refund Obligations to Participating Current Residents in accordance with the terms of the modified Residency Agreements and the Community APA. Any Residency Agreements of non-Participating Current Residents are rejected.

Former Residents' Residency Agreements will be rejected pursuant to the terms of the Trustee Plan; however, two million (\$2,000,000) dollars as set forth in the Community APA shall, on the Effective Date, be distributed to Former Residents on a Pro Rata basis.

(7) Corporate Action; Effectuating Documents

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

Following entry of the Confirmation Order, the Litigation Trustee shall have sole authorization to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such other actions as may be necessary or appropriate to satisfy the Debtor's obligations with respect to this Chapter 11 Case and to effectuate and implement the provisions of the Trustee Plan.

(8) Dissolution of Debtor

Debtor shall not be a reorganized debtor. Upon the Effective Date, the Debtor shall be deemed to be dissolved without any further action by the Debtor or the Bankruptcy Court, including the filing of any documents with the secretary of state of Illinois, and the officers and trustees of the Board shall be deemed to have resigned to the extent permissible under applicable law. The Trustee Plan shall constitute a decree of dissolution with respect to the Debtor.

(9) Effective Date

The Effective Date shall not occur until the conditions for the Effective Date are satisfied or otherwise waived in accordance with the terms of the Trustee Plan. As soon as reasonably practicable following the occurrence of the Effective Date, the Litigation Trustee shall File notice of the Effective Date, which shall also be posted on the Case Website.

D. Provisions Governing Distributions Under the Trustee Plan

All Distributions under the Trustee Plan shall be made by the Litigation Trustee.

(1) Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the Trustee Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each holder of an Allowed Claim against the Debtor shall receive the full amount of the Distributions that the Trustee Plan provides for Allowed Claims in the applicable Class and in

the manner provided therein. In the event that any payment or act under the Trustee Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in the Trustee Plan. Except as otherwise provided for in the Trustee Plan, holders of Claims shall not be entitled to interest, dividends, or accruals on the Distributions provided for therein, regardless of whether such Distributions are delivered on or at any time after the Effective Date.

(2) Method of Payment.

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

(3) Objections to and Resolutions of Claims.

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

(4) Claims Objection Deadline.

The Litigation Trustee, the Plan Proponent and any other party in interest to the extent permitted pursuant to Bankruptcy Code section 502(a), shall file and serve any objection to any Claim no later than the General Claims Objection Deadline or Administrative Expense Objection Deadline, as applicable; provided, however, that the General Claims Objection Deadline and Administrative Expense Objection Deadline may be extended by the Bankruptcy Court from time to time upon notice of motion by the Litigation Trustee for cause.

(5) No Distribution Pending Allowance.

Notwithstanding any other provision of the Trustee Plan, no payment or Distribution of Cash or other property shall be made with respect to any portion of a Disputed Claim unless and until all objections to such Claim are resolved by Final Order or as otherwise permitted by the Trustee Plan. Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date (but that later become Allowed Claims), shall be deemed to have been made on the Effective Date. Notwithstanding any other provision of the Trustee Plan and except as may be agreed to by the Litigation Trustee and the holder of a Disputed Claim, no partial payments and no partial Distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

(6) Escrow of Cash Distributions.

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

(7) Distribution After Allowance.

Except as otherwise provided therein, within the later of (i) seven (7) Business Days after a Claim becomes an Allowed Claim and (ii) thirty (30) days after the expiration of the Claims Objection Deadline, the Litigation Trustee shall distribute all Cash or other property, including any interest, dividends, or proceeds thereof, to which a Holder of an Allowed Claim is then entitled.

(8) Investment of Segregated Cash and Property.

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

(9) Delivery of Distributions.

Except as provided therein, Distributions to Holders of Allowed Claims shall be made: (i) at the addresses set forth on the respective Proofs of Claim Filed by such holders; (ii) at the addresses set forth in any written notices of address changes delivered to the Litigation Trustee after the date of any related Proof of Claim; or (iii) at the address reflected in the Schedules if no Proof of Claim is filed and the Litigation Trustee has not received a written notice of a change of address. The Litigation Trustee shall be entitled to conclusively rely on the Distribution Matrix for purposes of making Distributions. The Litigation Trustee shall not incur any liability whatsoever on account of any Distributions under the Trustee Plan except for gross negligence, willful misconduct, or fraud. Notwithstanding the foregoing, or anything to the contrary therein, Distributions related to the Allowed Bond Claims shall be made directly to the Bond Trustee by wire transfer of immediately available funds, and the Bond Trustee shall distribute such monies to Holders of the Bonds pursuant to and in accordance with the Original Bond Documents or such other documents controlling the distribution of payments on the Bonds.

(10) Undeliverable Distributions.

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

Until such time as an undeliverable Distribution becomes an Unclaimed Distribution, within thirty (30) days after the end of each calendar quarter following the Effective Date, or upon such other interval as the Bankruptcy Court may order, but in no event less frequently than annually, the Litigation Trustee shall make distributions of all Cash and property that has become deliverable during the preceding quarter. Each such Distribution shall include the net return yielded from the investment of any undeliverable Cash, from the date such Distribution would have been due had it then been deliverable to the date that such Distribution becomes deliverable.

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

(11) Unclaimed Distributions.

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

(12) Setoff; Reconciliation.

The Litigation Trustee retains the right to reduce any Claim by way of setoff and/or reconciliation in accordance with the Debtor's books and records and in accordance with the Bankruptcy Code other than Allowed Claims, including the Allowed Bond Claims.

(13) Withholding and Reporting Requirements.

In connection with the Trustee Plan and all instruments issued in connection therewith, the Litigation Trustee shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all Distributions under the Trustee Plan shall be subject to any such withholding or reporting requirements.

(14) Minimum Distributions.

Notwithstanding anything therein to the contrary, the Litigation Trustee shall not be required to make Distributions or payments of less than \$25.00.

(15) Interest on Claims.

Unless otherwise specifically provided for in the Trustee Plan or separate order of the Bankruptcy Court, post-petition interest will not accrue or be paid on Claims, and no Holder will be entitled to interest accruing on or after the Petition Date on any Claim. Similarly, unless otherwise specifically provided for in the Trustee Plan, post-petition interest will not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a final Distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.

E. Executory Contracts and Unexpired Leases

(1) Deemed Rejected as of the Effective Date if Not Assumed

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumption and/or rejection of Executory Contracts and Unexpired Leases as set forth in the Trustee Plan, all pursuant to Bankruptcy Code sections 365(a) and 1123. Unless otherwise indicated, the assumption and rejection, as applicable, of Executory Contracts and Unexpired Leases pursuant to the Trustee Plan shall be effective as of the Effective Date.

In accordance with the Bid Procedures Order, as amended by the Order entered at Docket No. 291, on October 27, 2023, the Debtor filed a notice of Executory Contracts and Unexpired Leases that the Purchaser has designated for assumption and assignment (the “Designated Contracts Notice”). See Docket No. 294. Among other executory contracts listed, the Purchaser designated for assumption “modified” residency agreements with residents who reside at the Community as of the Closing Date. A list of Assigned Contracts is attached as an exhibit to the Sale Order, which provides for the rejection, as of the Closing Date, of Residency Agreements of Residents who do not reside at the Community as of the Closing Date.

Unless an Executory Contract or Unexpired Lease was assumed pursuant to the Community APA and the Sale Order, or is assumed pursuant to a separate order of the Bankruptcy Court, the Executory Contract or Unexpired Lease shall be deemed to have been rejected by the Debtor on the Closing Date and/or Confirmation Date, as applicable. The Debtor reserves the right to file a motion to assume additional executory contracts within the statutory timeframe proscribed by the Bankruptcy Code.

(2) Claims Based on Rejection of Executory Contracts or Unexpired Leases

In the event that the rejection of an Executory Contract by the Debtor pursuant to the Trustee Plan results in a Rejection Claim in favor of a counterparty to such Executory Contract, such Rejection Claim, if not heretofore evidenced by a timely and properly filed Proof of Claim, shall be forever barred and shall not be enforceable against the Debtor, the Estate, the Litigation Trust, the Litigation Trustee, or their respective properties or interests in property as agents, successors, or assigns, unless a Proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Litigation Trustee on or before the date that is third (30) days after then Effective Date. All Allowed Rejection Claims shall be treated as Class 4 General Unsecured Claims pursuant to the terms of the Trustee Plan.

(3) Modifications, Amendments, Supplements, Restatements, or Other Agreements.

Unless otherwise provided, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated, or is rejected or repudiated under the Trustee Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith, unless such Executory Contract or Unexpired Lease has been previously assumed by the Debtor.

(4) Reservation of Rights.

Nothing contained in the Trustee Plan or the Plan Supplement shall constitute an admission by the Debtor, the Plan Proponent or the Litigation Trustee that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Debtor, the Estate, or the Litigation Trustee have any liability thereunder.

(5) Full Release and Satisfaction.

Assumption of any Executory Contract pursuant to this Plan or otherwise shall not result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy related defaults, arising under any assumed Executory Contract at any time before the effective date of the assumption.

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

(1) Prosecution of Objections to Claims

The Litigation Trustee and Plan Proponent shall have the sole authority and all requisite standing to File objections to Claims and Interests, and the exclusive authority and standing to settle, compromise, withdraw, or litigate to judgment objections on behalf of the Debtor's Estate to any and all such Claims and Interests, regardless of whether such Claims and Interests are in a Class or otherwise. The Litigation Trustee shall have the sole authority to administer and adjust the Claims Register with respect to Claims and Interests to reflect any such settlements or compromises. No further notice to or action, order, or approval of the Bankruptcy Court with respect to such settlements or compromises entered into with a Holder of any Claim or Interest shall be required.

(2) Allowance of Claims

Prior to the Effective Date, the Debtor (with the consent of the Bond Trustee), and, on and after the Effective Date, the Litigation Trustee, shall have and shall retain any and all rights and defenses that the Debtor had with respect to any Claim or Interest, except with respect to any Claim or Interest deemed Allowed as of the Effective Date. Except as expressly provided in the Trustee Plan or in any order entered in the Chapter 11 Case prior to the Effective Date (including the Confirmation Order), no Claim or Interest shall become an Allowed Claim or Allowed Interest unless and until such Claim or Interest is deemed Allowed under the Trustee Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Case allowing such Claim or Interest.

(3) Estimation of Claims

On and after the Effective Date, the Litigation Trustee or Plan Proponent may, at any time, request that the Bankruptcy Court estimate (i) any Disputed Claim pursuant to applicable law and (ii) any Contingent or unliquidated Claim pursuant to applicable law, in each case regardless of whether the Debtor, Litigation Trustee or the Plan Proponent has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to the maximum extent permitted by law as determined by the Bankruptcy Court to estimate any such Disputed Claim, Contingent Claim, or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection.

If the Bankruptcy Court estimates any Disputed Claim, Contingent Claim, or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Trustee Plan, including for purposes of Distributions, and the Litigation Trustee or Plan Proponent may elect to pursue additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Litigation Trustee or Plan Proponent may elect to pursue any supplemental proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding Bankruptcy Code section 502(j), in no event shall any Holder of a Claim that has been estimated pursuant to Bankruptcy Code section 502(c) or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before twenty-one (21) days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

(4) Expungement or Adjustment to Claims without Objection

Any Claim that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, may be marked as satisfied, adjusted or expunged (as applicable) on the Claims Register by the Claims Agent at the direction of the Litigation Trustee without an objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court; provided, that the Litigation Trustee shall provide thirty (30) days' notice of any of the foregoing

modifications to the Claims Register to the Holder of any affected Claim or Interest during which period the Holder may object thereto.

G. Injunction and Related Provisions

(1) Injunctions

ALL INJUNCTIONS OR STAYS PROVIDED FOR IN THE CHAPTER 11 CASE UNDER BANKRUPTCY CODE SECTIONS 105 OR 362, OR OTHERWISE, AND IN EXISTENCE ON THE CONFIRMATION DATE SHALL REMAIN PERMANENTLY IN FULL FORCE AND EFFECT. NOTWITHSTANDING THE FOREGOING, NOTHING THEREIN SHALL MODIFY, LIMIT, AMEND OR SUPERSEDE ANY INJUNCTIONS OR STAYS GRANTED IN THE SALE ORDER.

EXCEPT AS OTHERWISE PROVIDED IN THE TRUSTEE PLAN OR TO THE EXTENT NECESSARY TO ENFORCE THE TERMS AND CONDITIONS OF THE TRUSTEE PLAN, THE CONFIRMATION ORDER, OR A SEPARATE ORDER OF THE BANKRUPTCY COURT, ALL ENTITIES THAT HAVE HELD, HOLD, OR MAY HOLD CLAIMS AGAINST THE DEBTOR OR ITS ESTATE THAT AROSE PRIOR TO THE EFFECTIVE DATE ARE PERMANENTLY ENJOINED FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST ANY PROPERTY THAT IS TO BE DISTRIBUTED UNDER THE TERMS OF THE TRUSTEE PLAN ON ACCOUNT OF ANY SUCH CLAIMS: (A) COMMENCING OR CONTINUING IN ANY MANNER, OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY PROPERTY OF THE DEBTOR OR ITS ESTATE THAT IS TRANSFERRED TO THE LITIGATION TRUST OR ANY OTHER PERSON PURSUANT TO THE TRUSTEE PLAN; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST ANY PROPERTY OF THE DEBTOR OR ITS ESTATE THAT IS TRANSFERRED TO THE LITIGATION TRUST OR ANY OTHER PERSON PURSUANT TO THE TRUSTEE PLAN; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE AGAINST ANY PROPERTY OF THE DEBTOR OR ITS ESTATE THAT IS TRANSFERRED TO THE LITIGATION TRUST OR ANY OTHER PERSON PURSUANT TO THE TRUSTEE PLAN; (D) EXCEPT TO THE EXTENT PERMITTED BY BANKRUPTCY CODE SECTIONS 362(B), 553, 559, 560, OR 561, OR AS OTHERWISE PROVIDED IN THE TRUSTEE PLAN OR CONFIRMATION ORDER, ASSERTING A SETOFF RIGHT, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY DEBT, LIABILITY, OR OBLIGATION DUE TO THE DEBTOR, ITS ESTATE, THE LITIGATION TRUST, THE LITIGATION TRUSTEE, OR ANY OTHER PERSON PURSUANT TO THE TRUSTEE PLAN; AND (E) COMMENCING OR CONTINUING IN ANY MANNER OR IN ANY PLACE, ANY ACTION THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE TRUSTEE PLAN; PROVIDED, HOWEVER, THAT SUCH ENTITIES SHALL NOT BE PRECLUDED FROM EXERCISING THEIR RIGHTS PURSUANT TO AND CONSISTENT WITH THE TERMS OF THE TRUSTEE PLAN OR THE CONFIRMATION ORDER; PROVIDED, FURTHER, THAT THE FOREGOING SHALL NOT APPLY TO ANY ACTS, OMISSIONS, CLAIMS, CAUSES OF ACTION OR OTHER

OBLIGATIONS EXPRESSLY SET FORTH IN AND PRESERVED BY THE TRUSTEE PLAN OR ANY DEFENSES THERETO. NOTWITHSTANDING THE FOREGOING OR ANY OTHER PROVISION UNDER THE TRUSTEE PLAN, THE DEBTOR SHALL NOT RECEIVE A DISCHARGE AS SET FORTH IN BANKRUPTCY CODE SECTION 1141(D)(3)(A).

(2) Term of Injunctions or Stays

Unless otherwise provided in the Trustee Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to Bankruptcy Code sections 105 or 362 or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Trustee Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. Upon the Effective Date, all injunctions or stays contained in the Trustee Plan or the Confirmation Order shall be in full force and effect in accordance with their terms.

(3) Release of Liens

Except as otherwise provided in the Trustee Plan or any contract, instrument, release, or other agreement or document created pursuant to the Trustee Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to the Trustee Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall transfer to the Litigation Trustee pursuant to the terms therein). For the avoidance of doubt, except as otherwise provided in the Trustee Plan (including the Plan Supplement), all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate, whether expressly addressed or discussed therein or in the Trustee Plan, shall be fully released and discharged on the Effective Date without any further action of any party, including, but not limited to, further order of the Bankruptcy Court or filing updated schedules or statements typically filed pursuant to the Uniform Commercial Code.

H. Conditions Precedent to Confirmation and Effective Date

(1) Conditions Precedent to Confirmation

It shall be a condition precedent to the confirmation of the Trustee Plan, such that the Confirmation Order shall not be entered, until each of the following conditions precedent have been satisfied or waived pursuant to the provisions of the Trustee Plan:

- a. The Bankruptcy Court shall have entered an order approving the Disclosure Statement as containing adequate information and such order shall have become a Final Order that has not been stayed or modified or vacated on appeal;
- b. A form of Litigation Trust Agreement shall be in a form agreed upon by the Bond Trustee;
- c. The proposed Litigation Trustee is identified and disclosed;

- d. The Plan Supplement shall have been filed;
- e. The Trustee Plan shall not have been materially amended, altered, or modified, unless such material amendment, alteration or modification has been made in accordance with Section 11.1 of the Trustee Plan; and
- f. The Confirmation Order shall have been entered by the Bankruptcy Court confirming the Trustee Plan in a form agreed upon by the Bond Trustee, and such order shall have become a Final Order that has not been stayed or modified or vacated on appeal.

(2) Conditions Precedent to the Effective Date

It shall be a condition precedent to the Effective Date that each of the following provisions, terms, and conditions shall have been satisfied or waived pursuant to the provisions of the Trustee Plan:

- a. The foregoing conditions precedent as to Confirmation shall have been met;
- b. The Litigation Trust Agreement shall be executed and the Litigation Trustee shall have been appointed and accepted such appointment;
- c. The confirmed Plan shall not have been materially amended, altered, or modified from the Trustee Plan, unless such material amendment, alteration, or modification has been made in accordance with Section 11.1 of the Trustee Plan;
- d. No Option Deposits shall remain in the Entrance Fee Escrow and all Residents who deposited an Option Deposit shall have received a return of the Option Deposit in accordance with the terms of applicable agreements, including the Option Agreements; and
- e. The Plan Proponent shall have Filed a notice of the Effective Date.

(3) Waiver of Conditions

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

(4) Effect of Nonoccurrence of Conditions

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

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

I. Retention of Jurisdiction

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

- a. to hear and determine any Retained Causes of Action, including the FSO Causes of Action, the Intercompany Claims, the D&O Causes of Action, and the ERTC Turnover Action, brought by the Litigation Trustee and/or Plan Proponent;
- b. to hear and determine any objections to Claims and to address any issues relating to Disputed Claims;
- c. to hear and determine a Challenge;
- d. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;
- e. to issue such orders in aid of execution and consummation of the Trustee Plan, to the extent authorized by Bankruptcy Code section 1142;
- f. to consider any amendments to or modifications of the Trustee Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- g. to hear and determine all requests for compensation and reimbursement of expenses to the extent allowed by the Bankruptcy Court under Bankruptcy Code sections 330 or 503;
- h. to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Trustee Plan;
- i. to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Sale Order;
- j. to hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146;
- k. to hear any other matter not inconsistent with the Bankruptcy Code;
- l. to enter the Final Decree;
- m. to ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Trustee Plan;

- n. to decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters and grant or deny any applications involving the Debtor which may be pending on the Effective Date;
- o. to issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the occurrence of the Effective Date or enforcement of the Trustee Plan, except as otherwise provided therein;
- p. to determine any other matters that may arise in connection with or related to the Trustee Plan, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created or implemented in connection with the Trustee Plan;
- q. to determine any other matters that may arise in connection with or related to the Sale Order or any contract, instrument, release, indenture, or other agreement or document created or implemented in connection with the Sale Order;
- r. to enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, exculpations, releases and rulings entered in connection with the Chapter 11 Case (whether or not the Chapter 11 Case has been closed);
- s. to resolve disputes concerning any reserves with respect to Disputed Claims or the administration thereof; and
- t. to resolve any disputes concerning whether a Person or Entity had sufficient notice of the Chapter 11 Case, the Bar Dates, or the Confirmation Hearing for the purpose of determining whether a Claim or Interest is discharged hereunder, or for any other purpose.

VI. MISCELLANEOUS PROVISIONS

A. Amendment or Modification of the Trustee Plan

Alterations, amendments, or modifications of the Trustee Plan may be proposed in writing by the Plan Proponent at any time before the Confirmation Date, provided that the Trustee Plan, as altered, amended, or modified, satisfies the conditions of Bankruptcy Code sections 1122 and 1123 and the Plan Proponent shall have complied with Bankruptcy Code section 1125. A Holder of a Claim that has accepted the Trustee Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder. Entry of the Confirmation Order shall mean that all modifications or amendments to the Trustee Plan occurring after the solicitation thereof are approved pursuant to Bankruptcy Code section 1127(a) and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

B. Exhibits/Schedules, and Plan Supplement

The Plan Proponent will File the Plan Supplement no later than ten (10) days before the Voting Deadline. The Plan Proponent reserves the right to alter, modify, or amend the Plan Supplement through and to the Confirmation Hearing. All exhibits and schedules to the Disclosure Statement, the Trustee Plan, and the Plan Supplement are incorporated into and are part of the Trustee Plan as if set forth in full therein.

C. Filing of Additional Documents

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

D. Binding Effect of the Trustee Plan

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or any other Bankruptcy Rule, upon the occurrence of the Effective Date, the terms of the Trustee Plan and the Plan Supplement shall be immediately effective and enforceable and binding upon and inure to the benefit of the Plan Proponent, the Debtor, the Holders of Claims, and their respective successors and assigns. Notwithstanding anything to the contrary therein, (i) nothing in the Trustee Plan modifies, alters, or amends the respective rights and obligations of the Debtor or the Purchaser under the Sale Order, the Community APA, or any other document governing the Sale, and (ii) the 2017 Bond Documents shall continue to govern the rights of and among the Bond Trustee and the beneficial owners of the Bonds.

E. Governing Law

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

F. Time

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

G. Severability

If, prior to Confirmation, any term or provision of the Trustee Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding,

alteration, or interpretation, the remainder of the terms and provisions of the Trustee Plan will remain in full force and effect and will in no way be affected, Impaired, or invalidated by such holding, alteration, or interpretation.

H. Revocation

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

I. Dissolution of the Committee

On the Effective Date, the Committee shall be dissolved and its members released of any continuing duties, responsibilities and obligations in connection with the Chapter 11 Case or the Trustee Plan and its implementation, and the retention and employment of the Committee's Professionals shall terminate, except with respect to: (i) prosecuting applications for Professionals' compensation and reimbursement of expenses incurred as a member of the Committee; (ii) asserting, disputing and participating in resolution of Professional Fee Claims; or (iii) prosecuting or participating in any appeal of the Confirmation Order or any request for consideration thereof. Upon the resolution of (i) through (iii), the Committee shall be immediately dissolved, and released.

J. Claims Agent

Stretto, in its capacity as Claims Agent, shall be relieved of such duties on the date of the entry of the Final Decree or upon written notice by the Debtor or the Litigation Trustee.

K. Reservation of Rights

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

L. Inconsistency

To the extent that the Trustee Plan conflicts with or is inconsistent with any agreement related to the Trustee Plan, the provisions of the Trustee Plan shall control; *provided, however*, that nothing in the Trustee Plan shall supersede, amend, modify the provisions of the Sale Order, the Bid Procedures Order, or the Community APA. In the event of any inconsistency between any provision of any of the foregoing documents, and any provision of the Confirmation Order, the Confirmation Order shall control and take precedence; *provided, however*, that nothing in the Confirmation Order supersede, amend, modify the provisions of the Sale Order, the Bid Procedures Order, or the Community APA.

M. No Admissions

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

N. No Discharge

As set forth in Bankruptcy Code section 1141(d)(3), the Trustee Plan does not grant the Debtor a discharge. However, notwithstanding the foregoing, except as otherwise provided therein, the rights afforded pursuant to the Trustee Plan and the treatment of all Claims and Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtor or any of its Assets. All persons and entities shall be precluded from asserting against the Debtor, or any of its Assets, any further Claims and Interests based upon any act, or omission, transaction, or other activity of any kind or nature that occurred before the Effective Date, except as otherwise expressly provided in the Trustee Plan.

O. Votes Solicited in Good Faith

Upon entry of the Confirmation Order, the Plan Proponent will be deemed to have solicited votes on the Trustee Plan in good faith and in compliance with the Bankruptcy Code and any applicable non-bankruptcy law, and pursuant to Bankruptcy Code section 1125(e), the Debtor and its affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code.

P. Notices

All notices of requests in connection with the Trustee Plan shall be in writing and given by mail and email addressed as follows:

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.
Attn: Daniel S. Bleck
Laurence A. Schoen
Timothy J. McKeon
One Financial Center
Boston, Massachusetts 02111
Email: DSbleck@mintz.com
LASchoen@mintz.com
TJMcKeon@mintz.com

Q. Headings

The headings used in the Trustee Plan are inserted for convenience only and neither constitute a portion of the Trustee Plan nor in any manner affect the construction of the provisions of the Trustee Plan.

R. Validity and Enforceability

The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Trustee Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms. Should any provision in the Trustee Plan be determined by the Bankruptcy Court or any appellate court to be unenforceable following the Effective Date, such determination shall in no way limit the enforceability and operative effect of any and all other provisions of the Trustee Plan.

S. Request for Confirmation

The Plan Proponent requests entry of a Confirmation Order under Bankruptcy Code section 1129(a) and, to the extent necessary, Bankruptcy Code section 1129(b).

VII. STATUTORY REQUIREMENTS FOR CONFIRMATION

The following is a brief summary of the confirmation process. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and to consult their own advisors with respect to the summary provided in this Disclosure Statement.

A. Confirmation Hearing

The Bankruptcy Court, after notice, will conduct a hearing on [TBD] to consider Confirmation of the Trustee Plan. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on any master service list ordered by the Bankruptcy Court and any entities which filed objections to the Trustee Plan, without further notice to parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Trustee Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

Any objection to Confirmation of the Trustee Plan must: (a) be in writing; (b) conform to the Bankruptcy Rules and applicable Local Rules; (c) state, with particularity, the legal and factual bases for the objection and, if practicable, a proposed modification to the Trustee Plan (or related materials) that would resolve such objection; and (d) be filed with the Bankruptcy Court (contemporaneously with a proof of service) and served upon the following notice parties so as to be actually received on or before [TBD]:

Counsel for the Bond Trustee: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111, Attn: Daniel S. Bleck (dsbleck@mintz.com), Laurence A. Schoen (laschoen@mintz.com), and Timothy J. McKeon (tjmckeon@mintz.com).

Counsel for the Office of the United States Trustee: 219 South Dearborn Street, Room 873, Chicago, IL 60604, Attn: Jeffrey L. Gansberg (Email: jeffrey.l.gansberg@usdoj.gov).

B. Confirmation Standards

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Trustee Plan satisfies the requirements of Bankruptcy Code section 1129. The Plan Proponent believes the Trustee Plan satisfies or will satisfy all of the statutory requirements of Chapter 11 and that it has complied or will have complied with all of the requirements of Chapter 11. Specifically, the Plan Proponent believes the Trustee Plan satisfies or will satisfy the applicable confirmation requirements of Bankruptcy Code section 1129, including those set forth below.

(1) Feasibility of the Trustee Plan

Pursuant to Bankruptcy Code section 1129(a)(11), among other things, the Bankruptcy Court must determine that Confirmation of the Trustee Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtor or any successors to the Debtor under the Trustee Plan. This condition is often referred to as the “feasibility” of the Trustee Plan. The Plan Proponent believes the Trustee Plan satisfies this requirement, to the extent the standard applies to a Chapter 11 plan of liquidation.

Here, the Trustee Plan provides for the liquidation and distribution of all the Debtor’s Assets. Accordingly, all Chapter 11 plan obligations will be satisfied without the need for further reorganization of the Debtor.

(2) Best Interests Test

Bankruptcy Code section 1129 requires, as a condition to confirmation of a Chapter 11 plan, that each holder of impaired claims or interests receive property with a value not less than the amount such holder(s) would receive in a hypothetical liquidation carried out under chapter 7 of the Bankruptcy Code. The Plan Proponent believes the Trustee Plan satisfies this standard because, among other things, the recoveries expected to be available to Holders of Allowed Claims under the Trustee Plan will be greater than the recoveries parties can expect to be available in a chapter 7 liquidation scenario as of the Effective Date because of certain agreements by the Bond Trustee included in the Trustee Plan.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor’s assets and to make distributions to creditors in accordance with the priorities established by the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors’ claims from their collateral, administrative expenses are next to be paid. Unsecured creditors are paid from any remaining liquidation proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid in full.

As discussed above, the Debtor is no longer a going concern enterprise but continues to have various assets that need to be administered. While a Chapter 7 trustee may be able to distribute and/or liquidate the remaining assets in the Estate, the Plan Proponent believes that the Trustee Plan provides the greatest possible value to all stakeholders under the circumstances. Among other

things, the Trustee Plan incorporates the Bond Trustee's agreement that it will (i) fund certain costs and expenses of the Trustee Plan, including payment to certain creditors, (ii) waive any claim to the Former Resident Contribution; and (iii) advance to the Litigation Trust significant upfront cash to better enable it to maximize the value of the Litigation Trust Assets; such agreement is contingent on the confirmation of the Trustee Plan..

(3) Acceptance by Impaired Class

The Bankruptcy Code requires, as a condition to confirmation, that except as described in the following section, each class of claims or equity interests that is impaired under a plan accept the Trustee Plan. *See* 11 U.S.C. § 1129(a)(8). A class that is not "impaired" under a plan is presumed to have accepted the Trustee Plan and, therefore, solicitation of acceptances with respect to such class is not required. *See* 11 U.S.C. § 1126(f). Pursuant to Bankruptcy Code section 1124, a class is "impaired" unless the Trustee Plan, among other things: (i) leaves unaltered the legal, equitable, and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; or (ii) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question. *See* 11 U.S.C. § 1124.

Bankruptcy Code section 1126(c) defines acceptance of a plan by a class of impaired creditors 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 that are entitled to vote on the Trustee Plan, but for that purpose counts only those who actually vote to accept or to reject a plan. Thus, a Class of Claims will have voted to accept the Trustee Plan only if two-thirds (2/3) in amount and a majority in number entitled to vote and actually voting cast their Ballots in favor of acceptance. Bankruptcy Code section 1126(d) defines acceptance of a plan by a class of interests as acceptance by holders of at least two-thirds (2/3) in amount of those interests who are entitled to vote and actually vote to accept or reject a plan. Votes that have been "designated" under Bankruptcy Code section 1126(e) are not included in the calculation of acceptance by a class of interests. Thus, a Class of Interests will have voted to accept the Trustee Plan only if two-thirds (2/3) in amount entitled to vote and actually voting cast their Ballots in favor of acceptance, not counting designated votes. Only Holders in the Voting Classes will be entitled to vote on the Trustee Plan. If a Class contains Claims or Interests eligible to vote and no Holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Trustee Plan, the Plan Proponent shall request that the Bankruptcy Court deem the Trustee Plan accepted by the Holders of such Claims or Interests in such Class. Such "deemed acceptance" by an impaired class in which no class members submit ballots satisfies Bankruptcy Code section 1129(a)(10). *See In re Tribune Co.*, 464 B.R. 126, 183 (Bankr. D. Del. 2011) ("Would 'deemed acceptance' by a non-voting impaired class, in the absence of objection, constitute the necessary 'consent' to a proposed 'per plan' scheme? I conclude that it may." (footnote omitted)); *see In re Adelphia Commc'ns Corp.*, 368 B.R. 14, 259–63 (Bankr. S.D.N.Y. 2007).

(4) Confirmation without Acceptance by All Impaired Classes

Bankruptcy Code section 1129(b) allows a bankruptcy court to confirm a plan if it is accepted by at least one impaired voting class even if other impaired voting classes vote to reject it. Pursuant to Bankruptcy Code section 1129(b), notwithstanding an impaired class's rejection or deemed rejection of the Trustee Plan, such plan will be confirmed, at the Plan Proponent's request,

in a procedure commonly known as “cram down,” if the Trustee Plan does not “discriminate unfairly” and is “fair and equitable” with respect to each class of claims or equity interests that is impaired under, and has not accepted, the Trustee Plan. *See* 11 U.S.C. § 1129(b).

(a) No Unfair Discrimination

The “unfairly discriminates” test under Bankruptcy Code section 1129(b)(1) applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Trustee Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.” In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). The Plan Proponent does not believe the Trustee Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Plan Proponent believes the Trustee Plan and, in particular, the proposed treatment of all Classes of Claims and Interests satisfies the foregoing requirements for nonconsensual confirmation.

(b) Fair and Equitable

The “fair and equitable” test under Bankruptcy Code section 1129(b)(1) and (2) applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Plan Proponent believes the Trustee Plan satisfies the “fair and equitable” requirement because there is no Class of equal priority receiving more favorable treatment and no Class that is junior to such dissenting Class that will receive or retain any property on account of the Claims or Interests in such Class.

Secured Claims. A plan is “fair and equitable” with respect to a non-accepting class of secured creditors if either (i) each holder of an impaired secured claim retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the “indubitable equivalent” of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens, with such liens attaching to the proceeds of the sale and the treatment of such liens on proceeds is as provided in clauses (i) or (ii) above. *See* 11 U.S.C. § 1129(b)(2)(A).

Unsecured Claims. A plan is “fair and equitable” with respect to a non-accepting class of unsecured creditors if either: (i) the Trustee Plan provides that each holder of a claim in such class receive or retain on account of such claim property of a value, as of the effective date of the Trustee Plan, equal to the allowed amount of such claim; or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive or retain any property under the Trustee Plan. *See* 11 U.S.C. § 1129(b)(2)(B).

Equity Interests. A plan is “fair and equitable” with respect to a non-accepting class of equity interests if: (i) the Trustee Plan provides that each holder of an interest in such class receive or retain on account of such interest property of a value, as of the effective date of the Trustee 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 (ii) the holder of any interest that is junior to the interests of such class will not receive or retain under the Trustee Plan on account of such junior interest any property. *See* 11 U.S.C. § 1129(b)(2)(C).

VIII. RISK FACTORS TO CONSIDER BEFORE VOTING

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

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

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

Claims Estimation. Although the Plan Proponent has undertaken its best efforts to estimate the amount of Claims in each Class is correct, as noted above in Article IV.H of this Disclosure Statement, the actual amount of Allowed Claims may differ from the estimates.

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

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

IX. TAX CONSEQUENCES

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

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

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtor or the Holders of Claims in light of their personal circumstances, nor does the discussion deal with tax issues with respect to taxpayers subject to special treatment under the U.S. federal income tax laws (including, for example, insurance companies, financial institutions, real estate investment trusts, tax-exempt organizations, small business investment companies, regulated investment companies, foreign taxpayers, persons whose functional currency is not the U.S. dollar, persons subject to the alternative minimum tax, and persons holding Claims as part of a "straddle," "hedge," "constructive sale," or "conversion transaction" with other investments). This discussion does not address the tax consequences to Holders of Claims who did not acquire such Claims at the issue price on original issue. No aspect of foreign, state, local or estate and gift taxation is addressed.

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

A. Tax Consequences to the Debtor

The Debtor is a private foundation, as described in Section 509 of the IRC. If the Debtor dissolves at the conclusion of the bankruptcy proceedings, the Debtor will be required to comply with IRC Section 507 relating to the termination of its status as a private foundation. Pursuant to IRC Section 507, a private foundation may only terminate its status in a manner described in that section to avoid the imposition of a termination tax. In the instant case, since the Debtor will not have any assets which may be granted/transferred to another qualified organization, it will be required to provide notice to IRS of its intent to terminate pursuant to IRC Section 507(a)(1). Such notice (described below) must be provided once the Debtor no longer has any assets (e.g., at least one (1) day after the last asset is transferred). At that time, because the Debtor will have no assets, the amount of the termination tax pursuant to IRC Section 507(c) will be zero.

When a private foundation terminates its status pursuant to IRC Section 507(a)(1), it must submit a statement to the Manager, Exempt Organizations Determinations, Tax Exempt and Government Entities Division (TE/GE). The statement must set forth in detail the computation and amount of the termination tax. It is customary to also include a copy of the filed certificate of dissolution and, in this case, something evidencing the bankruptcy and lack of assets. The

submission of a Form 990-PF marked “Final” does not, in and of itself, satisfy the requirements of Section 507.

B. Tax Consequences to Holders of Claims

Generally, a Holder of a Claim should in most, but not all circumstances, recognize gain or loss equal to the difference between the “amount realized” by such Holder in exchange for its Claim and such Holder’s adjusted tax basis in the Claim. The “amount realized” is equal to the sum of the cash and the fair market value of any other consideration received under a plan of reorganization in respect of a Holder’s Claim. The tax basis of a Holder in a Claim will generally be equal to the Holder’s cost. To the extent applicable, the character of any recognized gain or loss (e.g., ordinary income, or short-term or long-term capital gain, or loss) will depend upon the status of the Holder, the nature of the Claim in the Holder’s hands, the purpose and circumstances of its acquisition, the Holder’s holding period of the Claim, and the extent to which the Holder previously claimed a deduction for the worthlessness of all or a portion of the Claim. Generally, if the Claim is a capital asset in the Holder’s hands, any gain or loss realized generally will be characterized as capital gain or loss, and will constitute long-term capital gain or loss if the Holder has held such Claim for more than one (1) year.

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

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X. RECOMMENDATION

In the opinion of the Plan Proponent, the Trustee Plan is superior and preferable to any alternative means of concluding the Chapter 11 Case. Accordingly, the Plan Proponent recommends that Holders of Claims entitled to vote on the Trustee Plan vote to accept the Trustee Plan and support Confirmation.

Dated: July 18, 2024

**MINTZ, LEVIN, COHN, FERRIS
GLOVSKY AND POPEO, P.C.**

/s/ Megan Preusker

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Counsel for the Plan Proponent

Exhibit 1

(Chapter 11 Plan of Liquidation)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

IN RE:	§	Chapter 11
	§	
EVANGELICAL RETIREMENT	§	Case No. 23-07541
HOMES OF GREATER CHICAGO,	§	
INCORPORATED d/b/a FRIENDSHIP	§	
VILLAGE OF SCHAUMBURG,	§	
	§	
FEIN: 36-2815382,	§	
	§	
Debtor.	§	Hon. Timothy A. Barnes

**CHAPTER 11 PLAN OF LIQUIDATION FILED BY UMB
BANK, N.A., IN ITS CAPACITY AS BOND TRUSTEE**

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Dated: July 18, 2024

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INTRODUCTION¹

On June 9, 2023, Evangelical Retirement Homes of Greater Chicago, Incorporated d/b/a Friendship Village of Schaumburg (“**FVS**” or “**Debtor**”) commenced its Chapter 11 Case, seeking relief under Chapter 11 of the Bankruptcy Code. The Plan is proposed by UMB Bank, N.A., in its capacity as bond trustee (the “**Bond Trustee**”) and successor master trustee (the “**Master Trustee**”, and together with the Bond Trustee, the “**Bond Trustee**” or the “**Plan Proponent**”) pursuant to Bankruptcy Code sections 1125 and 1129 for the resolution of outstanding Claims against, and Interests in, the Debtor.

Reference is made herein to the Disclosure Statement for a discussion of the Debtor’s history and assets, a summary and analysis of the Plan, and certain related matters, including the Distributions to be made under the Plan and the risk factors relating to consummation of the Plan. No materials other than the Disclosure Statement, the Plan, any Plan Supplement, and any and all exhibits and/or schedules attached thereto or hereto have been authorized by the Plan Proponent for use in soliciting votes of acceptance with respect to the Plan.

Copies of the Plan and the Disclosure Statement and all other filed documents related to the Chapter 11 Case are available for review without charge, on the Case Website at <https://cases.stretto.com/FVS/>.

The Plan is a liquidating plan that proposes to distribute substantially all of the Cash, including Net Sale Proceeds, held in the name of the Debtor in accordance with the priorities established in the Bankruptcy Code. On the Effective Date, monies sufficient to satisfy all anticipated Administrative Expense Claims, including the DIP Facility Claims, and Professional Fee Claims shall be deposited into separate escrow accounts. The Litigation Trustee and/or the Bond Trustee have the right to object to such claims, which, if Allowed, will be paid from the monies in the Administrative Expense Escrow Account and Professional Fee Escrow Account, as applicable. Additionally, on the Effective Date, (i) the Bond Trustee, on account of its Allowed Bond Claim, will receive all Cash subject to its Lien, including the Net Sale Proceeds, less the amounts required to fund the costs and expenses of the Plan, including the Administrative Expense Escrow Account and the Professional Fee Escrow Account, and (ii) the Former Residents will receive their Pro Rata shares of the Buyer Former Resident Contribution, *i.e.* \$2,000,000.

The Plan also establishes a Litigation Trust into which all non-Cash Assets of the Debtor, including all Retained Causes of Action (inclusive of the FSO Causes of Action and the D&O Causes of Action), will be transferred as of the Effective Date. Each of the Litigation Trustee and the Bond Trustee (if the Litigation Trustee declines to pursue any such Retained Causes of Action) shall have standing to pursue and prosecute such Retained Causes of Action. As part of the Plan, the Bond Trustee will also advance two million (\$2,000,000) dollars from the Net Sale Proceeds that would otherwise be payable to the Bond Trustee for the limited purpose of financing the costs and expenses of the Litigation Trust. Holders of Allowed General Unsecured Claims will receive their respective Pro Rata share of any net recoveries from the prosecution and liquidation of the Litigation Trust Assets (after reimbursement of the costs and expenses of pursuing such Retained

¹ Capitalized terms used but not defined shall have the meanings ascribed to them in Section 1.A of this Plan.

Causes of Action and reimbursing the Bond Trustee for advancing the Litigation Trust Funding) pursuant to the terms of the Plan and the Litigation Trust Agreement.

ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT FILED CONTEMPORANEOUSLY HERewith IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

SECTION 1 DEFINITIONS AND INTERPRETATION

A. Definitions. The following terms used herein shall have the respective meanings below:

1.1. “*503(b)(9) Claims*” means any Claims arising under Bankruptcy Code section 503(b)(9).

1.2. “*2017 Bond Documents*” means the 2017 Bond Indenture, and any bonds, loan agreement, mortgage, security agreement, document, agreement, or instrument executed or delivered in connection with the issuance of the Series 2017 Bonds, including the 2017 Loan Agreement.

1.3. “*2017 Bond Indenture*” means that certain Bond Trust Indenture, dated December 1, 2017, between the Issuer and Bank of UMB Bank, N.A., as bond trustee, pursuant to which the Series 2017 Bonds were issued.

1.4. “*2017 Loan Agreement*” means that certain Loan Agreement, dated December 1, 2017, by and between the Issuer and FVS, pursuant to which the Issuer loaned the proceeds of the Series 2017 Bonds to FVS.

1.5. “*Administrative Expense Claim*” means any Claim against the Debtor for costs and expenses of administration of the Chapter 11 Case pursuant to Bankruptcy Code sections 503(b), 507(a)(2), or 507(b), including: (a) the actual and necessary costs and expenses incurred on or after the Petition Date until and including the Effective Date of preserving the Estate and operating the Debtor’ business; (b) all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Case pursuant to Bankruptcy Code sections 503(b)(3), (4), and (5); (c) all fees and charges assessed pursuant to 28 U.S.C. § 1930(a)(6); and (d) 503(b)(9) Claims.

1.6. “*Administrative Expense Escrow Account*” has the meaning ascribed to such term in Section 2.1.3 herein.

1.7. “*Administrative Expense Escrow Amount*” has the meaning ascribed to such term in Section 2.1.2 herein.

1.8. “*Administrative Expense Bar Date*” means the date by which Administrative Claims must be Filed, which, with respect to (a) Administrative Expense Claims that are not 503(b)(9) Claims shall be no later than the first Business Day that is thirty (30) days after the Effective Date; and (b) 503(b)(9) Claims, shall be no later than the Claims Bar Date.

1.9. “*Administrative Expense Objection Deadline*” means the deadline for objecting to an Administrative Expense Claim asserted against the Debtor, which shall be on the date that is the later of (a) 60 days after the Effective Date, and (b) such other date as may be specifically fixed by Order of the Bankruptcy Court.

1.10. “*Affiliate*” means, with respect to any Entity, a former or current “affiliate” as defined in Bankruptcy Code section 101(2), including but not limited to FSO, the FSO Foundation, and GreenFields.

1.11. “*Allowed*” means with respect to Claims: (a) any Claim, proof of which is timely filed by the applicable Bar Date; (b) any Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim has been timely filed; or (c) any Claim Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; provided, that with respect to any Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that, with respect to such Claim, no objection to the allowance thereof has been interposed within the applicable period of time, as may be extended by the Bankruptcy Court from time to time, fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim shall have been Allowed by a Final Order. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim is or has been timely filed, is not considered Allowed and shall be expunged without further action by the Debtor and without further notice to any party or action, approval, or order of the Bankruptcy Court. An Allowed Claim (i) includes a Disputed Claim to the extent such Disputed Claim becomes Allowed after the Effective Date and (ii) shall be net of any valid setoff exercised with respect to such Claim pursuant to the provisions of the Bankruptcy Code and applicable law. Unless otherwise specified in the Plan, Bankruptcy Code section 506(b), or by Final Order of the Bankruptcy Court, “Allowed” Claims shall not, for purposes of Distributions under the Plan, include interest on such Claim accruing from and after the Petition Date.

1.12. “*Amended Schedules Bar Date*” has the meaning given to such term in the Bar Date Order, which states that if amended Schedules are filed after service of the Bar Date Order and such amendment(s) change “the amount, nature, priority, classification, or characterization of a debt owing to a creditor and the creditor does not agree with such modification, then the affected creditor must file a proof of Claim on or before the later of (A) the General Bar Date or the Governmental Bar Date (as applicable) and (B) 11:59 p.m., prevailing Central Time, on the day that is 60 days from the date on which the Debtor provides notice of such amendment, supplement, or modification to the Schedules (or another time period as may be fixed by the Court).”

1.13. “*Assets*” means all interests, legal or equitable, in property, real, personal, tangible and intangible, of the Debtor as defined in Bankruptcy Code section 541(a).

1.14. “*Assigned Contracts*” means the Executory Contracts and Unexpired Leases that were assumed by the Debtor and assigned to the Purchaser, pursuant to the Sale Order.

1.15. “*Avoidance Actions*” means all actions, causes of action, suits, choses in action, and claims of the Debtor and/or the Estate against any entity or Person, whether direct, indirect, derivative, or otherwise arising under Bankruptcy Code section 510 or seeking to avoid a transfer

of property or recover property pursuant to Bankruptcy Code sections 542 through 550 or applicable non-bankruptcy law, including fraudulent transfer laws, whether or not litigation is commenced before or after the Effective Date.

1.16. “*Ballot*” means the ballots upon which holders of Impaired Claims entitled to vote to accept or reject the Plan may indicate their acceptance or rejection in accordance with applicable rules and instructions regarding voting.

1.17. “*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101-1532.

1.18. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Northern District of Illinois, having jurisdiction over the Chapter 11 Case or, if the Bankruptcy Court ceases to exercise jurisdiction over the Chapter 11 Case, such court or adjunct thereof that exercises jurisdiction over the Chapter 11 Case in lieu of the United States Bankruptcy Court for the Northern District of Illinois.

1.19. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, as amended from time to time.

1.20. “*Bar Date Order*” means the Bankruptcy Court’s *Order and Notice Granting Amended Motion to Set Last Day to File Proofs of Claim* [Docket No. 148].

1.21. “*Bar Date(s)*” means the Claims Bar Date, the Governmental Bar Date, the Amended Schedules Bar Date, or the Rejection Damages Bar Date, as applicable; and “*Bar Dates*” shall be a collective reference to the Claims Bar Date, the Governmental Bar Date, the Amended Schedules Bar Date, and the Rejection Damages Bar Date.

1.22. “*Board*” means the board of directors of the Debtor as of the Petition Date.

1.23. “*Bond Claims*” means the Series 2017 Bond Claims and the Guaranteed Bond Claims.

1.24. “*Bond Trustee*” has the meaning ascribed to such term in the Introduction of the Plan.

1.25. “*Bonds*” means the Series 2017 Bonds and the Guaranteed Bonds.

1.26. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” as defined in Bankruptcy Rule 9006(a).

1.27. “*Buyer Former Resident Contribution*” means Cash in the amount of \$2,000,000 set out in the Community APA for the proposed Distribution to Holders of Former Resident Claims.

1.28. “*Case Website*” means the Debtor’s website maintained by Stretto at <https://cases.stretto.com/FVS/>.

1.29. “Cash” means the legal tender of the United States of America or the equivalent thereof.

1.30. “Cash Collateral Order” means (a) the *Interim Order Granting Emergency Motion for Entry of Interim and Final Orders (I) Granting (A) Replacement Liens and Superpriority Claims; and (B) Adequate Protection; (II) Authorizing Use of Cash Collateral; (III) Modifying the Automatic Stay; (IV) Scheduling a Final Hearing; and (V) Granting Related Relief* [Docket No. 85]; *Second Interim Order on Emergency Motion for Entry of Interim and Final Orders (I) Granting (A) Replacement Liens and Superpriority Claims and (B) Adequate Protection; (II) Authorizing Use of Cash Collateral; (III) Modifying the Automatic Stay; (IV) Scheduling a Second Interim Hearing; and (V) Granting Related Relief* [Docket No. 152]; and (b) *Final Order (I) Granting (A) Replacement Liens and Superpriority Claims and (B) Adequate Protection; (II) Authorizing Use of Cash Collateral; (III) Modifying the Automatic Stay; and (IV) Granting Related Relief* [Docket No. 207].

1.31. “Causes of Action” means any claims, causes of action (including Avoidance Actions), demands, actions, suits, obligations, liabilities, cross-claims, counterclaims, offsets, or setoffs of any kind or character whatsoever, and in each case, whether known or unknown, Contingent or non-Contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter arising, under statute, in contract, in tort, in law, or in equity, or pursuant to any other theory of law, federal or state, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Petition Date or during the course of the Chapter 11 Case, including through the Effective Date.

1.32. “Challenge” has the meaning ascribed to such in Section 4.4 herein. “Chapter 11” means chapter 11 of the Bankruptcy Code.

1.33. “Chapter 11 Case” means Case No. 23-07541 commenced by the Debtor and pending in the Bankruptcy Court.

1.34. “Claim” means a “claim,” as that term is defined in Bankruptcy Code section 101(5), against the Debtor.

1.35. “Claims Agent” means Stretto in its capacity as claims and noticing agent to the Debtor.

1.36. “Claims Bar Date” means the general bar date by which entities, other than Governmental Units, were required to file Proofs of Claim, which was October 13, 2023 at 11:59 p.m. Central Time.

1.37. “Claims Objection Deadline” means the deadline for objecting to a Claim or Interest asserted against or in the Debtor, which shall be on the date that is the later of (a) 180 days after the Effective Date, and (b) such other date as may be specifically fixed by Order of the Bankruptcy Court.

1.38. “*Claims Register*” means the official register of Claims maintained by the Claims Agent.

1.39. “*Class*” means a category of holders of Claims or Interests as set forth in Section 3 hereof pursuant to Bankruptcy Code section 1122 and 1123(a)(1).

1.40. “*Closing Date*” shall mean December 28, 2023.

1.41. “*Collateral*” means any property or interest in property of the Estate subject to a Lien, charge or other encumbrance to secure the payment or performance of a Claim, which Lien, charge or other encumbrance is not subject to avoidance or otherwise invalid under the Bankruptcy Code or other applicable law.

1.42. “*Committee*” means the official committee of creditors appointed by the U.S. Trustee in the Chapter 11 Case pursuant to Bankruptcy Code section 1102 [Docket No. 88].

1.43. “*Community*” means the continuing care retirement community, located in Schaumburg, Illinois, known as “Friendship Village of Schaumburg.”

1.44. “*Community APA*” means the form of Asset Purchase Agreement approved by the Sale Order.

1.45. “*Confirmation Date*” means the date on which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Case within the meaning of Bankruptcy Rules 5003 and 9021.

1.46. “*Confirmation Hearing*” means the hearing(s) before the Bankruptcy Court under Bankruptcy Code section 1128 at which the Debtor seeks entry of the Confirmation Order, as such hearing(s) may be adjourned or continued from time to time.

1.47. “*Confirmation Order*” means a Final Order of the Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code section 1129.

1.48. “*Contingent*” means, with respect to any Claim or Interest, or any portion thereof, except as otherwise provided herein, any contingent or unliquidated Claim asserted or which may be asserted against the Debtor.

1.49. “*Current Resident*” means a resident who resided at the Community as of the Closing Date.

1.50. “*D&O Causes of Action*” has the meaning ascribed to such term in Section 4.2.3 herein.

1.51. “*Debtor*” means Evangelical Retirement Homes of Greater Chicago, Incorporated d/b/a Friendship Village of Schaumburg.

1.52. “*Deficiency Claim*” means a Claim for the difference between (i) the aggregate amount of an Allowed Claim and (ii) the value received on account of the portion of such Allowed Claim that is a Secured Claim.

1.53. “*DIP Facility*” means that term loan facility between the Debtor and the DIP Lender, together with any amendments, modifications or supplements thereto, which the Bankruptcy Court approved under the DIP Order.

1.54. “*DIP Facility Claims*” means a Claim held by the DIP Lender for all debts, indebtedness, obligations, covenants, and duties of payment and performance arising under or relating to the DIP Facility.

1.55. “*DIP Lender*” means FSO, in its capacity as the lender under the DIP Facility.

1.56. “*DIP Order*” means the Bankruptcy Court’s *Order Granting Debtor’s Motion for Entry of an Order (I) Authorizing the Debtor to Obtain Unsecured Postpetition Financing; (II) Modifying the Automatic Stay; and (III) Granting Related Relief* [Docket No. 205], as may be amended from time to time in the Chapter 11 Case.

1.57. “*Disallowed*” means, with respect to any Claim or Interest, or any portion thereof, except as otherwise provided herein, a Claim or Interest, or any portion thereof that (a) has been disallowed by a Final Order, or (b) (i) is Scheduled at zero, in an unknown amount or as contingent, disputed or unliquidated and (ii) as to which the Bar Date has been established but no Proof of Claim has been timely Filed or deemed timely Filed under applicable law.

1.58. “*Disclosure Statement*” means the Disclosure Statement with respect to the Plan, as may be modified or amended, accompanying and describing the Plan.

1.59. “*Disclosure Statement Order*” means the order of the Bankruptcy Court approving the Disclosure Statement and solicitation procedures.

1.60. “*Disputed*” means, with respect to any Claim or Interest, or any portion thereof, a Claim or Interest, or any portion thereof, that is not yet Allowed, including (a) any Claim evidenced by a Proof of Claim that, on its face, is contingent or unliquidated, (b) any Claim that is subject to an objection Filed by the Claims Objection Deadline or a request for estimation, in each case that has not been withdrawn, resolved, or ruled on by a Final Order of the Bankruptcy Court, (c) any Claim or Interest scheduled by the Debtor as Contingent, unliquidated or disputed, (d) any Claim or Interest evidenced by a Proof of Claim that amends a Claim or Interest scheduled by the Debtor as Contingent, unliquidated or disputed, and (e) any Claim or Interest that is not an Allowed Claim or Allowed Interest or a Disallowed Claim or a Disallowed Interest.

1.61. “*Distribution*” means Cash, property, interests in property or other value distributed to holders of Allowed Claims, or their designated agents, under the Plan.

1.62. “*Effective Date*” means the date that is the first Business Day on which the conditions set forth in Section 9 of the Plan have been satisfied or waived.

1.63. “*Entity*” shall have the meaning set forth in Bankruptcy Code section 101(15).

1.64. “*Entrance Fee Escrow*” means the escrow account maintained by TMI Trust Company, as escrow agent, on behalf of the Residents pursuant to Residency Agreements and Escrow Agreements. The entrance Fee Escrow holds Option Deposits received from Residents on or after April 17, 2023 pursuant to Residency Agreements and Option Agreements.

1.65. “*Entrance Fees*” means the fees paid by Residents, pursuant to applicable Residency Agreements, as a requirement to obtaining the right to occupy a unit at the Community, which may be fully or partially refundable to Residents, in accordance with the terms of the applicable Residency Agreement.

1.66. “*ERTC Funds*” means the more than \$7.4 million in employee retention tax credits received by FSO in 2023 under the Coronavirus Aid, Relief and Economic Security Act based on payroll expenses that were funded by the Debtor during 2020 and 2021, and which tax credits FSO allocated to the Debtor in pre-petition documents and communications.

1.67. “*Escrow Agent*” means TMI Trust Company, in its capacity as the escrow agent with respect to the Entrance Fee Escrow.

1.68. “*Escrow Agreement*” means that certain Escrow Agreement dated as of April 17, 2023, by and among FVS, the Bond Trustee, and TMI Trust Company, as escrow agent.

1.69. “*Estate*” means the estate of the Debtor created by the Chapter 11 Case pursuant to Bankruptcy Code section 541.

1.70. “*Executory Contract*” means all contracts and leases to which Debtor is a party that is subject to assumption or rejection under Bankruptcy Code section 365.

1.71. “*File*”, “*Filed*” or “*Filing*” means file, filed, or filing with the Bankruptcy Court in the Chapter 11 Case.

1.72. “*Final Decree*” means order entered pursuant to Bankruptcy Code section 350 and Bankruptcy Rule 3022 closing the Chapter 11 Case.

1.73. “*Final Fee Hearing*” means the hearing to be conducted by the Bankruptcy Court to consider approval and allowance of final Professional Fee Claims.

1.74. “*Final Order*” means an order or judgment of the Bankruptcy Court entered by the Clerk of the Bankruptcy Court on the docket in the Chapter 11 Case that has not been reversed, vacated, or stayed and as to which (i) the time to appeal, petition for certiorari, or move for a new trial, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument, or rehearing shall then be pending, or (ii) if an appeal, writ of certiorari, new trial, reargument, or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, to petition for certiorari, or to move for a new trial, reargument, or rehearing shall have expired; provided, however, that the possibility that a motion under Rules 59 or 60 of the Federal

Rules of Civil Procedure, or Bankruptcy Rules 9023 or 9024, may be filed relating to such order shall not cause such order to not be a Final Order.

1.75. “*Former Resident*” means a resident who resided at the Community prior to the Closing Date but no longer resided at the Community as of the Closing Date.

1.76. “*Former Resident Claim*” means a Claim, based on a Residency Agreement, of a Former Resident.

1.77. “*FSO*” means Friendship Senior Options, NFP, the sole member of the Debtor.

1.78. “*FSO Causes of Action*” has the meaning ascribed to such term in Section 4.2.1 herein.

1.79. “*FSO Foundation*” means Friendship Senior Options Foundation, NFP, incorporated under the laws of Illinois.

1.80. “*General Unsecured Claim*” means any Unsecured Claim that is not: Administrative Expense Claims, Professional Fee Claims, Other Priority Claims, DIP Facility Claims, and Intercompany Claims.

1.81. “*Governmental Bar Date*” means the date by which Governmental Units must file Proofs of Claims, November 17, 2023 at 11:59 p.m. Prevailing Central Time.

1.82. “*Government Unit*” means a “governmental unit” as defined in Bankruptcy Code section 101(27).

1.83. “*GreenFields*” means Friendship Village of Mill Creek, NFP, d/b/a GreenFields of Geneva.

1.84. “*Guaranteed Bond Claims*” means any and all Claims in respect of the Guaranteed Bonds.

1.85. “*Guaranteed Bonds*” means the following FSO bonds that are secured by FVS’s Direct Note Obligation, Series 2017 (Illinois Finance Authority): (i) Taxable Bonds, Series 2017A (GreenFields of Geneva Project), (ii) Series 2017B (GreenFields of Geneva Project); and (iii) Series 2017C Bonds (GreenFields of Geneva Project).

1.86. “*Holder*” means the beneficial holder of a Claim or Interest.

1.87. “*Huntley Property*” means the real property located at PIN #02-08-401018 in the County of Kane in Illinois, which is held in trust for the benefit of the Debtor.

1.88. “*Huntley Property Sale*” means the sale of the Huntley Property pursuant to the Huntley PSA.

1.89. “*Huntley PSA*” means that certain Real Estate Purchase and Sale Agreement that was approved by the Bankruptcy Court on January 10, 2024 and in the order entered January 12, 2024 [Docket No. 469].

1.90. “*Investigation Period*” has the meaning ascribed to such in Section 4.4 herein.

1.91. “*Investigation Counsel*” has the meaning ascribed to such in Section 4.4 herein.

1.92. “*Impaired*” means, with respect to a Claim, that such Class of Claims is “impaired” within the meaning of Bankruptcy Code section 1124.

1.93. “*Insider*” means an “insider,” as defined in Bankruptcy Code section 101(31).

1.94. “*Intercompany Claim*” means any Claim against the Debtor held by an Affiliate.

1.95. “*Interest*” means any membership interest in the Debtor, whether or not transferable, or any option, warrant, or right, contractual or otherwise, to acquire any such interest.

1.96. “*Issuer*” means the Illinois Finance Authority.

1.97. “*Lien*” means “lien,” as defined in Bankruptcy Code section 101(37).

1.98. “*Litigation Trust*” means the trust described in Section 4 of the Plan.

1.99. “*Litigation Trust Agreement*” means the agreement between the Debtor and the Litigation Trustee to be entered into as of the Effective Date, substantially in the form set forth in the Plan Supplement, as may be amended and supplemented from time to time, with such final form being acceptable to the Bond Trustee.

1.100. “*Litigation Trust Assets*” means from and after the Effective Date: (i) all legal and equitable interests of the Debtor in Retained Causes of Action; (ii) all legal and equitable defenses or counterclaims of the Debtor to Claims; and (iii) any other Assets not otherwise distributed on the Effective Date.

1.101. “*Litigation Trust Expenses*” means reasonable and documented out-of-pocket fees, costs and expenses incurred by the Litigation Trust or the Litigation Trustee (or any professional or other Person retained by the Litigation Trustee in administering the Litigation Trust) on or after the Effective Date in connection with any of their responsive duties under the Plan and the Litigation Trust Agreement, including any administrative fees, attorneys’ fees and expenses, insurance fees, taxes and escrow expenses, all as further set forth in the Litigation Trust Agreement.

1.102. “*Litigation Trust Funding*” means two million dollars (\$2,000,000) advanced by the Bond Trustee from the Net Sale Proceeds that the Bond Trustee is entitled to receive under the Plan based upon its Allowed Secured Claim.

1.103. “*Litigation Trust Funding Fee*” means a financing fee equal to fifty (50%) of the Litigation Trust Funding.

1.104. “*Litigation Trust Interests*” means uncertificated interest in the Litigation Trust representing the rights of Holders of Allowed General Unsecured Claims in Class 4 and Allowed Former Resident Claims in Class 5.

1.105. “*Litigation Trust Oversight Committee*” means a committee initially comprised of (i) two individuals selected by the Bond Trustee, and (ii) one individual selected by the Committee, identified in a Plan Supplement, that shall provide oversight and direction to the Litigation Trustee in accordance with the terms of the Litigation Trust Agreement. After the Effective Date, the members shall be appointed in accordance with the terms of the Litigation Trust Agreement.

1.106. “*Litigation Trustee*” means the Person identified as such in the Plan Supplement or other filing with the Bankruptcy Court, and retained as of the Effective Date pursuant to the terms of the Litigation Trust Agreement, as the fiduciary responsible for implementing the applicable provisions of the Plan and the Litigation Trust Agreement, and any successor thereto appointed, pursuant to the Litigation Trust Agreement.

1.107. “*Local Rules*” means the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Northern District of Illinois, or any other court having jurisdiction over the Chapter 11 Case.

1.108. “*Master Indenture*” means the Third Supplemental Master Indenture together with the Original Master Indenture.

1.109. “*Master Trustee*” has the meaning ascribed to such term in the Introduction of the Plan.

1.110. “*Morrison*” means Morrison Management Specialists, Inc.

1.111. “*Net Sale Proceeds*” means the sale proceeds of the Sale Transaction, less any customary transaction fees and expenses.

1.112. “*Option Agreement*” means the Addendum to Contract at Friendship Village of Schaumburg, amending the Residency Agreements, entered into on or after April 17, 2023, to incorporate the terms of the Escrow Agreement and conditions for return of new Entrance Fees.

1.113. “*Option Deposits*” means deposits made by Residents that are directed to and held by the Escrow Agent in accordance with the Escrow Agreement and Option Agreements.

1.114. “*Original Bonds*” means, collectively, the Series 2005 Bonds and the Series 2010 Bonds.

1.115. “*Original Bond Documents*” means, collectively, the Original Master Indenture and the Original Mortgage.

1.116. “*Original Master Indenture*” means that Master Trust Indenture, dated July 15, 2005 between FVS and Wells Fargo Bank, National Association, as master trustee.

1.117. “*Original Mortgage*” means that Mortgage and Security Agreement, dated July 15, 2005, as supplemented and amended (the “Original Mortgage”) from FVS, as mortgagor, to Wells Fargo Bank, National Association, as master trustee under the Original Bond Documents.

1.118. “*Other Priority Claim(s)*” means any Claim, other than an Administrative Claim, a Priority Tax Claim, or the DIP Facility Claims, which is entitled to priority under Bankruptcy Code section 507(a).

1.119. “*Other Secured Claim(s)*” means any Secured Claim other than a Bond Claim.

1.120. “*Parking Parcel*” means the approximately 3.5 acre parcel of real property included in the Sale Transaction previously used by the Debtor for parking and identified as Parcel No. 07-21-201-007-0000 of the City of Schaumburg, County of Cook.

1.121. “*Participating Current Residents*” means the Residents who consented to the modification of their Residency Agreements that were assumed by the Debtor and assigned to the Purchaser.

1.122. “*Person*” means an individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, estate, unincorporated organization, governmental unit, government (or agency or political subdivision thereof), or other entity, including, without limitation, the Debtor.

1.123. “*Petition Date*” means June 9, 2023, the date on which the Debtor filed its voluntary petition for relief commencing the Chapter 11 Case.

1.124. “*Plan*” means this Chapter 11 Plan of Liquidation, including all exhibits, supplements, appendices, and schedules thereto, either in its present form or as the same may be amended, supplemented, or modified from time to time.

1.125. “*Plan Documents*” means the Plan, the Plan Supplement, and all of the exhibits and schedules attached to each of the foregoing.

1.126. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules, and exhibits to the Plan, which may include, without limitation, the Litigation Trust Agreement, and which shall be filed no later than seven (7) days before the Voting Deadline with the Plan Proponent having the right to amend all of the Plan Supplement documents and/or exhibits through the Effective Date.

1.127. “*Prime Group*” means The Prime Group, Inc., or its designee, as purchaser of the Huntley Property.

1.128. “*Priority Tax Claim*” means any Claim of a governmental unit of a kind entitled to priority under Bankruptcy Code section 507(a)(8).

1.129. “*Pro Rata*” shall mean the proportion that the amount of a Claim in a particular Class or Classes bears to the aggregate amount of all Claims in such Class or Classes, unless the Plan otherwise provides.

1.130. “*Professionals*” means all professionals employed in the Chapter 11 Case pursuant to Bankruptcy Code sections 327, 328, and 1103.

1.131. “*Professional Fee Claim*” means a Claim of a Professional for compensation and/or reimbursement of expenses incurred by such Professional through and including the Effective Date.

1.132. “*Professional Fee Claim Bar Date*” means the first Business Day that is forty-five (45) days after the Effective Date.

1.133. “*Professional Fee Escrow Account*” has the meaning ascribed to such term in Section 2.2.3 herein.

1.134. “*Professional Fee Escrow Amount*” has the meaning ascribed to such term in Section 2.2.2 herein.

1.135. “*Proof of Claim*” means a proof of Claim Filed against the Debtor in the Chapter 11 Case.

1.136. “*Purchaser*” means, IL CCRC LLC, the winning bidder with respect to substantially all the Assets of the Debtor as set forth under the Community APA that was approved by the Sale Order.

1.137. “*Refund Obligations*” means any Resident refund obligations that are currently due and owing under the terms of the Residency Agreements, which shall include amounts due and owing to former Residents who are no longer occupying their respective higher level of care units.

1.138. “*Reinstate*,” “*Reinstated*,” or “*Reinstatement*” means with respect to Claims and Interests, that the Claim or Interest shall be rendered Unimpaired in accordance with Bankruptcy Code section 1124.

1.139. “*Rejection Claims*” means any Claim arising from or relating to the rejection of an Executory Contract or Unexpired Lease pursuant to Bankruptcy Code section 365(a) by the Debtor, as limited, in the case of a rejected Unexpired Lease, by Bankruptcy Code section 502(b)(6).

1.140. “*Rejection Damages Bar Date*” means the date by which Rejection Claims must be Filed, which shall be the latest of: (i) the General Bar Date, (ii) thirty (30) days after the date of the entry of any order authorizing the rejection of the Executory Contract or Unexpired Lease, or (iii) thirty (30) days after the effective date of rejection of such Executory Contract or Unexpired Lease, including pursuant to Bankruptcy Code section 365(d)(4).

1.141. “*Residency Agreements*” means those certain agreements entered into by and between the Residents and the Debtor, including all Assisted Living Residency Agreements, Life Care Agreements, Skilled Nursing Residency Agreements, Memory Care Agreements, and any additional documents related thereto, including any amendments, supplements, or addendums.

1.142. “*Resident*” means a current or former resident of the Community who is a party to a Residency Agreement.

1.143. “*Resident Claim*” means the Claims of Residents arising under a Residency Agreement or for de minimis cash deposits held by the Debtor for Residents for Resident activities at the Property, but excludes any tort or professional liability Claims against the Debtor.

1.144. “*Retained Causes of Action*” shall have the meaning set forth in Section 4.2 of the Plan.

1.145. “*Sale Closing*” means the consummation of the Sale Transaction.

1.146. “*Sale Order*” means the Order (A) Approving Asset Purchase Agreement Between the Debtor and the Successful Bidder; (B) Authorizing the Sale of Substantially All of the Debtor’s Assets Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorizing the Assumption and Assignment of Designated Contracts, and (D) Granting Related Relief [Docket No. 365].

1.147. “*Sale Transaction*” means the sale of substantially all the Debtor’s Assets, free and clear of all Liens, Claims, encumbrances and Interests, to the Purchaser in accordance with the Sale Order, which such transaction is described in the Disclosure Statement.

1.148. “*Schedules*” means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases, and statements of financial affairs, if any, filed by the Debtor pursuant to Bankruptcy Code section 521 and in substantial accordance with the Official Bankruptcy Forms, as the same may have been amended, modified, or supplemented from time to time.

1.149. “*Secured Claim*” means any Claim against the Debtor: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to Bankruptcy Code section 553, to the extent of the value of the creditor’s interest in the Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Bankruptcy Code section 506(a) or (b) Allowed as such pursuant to the Plan.

1.150. “*Security*” means “security,” as defined in Bankruptcy Code section 101(49).

1.151. “*Series 2005 Bonds*” means the Series 2005A Bonds and the 2005B Bonds.

1.152. “*Series 2005A Bonds*” means the \$75,500,000 in original aggregate principal amount of the Illinois Finance Authority Revenue Bonds, Series 2005A (Friendship Village of Schaumburg) issued pursuant to the Series 2005 Bond Indenture, which was satisfied with the issuance of the Series 2017 Bonds.

1.153. “*Series 2005B Bonds*” means the \$5,000,000 in original aggregate principal amount of the Illinois Finance Authority Revenue Bonds, Series 2005B (Friendship Village of

Schaumburg) Extendable Rate Adjustable Securities issued pursuant to the Series 2005 Bond Indenture, which was satisfied with the issuance of the Series 2017 Bonds.

1.154. “*Series 2010 Bonds*” means the \$33,610,000 in original aggregate principal amount of the Illinois Finance Authority Revenue Bonds, Series 2010 (Friendship Village of Schaumburg), which was satisfied with the issuance of the Series 2017 Bonds.

1.155. “*Series 2017 Bonds*” means the \$122,550,000 aggregate principal amount of Illinois Finance Authority Revenue Bonds, Series 2017 (Friendship Village of Schaumburg) authorized to be issued pursuant to the terms and conditions of the 2017 Bond Indenture.

1.156. “*Series 2017 Bond Claims*” means any and all Claims in respect of the Series 2017 Bonds.

1.157. “*Series 2017 Obligation*” means the \$122,550,000 principal amount Direct Note Obligation, Series 2017-2 (Illinois Finance Authority) of FVS, in substantially the form attached to the Third Supplemental Master Indenture.

1.158. “*Stretto*” means Stretto, Inc., employed by the Debtor in the Chapter 11 Case pursuant to the *Order Granting Emergency Motion for Entry of an Order (I) Authorizing the Debtor to Retain and Appoint Stretto, Inc. as Claims and Noticing Agent Effective as of the Petition Date; and (II) Approving Notice Procedures and Master Service List* [Docket No. 83] and *Order Granting Motion to Employ Stretto, Inc. as Administrative Advisor for the Debtor Effective as of the Petition Date* [Docket No. 129].

1.159. “*Third Supplemental Master Indenture*” means that Third Supplemental Master Trust Indenture, dated December 1, 2017, supplementing and amending the Original Master Indenture.

1.160. “*Unclaimed Distributions*” means a Distribution that is not claimed by a Holder of an Allowed Claim on or prior to the Unclaimed Distribution Deadline.

1.161. “*Unclaimed Distribution Deadline*” means the first Business Day that is six (6) months after the Effective Date.

1.162. “*Unexpired Lease*” means a lease to which the Debtor is a party that is subject to assumption or rejection under Bankruptcy Code section 365.

1.163. “*Unimpaired*” means, with respect to a Claim, a Class of Claims that is “unimpaired” within the meaning of Bankruptcy Code section 1124.

1.164. “*Unsecured Claim*” means any Claim that is not a Secured Claim.

1.165. “*U.S. Trustee*” means the Office of the United States Trustee for the Northern District of Illinois.

1.166. “*U.S. Trustee Fees*” means all fees and charges assessed against the Estate of the Debtor under 28 U.S.C. § 1930.

1.167. “*Voting Agent*” means Stretto, Inc., in its capacity as solicitation and tabulation agent.

1.168. “*Voting Classes*” means Classes 2, 4 and 5.

1.169. “*Voting Deadline*” means the deadline to vote to accept or reject the Plan set forth in the Disclosure Statement or an order of the Bankruptcy Court, as such deadline may be extended or modified from time to time.

1.170. “*Voting Record Date*” means the date for determining which Holders in the Voting Classes are entitled to receive the Disclosure Statement and to vote to accept or reject the Plan, and, such date shall be the date the Disclosure Statement Hearing is concluded.

B. *Interpretation: Application of Definitions and Rules of Construction.* Unless otherwise specified, all section or exhibit references in the Plan are to the respective section in, or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained therein. A term used herein that is not defined herein shall have the meaning assigned to that term in the Bankruptcy Code. The rules of construction contained in Bankruptcy Code section 102 shall apply to the Plan. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Unless otherwise provided, any reference in the Plan to an existing document, exhibit, or schedule means such document, exhibit, or schedule as it may have been amended, restated, revised, supplemented, or otherwise modified. If a time or date is specified for any payments or other Distribution under the Plan, it shall mean on or as soon as reasonably practicable thereafter. Further, where appropriate from a contextual reading of a term, each term includes the singular and plural form of the term regardless of how the term is stated and each stated pronoun is gender neutral. In the event of any ambiguity or conflict between the Plan and the Disclosure Statement, the provisions of the Plan shall govern.

C. *Computation of Time.* In computing any period of time prescribed or allowed by the terms of the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply. Any references to the Effective Date shall mean the Effective Date or as soon as reasonably practicable thereafter unless otherwise specified herein.

D. *Controlling Document.* In the event of an inconsistency between the Plan and the Disclosure Statement, the terms of the Plan shall control in all respects. In the event of an inconsistency between the Plan and the Plan Supplement, the Plan shall control. In the event of an inconsistency between the Plan and the Confirmation Order, the Confirmation Order shall control.

SECTION 2 TREATMENT OF ADMINISTRATIVE CLAIMS, PRIORITY TAX CLAIMS, AND U.S. TRUSTEE FEES

2.1 *Administrative Expense Claims.*

2.1.1 *Deadline to File Administrative Expense Claims.* Holders of an Administrative Expense Claim (other than Holders of Professional Fee Claims and U.S. Trustee Fees) must file with the Bankruptcy Court and serve upon the Litigation Trustee, and the Plan

Proponent, **proof of such Administrative Expense Claim so as to be received by 4:00 p.m. (prevailing Central Time) on the Administrative Expense Bar Date.** For the avoidance of doubt, the DIP Lender, as Holder of the DIP Facility Claims, shall be required to file an Administrative Expense Claim for the allowance and satisfaction of such Claims.

Holders of Administrative Expense Claims that are required to file and serve a request for payment of such Administrative Expense Claims and that do not File such a request on or before the applicable Administrative Expense Bar Date shall forever be barred from asserting such Administrative Expense Claims against the Debtor, the Estate, the Litigation Trustee, or the Litigation Trust, as applicable, or their respective property, including the Administrative Expense Escrow Account. The Litigation Trustee or the Bond Trustee may file and serve objections to the Administrative Expense Claims on or before the Administrative Expense Objection Deadline.

2.1.2 Administrative Expense Escrow Amount. The Debtor shall deliver to the Plan Proponent a reasonable and good faith estimate of Administrative Expense Claims projected to be outstanding as of the anticipated Effective Date, and shall deliver such estimate no later than five (5) Business Days prior to the anticipated Effective Date. For the avoidance of doubt, no such estimate shall be considered or deemed an admission or limitation with respect to the amount of the Administrative Expense Claims, which are subject to claimants filing proof of such claims by the Administrative Expense Bar Date. If the Debtor does not provide an estimate, the Plan Proponent may estimate the total Administrative Expense Claims. The total aggregate amount so estimated pursuant to this paragraph to be outstanding as of the anticipated Effective Date shall be utilized by the Plan Proponent to determine the amount to be funded to the Administrative Expense Escrow Account (the “Administrative Expense Escrow Amount”).

2.1.3 Administrative Expense Escrow Account. No later than the Effective Date, the Plan Proponent shall establish an escrow account with, and to be maintained by, the Bond Trustee in the name of the Litigation Trustee (the “Administrative Expense Escrow Account”). On or prior to the Effective Date, the Debtor or the Litigation Trustee, as applicable, shall deposit Cash in an amount equal to the Administrative Expense Escrow Amount into the Administrative Expense Escrow Account. The Cash used to fund the Administrative Expense Escrow Account shall be (i) all of the net sale proceeds from the Huntley Property Sale, (ii) all of the net sale proceeds attributable to the Parking Parcel, which shall be \$120,000, and (iii) the Cash held by the Debtor in its operating account exclusive of Cash representing the Net Sale Proceeds, and the net sale proceeds (i) from the Huntley Property Sale and (ii) attributable the Parking Parcel. To the extent such monies are in an amount less than the Administrative Claims Escrow Amount, the Debtor or Litigation Trustee, as applicable, with the Bond Trustee’s consent, may use the Net Sale Proceeds that are subject to the Bond Trustee’s Lien to satisfy such shortfall.

The sole source of payment of Allowed Administrative Expense Claims shall be the amounts held in the Administrative Expense Escrow Account. Holders of Allowed Administrative Expense Claims shall not be entitled to Distributions from the Litigation Trust or any other accounts created under the Plan, or any source other than the Administrative Expense Escrow Account, on account of their Allowed Administrative Expense Claim. The Administrative Expense Escrow Account shall be maintained in trust solely for Holders of Allowed Administrative Expense Claims until all Administrative Claims Allowed by the Bankruptcy Court have been irrevocably paid in full to the Holders of such claims pursuant to one or more Final Orders of the Bankruptcy

Court or as otherwise agreed by the Holder of an Allowed Administrative Expense Claim and the Litigation Trustee with the Bond Trustee's consent. The Cash utilized to make payments from the Administrative Expense Escrow Account to Holders of Allowed Administrative Expense Claims shall be allocated (i) *first*, to the net sale proceeds from the Huntley Property Sale, (ii) *second*, the net sale proceeds attributable to the Parking Parcel, (iii), *third*, the Cash held by the Debtor in its operating account exclusive of Cash representing Net Sale Proceeds, and the net sale proceeds (i) from the Huntley Property Sale and (ii) attributable the Parking Parcel, and (iv) *fourth*, to the Net Sale Proceeds contributed by the Bond Trustee who shall continue to hold a Lien on such monies.

No funds held In the Administrative Expense Escrow Account shall be property of the Debtor or the Estate, the Litigation Trust, or any respective successors thereto, as applicable, except to the extent such funds exceed the Allowed Administrative Expense Claims, which funds shall remain subject to the Bond Trustee's Lien, as applicable. When all Allowed Administrative Expense Claims have been irrevocably paid in full to the Holders of such claims, any remaining funds held in the Administrative Expense Escrow Account, to the extent such funds represent the net sale proceeds from the Huntley Property Sale and/or the net sale proceeds attributable to the Parking Parcel, shall be turned over to the Litigation Trustee and shall constitute Litigation Trust Assets, without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity. To the extent any of the remaining funds held in the Administrative Expense Escrow Account represent the Net Sale Proceeds contributed by the Bond Trustee, such funds shall be paid directly to the Bond Trustee without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

2.1.4 Treatment of Allowed Administrative Expense Claims. Except to the extent that a Holder of an Allowed Administrative Expense Claim agrees to less favorable treatment or has been paid prior to the Effective Date with the consent of the Bond Trustee in full and final satisfaction, settlement, and release of and in exchange for release of each Allowed Administrative Expense Claim, and subject to Section 2.1.1 herein, each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in Cash by the Litigation Trustee from the Administrative Expense Escrow Account on (or as soon thereafter as is reasonably practicable) the later of (i) the Effective Date and (ii) the first Business Day after the date that is ten (10) calendar days after the date an Administrative Expense Claim becomes an Allowed Administrative Expense Claim; *provided, however*, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor, as debtor in possession, shall be paid by the Debtor, with the consent of the Bond Trustee or the Litigation Trustee, as applicable, in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any orders or agreements governing, instruments evidencing, or other documents establishing, such liabilities.

2.2 Professional Fee Claims.

2.2.1 Deadline to File Professional Fee Claims; Notice of Final Fee Hearing. All Professionals requesting payment or satisfaction of Professional Fee Claims for services rendered before the Effective Date (including compensation requested by any Professional or other entity for making a substantial contribution in the Chapter 11 Case) shall File an application for final allowance of compensation and reimbursement of expenses **so as to be received by 4:00 p.m. (prevailing Central Time) on the Professional Fee Claim Bar Date.**

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

2.2.2 Professional Fee Escrow Amount. The Professionals shall deliver to the Plan Proponent a reasonable and good-faith estimate of their unpaid fees and expenses incurred in rendering services to the Debtor before and as of the Effective Date projected to be outstanding as of the anticipated Effective Date, and shall deliver such estimate no later than five (5) Business Days prior to the anticipated Effective Date. For the avoidance of doubt, such estimate shall be considered a cap with respect to the amount of the fees and expenses that may be the subject of such Professional's final request for payment of Professional Fee Claims Filed with the Bankruptcy Court. If a Professional does not provide an estimate, the Plan Proponent may estimate the unpaid and unbilled fees and expenses of such Professional. The total aggregate amount so estimated to be outstanding as of the anticipated Effective Date shall be utilized by the Plan Proponent to determine the amount to be funded to the Professional Fee Escrow Account (the "Professional Fee Escrow Amount").

2.2.3 Professional Fee Escrow Account. No later than the Effective Date, the Plan Proponent shall establish an escrow account with, and to be maintained by, the Bond Trustee in the name of the Litigation Trustee (the "Professional Fee Escrow Account"). On or prior to the Effective Date, the Debtor or the Litigation Trustee, as applicable, shall, with the Bond Trustee's consent, deposit Cash from the Net Sale Proceeds subject to the Bond Trustee's Lien in an amount equal to Professional Fee Escrow Amount into the Professional Fee Escrow Account.

The sole source of payment of Allowed Professional Fee Claims shall be the amounts held in the Professional Fee Escrow Account. Holders of Professional Fee Claims shall not be entitled to distributions from the Litigation Trust or any other accounts created under the Plan, or any source other than the Professional Fee Escrow Account, on account of their Professional Fee Claims. The Professional Fee Escrow Account shall be maintained in trust solely for the Professionals until all Professional Fee Claims Allowed by the Bankruptcy Court have been irrevocably paid in full to the Professionals pursuant to one or more Final Orders of the Bankruptcy Court. No funds held in the Professional Fee Escrow Account shall be property of the Debtor, the Estate, the Litigation Trust, or any respective successors thereto, as applicable, except to the extent such funds exceed the Professional Fee Claims Allowed by the Bankruptcy Court. When all Professional Fee Claims Allowed by the Bankruptcy Court have been paid in full to the Professionals pursuant to one or more Final Orders of the Bankruptcy Court, any remaining funds held in the Professional Fee Escrow Account shall continue to be subject to the Bond Trustee's Lien and shall be directly released to the Bond Trustee without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

2.2.4 Payment of Allowed Professional Fee Claims. The Litigation Trustee shall pay Professional Fee Claims in Cash to such Professionals in the amount the Bankruptcy Court allows solely from and to the extent of funds held in the Professional Fee Escrow Account as soon as reasonably practicable after all such Professional Fee Claims are Allowed by entry of a Final

Order of the Bankruptcy Court or upon such other terms as agreed by the Holder of such an Allowed Professional Fee Claims and the Litigation Trustee.

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

2.4 **Escrow Resident Claims.** As of November 14, 2023 and January 17, 2024, the Entrance Fee Escrow held approximately \$5,300,000 and \$4,900,000, respectively. As of February 29, 2024, the Entrance Fee Escrow holds approximately \$620,000. Thus, numerous depositors have already received the return of their Option Deposits. The remaining Option Deposits will be released pursuant to applicable agreements as soon as reasonably practicable and no later than Confirmation.

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

SECTION 3 CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

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

Except to the extent that a Holder of an Allowed Claim or Allowed Interest, as applicable, agrees in writing to less favorable treatment for such Allowed Claim or Allowed Interest, as applicable, such Holder shall receive under the Plan the treatment described below and set forth in Section 7 of the Plan in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Holder's Allowed Claim or Allowed Interest. Unless otherwise indicated, the Holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the Effective Date or as soon thereafter as reasonably practicable.

The following table designates the Classes of Claims and Interests in the Debtor and specifies which of those Classes are: (i) Impaired or Unimpaired; (ii) entitled to vote to accept or reject the Plan; and (iii) deemed to accept or reject the Plan.

Class	Estimated Allowed Claims²	Treatment & Voting Rights	Estimated Recovery³
Class 1 – Other Priority Claims	\$481,000	Unimpaired, deemed to accept	100%
Class 2 – Allowed Bond Claims	\$131,643,278	Impaired, entitled to vote	[TBD]
Class 3 – Other Secured Claims	\$40,000	Unimpaired, deemed to accept	100%
Class 4 – General Unsecured Claims	[TBD] ⁴	Impaired, entitled to vote	[TBD] ⁵
Class 5 – Former Residents Claims	\$20,000,000	Impaired, entitled to vote	[TBD] ⁶
Class 6 – Intercompany Claims	N/A ⁷	Impaired, not entitled to vote	0.0%

² These amounts represent estimated Allowed Claims, and do not represent amounts actually asserted by creditors in Proofs of Claim or otherwise. Following the Effective Date, the Litigation Trustee and/or the Bond Trustee will review and analyze all Claims in the Chapter 11 Case, and object, as reasonably necessary, to such Claims. Therefore, there can be no assurances of the exact amount of the Allowed Claims at this time. Rather, the actual amount of the Allowed Claims may be greater or lower than estimated.

³ The estimated percentage recovery is based upon, among other things, an estimate of the Allowed Claims in the Chapter 11 Case. As set forth above, the actual amount of the Allowed Claims may be greater or lower than estimated. Thus, the actual recoveries may be higher or lower than projected depending upon, among other things, the amounts and priorities of Claims that are Allowed by the Bankruptcy Court.

⁴ Includes (i) the Bond Deficiency Claim, (ii) the Deficiency Claim of the Other Secured Claim Holder (Leaf Capital Funding, LLC), which is estimated to be approximately \$62,327, (iii) Non-Resident General Unsecured Claims of approximately \$5,968,100.97, which includes the Allowed General Unsecured Claim of Morrison in the amount of \$2,012,100.97, and (iv) any Rejection Claims that arise as a result of a Holder of a Current Resident Claim electing not to consent to be bound by the terms of a modified Residency Agreement and, thus, causing their Residency Agreement to be rejected.

⁵ Holders of Allowed General Unsecured Claims are estimated to receive Distributions ranging from [TBD] of their Allowed General Unsecured Claims, depending on the value of the Litigation Trust Assets, including the FSO Causes of Action, D&O Causes of Action, and the liquidation of other Litigation Trust Assets.

⁶ Former Residents will receive \$2,000,000 from the Sale as set forth in the Community APA, as well as a Pro Rata share of any net recoveries by the Litigation Trust.

⁷ FSO has filed a Proof of Claim in the amount of \$232,000; however, as set forth herein, the Litigation Trustee will be objecting to FSO's claim.

Class	Estimated Allowed Claims ²	Treatment & Voting Rights	Estimated Recovery ³
Class 7 – Interests in Debtor	N/A	Impaired, not entitled to vote	0.0%

3.1.1 Class 1 – Other Priority Claims. Class 1 is Unimpaired and deemed to accept the Plan and, thus, is not entitled to vote on the Plan. This Class consists of all Allowed Other Priority Claims, if any such Claims still exist as of the Effective Date. Each Allowed Other Priority Claim shall be in a separate subclass. Except to the extent that a Holder of an Allowed Other Priority Claim agrees in writing to less favorable treatment of such Holder's Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for, its Allowed Other Priority Claim: (a) payment in full, in Cash, on the later of (i) the Effective Date or (ii) the first Business Day after the date that is ten (10) calendar days after the date the date such Other Priority Claim is Allowed, or (b) payment at such time and upon other terms as the Litigation Trustee and the Holder of such Allowed Other Priority Claim may agree.

3.1.2 Class 2 – Allowed Bond Claims. Class 2 is Impaired and entitled to vote on the Plan. This Class consists of the Allowed Bond Claims and includes the Claim of the Bond Trustee, which Claim shall be deemed Allowed pursuant to the Plan in the aggregate amount of \$131,643,278. On the Effective Date, all Cash held in the name of the Debtor subject to the Bond Trustee's Lien, including the Net Sale Proceeds and all proceeds of accounts receivable, but excluding the net sale proceeds from the Huntley Property Sale and the Parking Parcel and the amounts required to fund the costs and expenses of the Plan, in an amount no less than [TBD] shall be paid to the Bond Trustee in satisfaction of the Bond Trustee's Lien on such Cash on account of its Allowed Secured Claim. Such funds shall be disbursed to the Bond Trustee who shall then disburse such funds to holders of the Bonds in accordance with the Original Bond Documents or such other documents controlling the distribution of payments on the Bonds. The Bond Trustee shall retain its Lien on any Assets in the Estate, including accounts receivable and any Intercompany Claims and the proceeds thereof, and such Assets shall remain subject to the Bond Trustee's Lien upon the transfer of those Assets into the Litigation Trust. Subject to the terms herein, including the Investigation Period described below, the Bond Trustee's Lien shall also attach to (i) the ERTC Funds in the event such monies are determined to be Assets of the Estate, and (ii) any proceeds of any Intercompany Claim.

The Bond Deficiency Claim shall be an Allowed General Unsecured Claim in the estimated amount of [TBD] (which amount is equal to the Allowed Bond Claim less the amount received by the Bond Trustee based upon its Allowed Secured Claim) that shall receive payments under the Plan on a Pro Rata basis with other holders of Allowed General Unsecured Claims.

3.1.3 Class 3 – Other Secured Claims. Class 3 is Unimpaired and deemed to accept the Plan and, thus, is not entitled to vote on the Plan. Except to the extent that a Holder of an Allowed Other Secured Claim agrees in writing to less favorable treatment of its Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive, in full and complete satisfaction, settlement, discharge, and release of, and in exchange for, its Allowed Other Secured

Claim: (a) payment in full, in Cash, of the unpaid portion of its Allowed Other Secured Claim on the following: (i) if such Allowed Other Secured Claim is Allowed as of the Effective Date, the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, the date such Allowed Other Secured Claim becomes due and payable, or as soon thereafter as is reasonably practicable); and (ii) if such Allowed Other Secured Claim is not Allowed as of the Effective Date, the date such Other Secured Claim is Allowed or as soon as reasonably thereafter practicable; (b) a Distribution of such Collateral securing the Other Secured Claim; (c) a Distribution of the proceeds of the sale or disposition of such Collateral securing the Other Secured Claim; and (d) such other treatment as the Holder of such Allowed Other Secured Claim may agree.

3.1.4 Class 4 – General Unsecured Claims. Class 4 is Impaired and entitled to vote to accept or reject the Plan. This Class consists of all Deficiency Claims and Non-Resident General Unsecured Claims. Holders of Allowed General Unsecured Claims shall be paid a Pro Rata share of any net recoveries by the Litigation Trust pursuant to the terms of the Litigation Trust Agreement.

3.1.5 Class 5 – Former Resident Claims. Class 5 is Impaired and entitled to vote on the Plan. This Class consists of all Claims of Former Residents. Holders of Class 5 Claims will recover (i) their Pro Rata share of \$2,000,000 (Buyer Former Resident Contribution), and (ii) their Pro Rata share of any net recoveries by the Litigation Trust that are to be distributed to such class pursuant to the terms of the Litigation Trust Agreement.

3.1.6 Class 6 – Intercompany Claims. Class 6 is Impaired and not entitled to vote to accept or reject the Plan. This Class consists of FSO's Intercompany Claim. There will be no Distribution to FSO on account of its Intercompany Claim(s). For the avoidance of doubt, the Plan Proponent disputes the validity of FSO's asserted claim and the Litigation Trustee may object to such claim.

3.1.7 Class 7 – Interests in Debtor. Class 7 is Impaired and deemed to reject the Plan. This Class consists of Holders of Interests of the Debtor, which are held by FSO as the sole member of the Debtor. On the Effective Date, Interests of the Debtor shall be terminated.

3.2 ***Acceptance or Rejection of the Plan.***

3.2.8 Acceptance by an Impaired Class. In accordance with Bankruptcy Code section 112I) and except as provided in Bankruptcy Code section 1126(e), an Impaired Class of Claims shall have accepted the Plan if the Plan is accepted by the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject the Plan.

3.2.9 Presumed Acceptance of the Plan. Classes 1 and 3 are not Impaired under the Plan and are, therefore, conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code section 1126(f).

3.2.10 Presumed Rejection of the Plan. Class 6 is conclusively presumed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).

3.2.11 Voting Classes. Classes 2, 4, and 5 are entitled to vote to accept or reject the Plan.

3.3 ***Subordinated Claims***. The allowance, classification, and treatment of all Allowed Claims and Interests and the respective Distributions and treatments under the Plan take into account the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, Bankruptcy Code section 510(b), or otherwise. For purposes of Bankruptcy Rule 7001(8), the Plan provides for subordination. The Litigation Trustee, as set forth herein, shall have the right to request to subordinate any Claim in accordance with any contractual, legal, or equitable subordination relating thereto under the Bankruptcy Code. Subordinated Claims shall not receive a Distribution under the Plan until any and all senior Allowed Claims are paid in full.

3.4 ***Cramdown and No Unfair Discrimination***. If all applicable requirements for confirmation of the Plan are met as set forth in Bankruptcy Code section 1129(a) except subsection (8) thereof, the Plan Proponent shall request that the Bankruptcy Court confirm the Plan in accordance with Bankruptcy Code section 1129(b) on the bases that the Plan is fair and equitable and does not discriminate unfairly with respect to each Class of Claims or Interests that is Impaired hereunder, and has not accepted or is deemed to reject, the Plan.

SECTION 4 MEANS FOR IMPLEMENTATION AND EFFECTIVE DATE OF THE PLAN

4.1 *Distribution of Sale Proceeds*

4.1.1 Sale Transaction and Transfer of Net Sale Proceeds. Consistent with the Community APA, and pursuant to the Sale Order, substantially all the Assets have been sold to the Purchaser, free and clear of all Liens, Claims, Encumbrances, and Interests, with all such Liens, Claims, Encumbrances and Interests attaching automatically to the Net Sale Proceeds in the same manner, extent, validity and priority as existed on the Closing Date. Net Sale Proceeds will be distributed pursuant to the Plan.

On the Effective Date, or as soon as practicable thereafter, the Bond Trustee shall receive on account of its Allowed Secured Claim all Cash held in the Debtor's name, including the Net Sale Proceeds, less the amounts required to fund the costs and expenses of the Plan, subject to its Lien. All Distributions made on account of the Allowed Bond Claims shall be paid to the Bond Trustee, and the Bond Trustee shall make further distributions to the Holders of the Bonds in accordance with the Original Bond Documents or such other documents controlling the distribution of payments on the Bonds.

4.1.2 The Huntley Property Sale and Transfer of Related Proceeds. Pursuant to the Huntley PSA, which was approved by the Bankruptcy Court on January 10, 2024, the Huntley Property was sold and transferred to Prime Group, free and clear of any Liens, Claims, Encumbrances, and Interests. The sale closed on or about January 31, 2024.

The Estate received net sale proceeds of approximately \$420,000 after payment of closing costs, fees, and satisfaction of debts, including, without limitation a commission payment

to Avison Young in the amount of \$27,000. Any remaining such net sale proceeds will be distributed in accordance with the Plan and applicable provisions of the Bankruptcy Code.

4.2 Retained Causes of Action. As of the Petition Date, the Debtor's Estate had no pending claims or causes of action that it was prosecuting, as reflected in the Schedules. In accordance with Bankruptcy Code section 1123(b), the Litigation Trustee (and the Bond Trustee if the Litigation Trustee determines not to pursue any such Causes of Action) shall be vested with standing and the authority to enforce all rights to commence and pursue, as appropriate, any and all Causes of Action of the Debtor, including the FSO Causes of Action, the D&O Causes of Action, the ERTC Turnover Causes of Action and the Avoidance Actions, whether arising before or after the Petition Date (collectively, the "Retained Causes of Action"), and the Litigation Trustee's right(s) to commence, prosecute, or settle such Causes of Action shall be consistent with the terms of the Litigation Trust Agreement. The Litigation Trustee and/or the Bond Trustee on behalf of the Litigation Trust are the sole parties that may pursue such Causes of Action in accordance with the terms and conditions of the Litigation Trust and the Plan. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against such Person as any indication that the Litigation Trustee will not pursue any and all available Causes of Action against such Person. Except with respect to Causes of Action as to which the Debtor has released any Person on or before the Effective Date, the Plan expressly reserves all rights to prosecute any and all Retained Causes of Action of the Debtor against any Person, except as otherwise expressly provided in the Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, or by an order of the Bankruptcy Court, the Litigation Trustee expressly reserves all Retained Causes of Action for later adjudication and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the confirmation or consummation of the Plan. For the avoidance of doubt, the Retained Causes of Action include the following:

4.2.1 FSO Causes of Action. Any Claims or Causes of Action held by the Debtor or the Estate against FSO, including any Claims or Causes of Action related to or arising from conversion of corporate assets and fraudulent conveyance, are not released pursuant to the Plan (collectively, the "FSO Causes of Action"). The FSO Causes of Action shall be assigned and transferred to the Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors' rights, title, and interest in any FSO Causes of Action, and the Litigation Trustee shall have standing to pursue the FSO Causes of Action.

4.2.2 Intercompany Claims. Any Intercompany Claims held by the Debtor or the Estate against any of its corporate affiliates, including FSO, are not released pursuant to the Plan. The Intercompany Claims shall be assigned and transferred to the Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors' rights, title, and interest in any Intercompany Claims, and the Litigation Trustee shall have standing to pursue the Intercompany Claims.

4.2.3 D&O Causes of Action. Any Claims or Causes of Action held by the Debtor or the Estate against the Debtor's Directors and Officers, including any Claims or Causes of Action

related to or arising from breaches of fiduciary duties, are not released pursuant to the Plan (collectively, the “D&O Causes of Action”). The D&O Causes of Action shall be assigned and transferred to the Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors’ rights, title, and interest in any D&O Causes of Action, and the Litigation Trustee shall have standing to pursue the D&O Causes of Action.

4.2.4 ERTC Turnover Causes of Action. Any Claims or Causes of Action held by the Debtor or the Estate related to the ERTC Funds, including any Claims or Causes of Action that such monies are property of the Estate and FSO should be compelled to turnover of such monies to the Debtor (the “ERTC Turnover Causes of Action”). The ERTC Turnover Causes of Action shall be assigned and transferred to the Litigation Trust to be pursued, settled, or resolved by the Litigation Trustee (or the Bond Trustee, as appropriate), and the Litigation Trustee shall be a successor to the Debtors’ rights, title, and interest in any ERTC Turnover Causes of Action, and the Litigation Trustee shall have standing to pursue the ERTC Turnover Causes of Action.

In the event the Litigation Trustee decides not to pursue any Retained Cause of Action, the Bond Trustee shall have standing to pursue such claims on behalf of the Estate.

4.3 ***Litigation Trust***. Upon the Effective Date, a Litigation Trust will be formed, into which all Assets (other than the Cash distributed pursuant to Sections 4.1.1. and 4.1.2 herein), including all Retained Causes of Action of the Debtor, including the FSO Causes of Action, the D&O Causes of Action, and the ERTC Turnover Actions, shall be transferred. Holders of Litigation Trust Interests shall consist of Holders of Allowed Claims in Class 4 (General Unsecured Claims) and Class 5 (Former Resident Claims).

4.3.1 Creation of the Litigation Trust. On or prior to the Effective Date, the Debtor shall execute the Litigation Trust Agreement. On the Effective Date, the Litigation Trust shall become effective and shall be deemed to be valid, binding and enforceable in accordance with the terms and provisions of the Plan and the Litigation Trust Agreement. After the Effective Date, the Litigation Trust Agreement may be amended in accordance with its terms without further order of the Bankruptcy Court. The Litigation Agreement must be acceptable in form and substance to the Bond Trustee and the Committee.

4.3.2 Purpose of the Litigation Trust. The Litigation Trust shall be formed for the purposes of: (a) liquidating any non-Cash Litigation Trust Assets, (b) maximizing recovery of the Litigation Trust Assets for the benefit of the holders of Litigation Trust Interests, (c) distributing the proceeds of the Litigation Trust Assets to holders of Litigation Trust Interests in accordance with the Plan and the Litigation Trust Agreement, (d) prosecuting or otherwise resolving the Retained Causes of Action, including the FSO Causes of Action and the D&O Causes of Action for the benefit of holders of Litigation Trust Interests, and (e) winding down the Chapter 11 Case.

4.3.3 Funding of the Litigation Trust. On the Effective Date, the Bond Trustee shall deliver or cause to be delivered the Litigation Trust Funding into the Litigation Trust to be used exclusively for the purpose of paying Litigation Trust Expenses.

4.3.4 Transfer of Litigation Trust Assets. As of the Effective Date, pursuant to the provisions of sections 1141(b) and (c) of the Bankruptcy Code, the Debtor and the Estate shall preserve, transfer and assign all of its right, title, and interest in and to all of the Litigation Trust Assets, which shall automatically vest in the Litigation Trust free and clear of all Claims, Liens, encumbrances, charges, Interests, and other interests other than the Bond Trustee's Lien on such Assets, subject only to the Allowed Claims of the Holders of Litigation Trust Interests pursuant to the terms of the Plan and the Litigation Trust Agreement.

4.3.5 Appointment of Litigation Trustee. Prior to Confirmation, the Litigation Trustee shall be identified by the Plan Proponent, and on the Effective Date, shall be the Estate's representative with respect to Litigation Trust Assets in accordance with Bankruptcy Code section 1123 and such trustee shall have all powers, authority and responsibilities specified in the Plan and Litigation Trust Agreement solely with respect to the Litigation Trust Assets, including, without limitation, the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code and Bankruptcy Rule 2004.

4.3.6 Governance of Litigation Trust. The Litigation Trust shall be governed by the Litigation Trust Agreement and administered by the Litigation Trustee who shall report to the Litigation Trust Oversight Committee in accordance with the terms of the Plan and the Litigation Trust Agreement.

4.3.7 Tax Treatment. Except to the extent allocable to Disputed Claims, consistent with the principles of Revenue Procedure 94-45, 1994-2 C.B. 684, as of the Effective Date, for federal income tax purposes, (i) the Debtor will be deemed to transfer the Litigation Trust Assets to the holders of the Litigation Trust Interests, (ii) the holders of the Litigation Trust Interests will be deemed to transfer such Assets to the Litigation Trust, (iii) the Litigation Trust will be treated as a "liquidating trust," as defined in Treasury Regulation section 301.7701-4(d), and as a "grantor trust" within the meaning of Internal Revenue Code sections 671-679, and (iv) the holders of the Litigation Trust Interests will be treated as the "grantors" of the Litigation Trust.

4.3.8 Securities Registration Exemption. The Litigation Trust Interests shall not be deemed "securities" under applicable laws, but to the extent such units are deemed to be "securities," the Plan Proponent believes the issuance of such units under the Plan is exempt, pursuant to Bankruptcy Code section 1145 (except with respect to an entity that is an "underwriter" as defined in Bankruptcy Code section 1145(b)).

4.3.9 Rights, Powers, and Duties of the Litigation Trust and the Litigation Trust Trustee. The Litigation Trust will act for the benefit of holders of Litigation Trust Interests in a fiduciary capacity and shall have comparable authority as a bankruptcy trustee of the Debtor, as the exclusive representative of the Estate under section 1123(a)(5)(B) of the Bankruptcy Code or any corresponding federal or state laws with respect to the Litigation Trust Assets and shall succeed to all of the Debtor's and the Estate's rights with respect thereto, subject to the provisions of the Plan and the Litigation Trust Agreement. The Litigation Trust is the successor to the Debtor and the Estate. The powers, rights and duties of the Litigation Trustee shall arise on the Effective Date and shall include, all subject to the terms and conditions of the Litigation Trust Agreement, the following:

(a) commencing, pursuing and liquidating Retained Causes of Action, including the FSO Causes of Action, the Intercompany Claims, the D&O Causes of Action, and the ERTC Turnover Causes of Action;

(b) engaging attorneys, consultants, agents, employees and any other professional persons to assist the Litigation Trustee with respect to the Litigation Trustee's responsibilities;

(c) paying the fees and expenses of the attorneys, consultants, agents, employees and other professional persons engaged by the Litigation Trust and paying all other expenses;

(d) compromising and settling Claims without notice or Bankruptcy Court approval;

(e) calculating and implementing distributions of Litigation Trust Assets for the benefit of the holders of the Litigation Trust Interests;

(f) resolving issues involving Claims and Interests in accordance with the Plan;

(g) making Distributions of the Litigation Trust Assets and the proceeds thereof in accordance with the Plan and the Litigation Trust Agreement;

(h) overseeing compliance with accounting, finance and reporting obligations, including preparing financial statements and U.S. Trustee post-confirmation quarterly reports, and filing such reports on the docket of the Chapter 11 Case until such time as a final decree has been entered;

(i) consulting with members of the Litigation Trust Oversight Committee regarding the potential prosecution and/or settlement of Retained Causes of Action and reporting to the Litigation Trust Oversight Committee regarding such matters, and seeking approval from the Litigation Trust Oversight Committee regarding the prosecution and/or settlement of each Cause of Action, to the extent set forth in the Litigation Trust Agreement;

(j) investing Cash in accordance with Bankruptcy Code section 345, and withdrawing and making Distributions of Cash to holders of Litigation Trust Interests, holding and paying taxes and other obligations incurred by the Litigation Trustee in connection with winding down the Estate in accordance with the Plan;

(k) coordinating the turnover of property, if any, subject to rejected executory contracts or abandonment or liquidation of any Litigation Trust Assets;

(l) taking possession of all books, records, and files of the Debtor and the Estate; and providing for the retention and storage of such books, records, and files until such time as the Litigation Trust determines, in accordance with the Litigation Trust Agreement, that retention of same is no longer necessary or required;

(m) succeeding to all privileges of the Debtor, including but not limited to the attorney-client privilege;

(n) paying taxes or other obligations incurred by the Litigation Trust;

(o) overseeing the filing of final tax returns, refund requests, audits and other corporate dissolution documents, as required;

(p) performing any additional corporate actions as necessary to carry out the wind down and liquidation of the Estate;

(q) exercising such other powers as may be vested in or assumed by the Litigation Trustee pursuant to the Plan, the Litigation Trust Agreement or other Order of the Bankruptcy Court or as may be needed or appropriate to carry out the provisions of the Plan; and

(r) undertaking all administrative functions of the Chapter 11 Case, including the payment of fees payable to the U.S. Trustee and the ultimate closing of the Chapter 11 Case.

4.3.10 Retention of Books and Records; Privileges. On the Effective Date, and subject to the terms of the Community APA, the Debtor's books and records or rights thereto shall be transferred to the Litigation Trust, which shall continue to preserve all financial books and records, emails, and other financial documents relating to the Debtor's business that are currently in the Debtor's possession, custody or control. The Litigation Trustee shall succeed to all privileges of the Debtor, including but not limited to the attorney-client privilege.

4.3.11 Litigation Trust Interests. Holders of Claims in Classes 4 and 5 shall, by operation of the Plan, receive a Pro Rata share of the Litigation Trust Interests in accordance with the terms of and priorities set forth in the Litigation Trust Agreement. Litigation Trust Interests shall also be reserved for holders of Disputed Claims which, if Allowed, would be entitled to participate in Distributions from the Litigation Trust, and such reserved Litigation Trust Interests shall be held by the Litigation Trustee pending allowance or disallowance of such Claims. No other Person shall have any interest, legal, beneficial or otherwise, in the Litigation Trust Assets upon the assignment and transfer of such assets to the Litigation Trust other than Holders of Litigation Trust Interests. The Litigation Trust Interests shall be uncertificated and shall be nontransferable except upon death of the holder or by operation of law. Holders of Litigation Trust Interests shall have no voting rights with respect to such interests.

4.3.12 Distributions from the Litigation Trust.

(a) Generally. Except as otherwise provided herein, net distributions (after payment of expenses) from the Litigation Trust of Litigation Trust Assets or proceeds thereof (not otherwise subject to the Bond Trustee's Lien) shall be made as follows:

- *First*, any outstanding fees and expenses of the Litigation Trust;
- *Second*, in consideration for the Litigation Trust Funding, to the Bond Trustee in an amount equal to the Litigation Trust Funding (plus the Litigation Trust Funding Fee); and

- *Third*, on a Pro Rata basis to Holders of Litigation Trust Interests.

(b) Distribution of Proceeds from ERTC Turnover Action.

Notwithstanding anything to the contrary herein, upon the entry of a Final Order finding that the ERTC Funds are property of the Debtor and/or the Estate, (i) the DIP Facility Claims shall be avoided, and (ii) the Bond Trustee's Lien shall immediately attach to such monies, subject to the Investigation Period. Upon receipt of the ERTC Funds, or any portion thereof, and, subject to any Challenge, the Litigation Trustee shall distribute such monies directly to the Bond Trustee for distribution to Holders of the Bonds. If such funds are found to not be subject to the Bond Trustee's Lien based upon any successful Challenge, such funds shall be retained by the Litigation Trustee and distributed in accordance with the terms of the Litigation Trust.

(c) Distributions of Proceeds from the Intercompany Claims.

Notwithstanding anything to the contrary herein, upon entry of a Final Order finding FSO or any other corporate affiliate of the Debtor is liable to the Debtor for any Intercompany Claim, the Bond Trustee's Lien shall immediately attach to such payment rights and the proceeds thereof, subject to the Investigation Period. Upon receipt of such proceeds, or any portion thereof, the Litigation Trustee shall distribute such monies directly to the Bond Trustee for distribution to Holders of the Bonds subject to any successful Challenge.

4.4 *Post-Effective Date Challenge Period.* On the Effective Date, the Litigation Trustee shall retain counsel for the Committee ("Investigation Counsel"), and, for a period of thirty (30) calendar days following the Effective Date (such period of time, the "Investigation Period"), Investigation Counsel, on behalf of the Litigation Trustee, may file an adversary proceeding or contested matter (a "Challenge") challenging the amount validity, extent, enforceability, perfection or priority of the Bond Trustee's security interest in and Lien on any of the Litigation Trust Assets, including the ERTC Funds and the Intercompany Claims, and the proceeds thereof. If no Challenge is commenced during the Investigation Period, then the Bond Trustee's Lien on such Assets shall be deemed legal, valid, binding, perfected, not subject to defense, counterclaim, offset of any kind, subordination and otherwise unavoidable. For the avoidance of doubt, any Challenge brought after the expiration of the Investigation Period shall be barred. The Litigation Trustee shall be entitled to make no more than \$25,000 from the Litigation Trust Funding available to reimburse for any fees and expenses incurred in investigating the validity, extent, enforceability, perfection or priority of the Bond Trustee's security interest in and Lien on any of the Litigation Trust Assets.

4.5 *Entrance Fee Escrow.* As of the date hereof, the Entrance Fee Escrow, which is maintained by the Debtor for the benefit of certain residents, holds approximately \$620,000 in funds that will be distributed as soon as practicable and no later than Confirmation. The Debtor or the Litigation Trustee, as applicable, shall cooperate and work with Residents and the Escrow Agent to cause the Escrow Agent to disburse the funds from the Entrance Fee Escrow, after expense, to return deposits and Entrance Fees to Residents irrespective of whether such Resident elected to continue to reside at the Community after the Sale Closing.

4.6 *Other Resident Matters.* Pursuant to the Community APA and Sale Order, on the date of the Sale Closing, all Residency Agreements between the Debtor and Former Residents were rejected. The Purchaser offered modified Residency Agreements to Residents who resided at the Community as of the Closing Date, converting the Residency Agreements into monthly rental

agreements. The Debtor assumed and assigned to Purchaser the modified Residency Agreements, and the Purchaser agreed to honor a portion of the Debtor's Refund Obligations to Participating Current Residents in accordance with the terms of the modified Residency Agreements and the Community APA. Any Residency Agreements of non-Participating Current Residents are rejected.

Former Residents' Residency Agreements will be rejected pursuant to the terms of the Plan; however, two million (\$2,000,000) dollars as set forth in the Community APA shall, on the Effective Date, be distributed to Former Residents on a Pro Rata basis.

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

Following entry of the Confirmation Order, the Litigation Trustee shall have sole authorization to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such other actions as may be necessary or appropriate to satisfy the Debtor's obligations with respect to this Chapter 11 Case and to effectuate and implement the provisions of the Plan.

4.8 Dissolution of Debtor. Debtor shall not be a reorganized debtor. Upon the Effective Date, the Debtor shall be deemed to be dissolved without any further action by the Debtor or the Bankruptcy Court, including the filing of any documents with the secretary of state of Illinois, and the officers and trustees of the Board shall be deemed to have resigned to the extent permissible under applicable law. The Plan shall constitute a decree of dissolution with respect to the Debtor.

4.9 Effective Date. The Effective Date shall not occur until the conditions for the Effective Date are satisfied or otherwise waived in accordance with the terms of the Plan. As soon as reasonably practicable following the occurrence of the Effective Date, the Litigation Trustee shall File notice of the Effective Date, which shall also be posted on the Case Website.

SECTION 5 PROVISIONS GOVERNING DISTRIBUTIONS UNDER THE PLAN

All Distributions under the Plan shall be made by the Litigation Trustee.

5.1 Timing and Calculation of Amounts to Be Distributed. Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each holder of an Allowed Claim against the Debtor shall receive the full amount of the Distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in the Plan. Except as otherwise provided for in the Plan, holders of Claims shall not be entitled to interest, dividends, or accruals on the

Distributions provided for herein, regardless of whether such Distributions are delivered on or at any time after the Effective Date.

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

5.3 **Objections to and Resolutions of Claims.** The Litigation Trustee and the Plan Proponent shall have the right to file objections to any Claims after the Effective Date other than Allowed Claims, including the Allowed Bond Claims. All objections shall be litigated to entry of a Final Order; *provided, however*, that only the Litigation Trustee shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections without approval of the Bankruptcy Court.

5.4 **Claims Objection Deadline.** The Litigation Trustee, the Plan Proponent and any other party in interest to the extent permitted pursuant to Bankruptcy Code section 502(a), shall file and serve any objection to any Claim no later than the General Claims Objection Deadline or Administrative Expense Objection Deadline, as applicable; *provided, however*, that the General Claims Objection Deadline and Administrative Expense Objection Deadline may be extended by the Bankruptcy Court from time to time upon notice of motion by the Litigation Trustee for cause.

5.5 **No Distribution Pending Allowance.** Notwithstanding any other provision of the Plan, no payment or Distribution of Cash or other property shall be made with respect to any portion of a Disputed Claim unless and until all objections to such Claim are resolved by Final Order or as otherwise permitted by the Plan. Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date (but that later become Allowed Claims), shall be deemed to have been made on the Effective Date. Notwithstanding any other provision of the Plan and except as may be agreed to by the Litigation Trustee and the holder of a Disputed Claim, no partial payments and no partial Distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

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

5.7 **Distribution After Allowance.** Except as otherwise provided herein, within the later of (i) seven (7) Business Days after a Claim becomes an Allowed Claim and (ii) thirty (30) days after the expiration of the Claims Objection Deadline, the Litigation Trustee shall distribute all Cash or other property, including any interest, dividends, or proceeds thereof, to which a Holder of an Allowed Claim is then entitled.

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

5.9 ***Delivery of Distributions.*** Except as provided herein, Distributions to Holders of Allowed Claims shall be made: (i) at the addresses set forth on the respective Proofs of Claim Filed by such holders, (ii) at the addresses set forth in any written notices of address changes delivered to the Litigation Trustee after the date of any related Proof of Claim, or (iii) at the address reflected in the Schedules if no Proof of Claim is filed and the Litigation Trustee has not received a written notice of a change of address. The Litigation Trustee shall be entitled to conclusively rely on the Distribution Matrix for purposes of making Distributions. The Litigation Trustee shall not incur any liability whatsoever on account of any Distributions under the Plan except for gross negligence, willful misconduct, or fraud. Notwithstanding the foregoing, or anything to the contrary herein, Distributions related to the Allowed Bond Claims shall be made directly to the Bond Trustee by wire transfer of immediately available funds, and the Bond Trustee shall distribute such monies to Holders of the Bonds pursuant to and in accordance with the Original Bond Documents or such other documents controlling the distribution of payments on the Bonds.

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

Until such time as an undeliverable Distribution becomes an Unclaimed Distribution, within thirty (30) days after the end of each calendar quarter following the Effective Date, or upon such other interval as the Bankruptcy Court may order, but in no event less frequently than annually, the Litigation Trustee shall make distributions of all Cash and property that has become deliverable during the preceding quarter. Each such Distribution shall include the net return yielded from the investment of any undeliverable Cash, from the date such Distribution would have been due had it then been deliverable to the date that such Distribution becomes deliverable.

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

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

5.12 ***Setoff; Reconciliation.*** The Litigation Trustee retains the right to reduce any Claim by way of setoff and/or reconciliation in accordance with the Debtor's books and records and in accordance with the Bankruptcy Code other than Allowed Claims, including the Allowed Bond Claims.

5.13 ***Withholding and Reporting Requirements.*** In connection with the Plan and all instruments issued in connection therewith, the Litigation Trustee shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all Distributions under the Plan shall be subject to any such withholding or reporting requirements.

5.14 ***Minimum Distributions.*** Notwithstanding anything herein to the contrary, the Litigation Trustee shall not be required to make Distributions or payments of less than \$25.00.

5.15 ***Interest on Claims.*** Unless otherwise specifically provided for in the Plan or separate order of the Bankruptcy Court, post-petition interest will not accrue or be paid on Claims, and no Holder will be entitled to interest accruing on or after the Petition Date on any Claim. Similarly, unless otherwise specifically provided for in the Plan, post-petition interest will not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a final Distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.

SECTION 6 EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.1 ***Deemed Rejected as of the Effective Date if Not Assumed.*** Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumption and/or rejection of Executory Contracts and Unexpired Leases as set forth in the Plan, all pursuant to Bankruptcy Code sections 365(a) and 1123. Unless otherwise indicated, the assumption and rejection, as applicable, of Executory Contracts and Unexpired Leases pursuant to the Plan shall be effective as of the Effective Date.

In accordance with the Bid Procedures Order, as amended by the Order entered at Docket No. 291, on October 27, 2023, the Debtor filed a notice of Executory Contracts and Unexpired Leases that the Purchaser has designated for assumption and assignment (the "Designated Contracts Notice"). See Docket No. 294. Among other executory contracts listed, the Purchaser designated for assumption "modified" residency agreements with residents who reside at the Community as of the Closing Date. A list of Assigned Contracts is attached as an exhibit to the Sale Order, which provides for the rejection, as of the Closing Date, of Residency Agreements of Residents who do not reside at the Community as of the Closing Date.

Unless an Executory Contract or Unexpired Lease was assumed pursuant to the Community APA and the Sale Order, or is assumed pursuant to a separate order of the Bankruptcy Court, the Executory Contract or Unexpired Lease shall be deemed to have been rejected by the Debtor on the Closing Date and/or Confirmation Date, as applicable. The Debtor reserves the right to file a motion to assume additional executory contracts within the statutory timeframe proscribed by the Bankruptcy Code.

6.2 ***Claims Based on Rejection of Executory Contracts or Unexpired Leases.*** In the event that the rejection of an Executory Contract by the Debtor pursuant to the Plan results in a

Rejection Claim in favor of a counterparty to such Executory Contract, such Rejection Claim, if not heretofore evidenced by a timely and properly filed Proof of Claim, shall be forever barred and shall not be enforceable against the Debtor, the Estate, the Litigation Trust, the Litigation Trustee, or their respective properties or interests in property as agents, successors, or assigns, unless a Proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Litigation Trustee on or before the date that is third (30) days after then Effective Date. All Allowed Rejection Claims shall be treated as Class 4 General Unsecured Claims pursuant to the terms of the Plan.

6.3 Modifications, Amendments, Supplements, Restatements, or Other Agreements. Unless otherwise provided, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated, or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith, unless such Executory Contract or Unexpired Lease has been previously assumed by the Debtor.

6.4 Reservation of Rights. Nothing contained in the Plan or the Plan Supplement shall constitute an admission by the Debtor, the Plan Proponent or the Litigation Trustee that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Debtor, the Estate, or the Litigation Trustee have any liability thereunder.

6.5 Full Release and Satisfaction. Assumption of any Executory Contract pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy related defaults, arising under any assumed Executory Contract at any time before the effective date of the assumption.

SECTION 7 PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED, AND DISPUTED CLAIMS

7.1 Prosecution of Objections to Claims. The Litigation Trustee and Plan Proponent shall have the sole authority and all requisite standing to File objections to Claims and Interests, and the exclusive authority and standing to settle, compromise, withdraw, or litigate to judgment objections on behalf of the Debtor's Estate to any and all such Claims and Interests, regardless of whether such Claims and Interests are in a Class or otherwise. The Litigation Trustee shall have the sole authority to administer and adjust the Claims Register with respect to Claims and Interests to reflect any such settlements or compromises. No further notice to or action, order, or approval of the Bankruptcy Court with respect to such settlements or compromises entered into with a Holder of any Claim or Interest shall be required.

7.2 ***Allowance of Claims.*** Prior to the Effective Date, the Debtor (with the consent of the Bond Trustee), and, on and after the Effective Date, the Litigation Trustee, shall have and shall retain any and all rights and defenses that the Debtor had with respect to any Claim or Interest, except with respect to any Claim or Interest deemed Allowed as of the Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Case prior to the Effective Date (including the Confirmation Order), no Claim or Interest shall become an Allowed Claim or Allowed Interest unless and until such Claim or Interest is deemed Allowed under the Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Case allowing such Claim or Interest.

7.3 ***Estimation of Claims.*** On and after the Effective Date, the Litigation Trustee or Plan Proponent may, at any time, request that the Bankruptcy Court estimate (i) any Disputed Claim pursuant to applicable law and (ii) any Contingent or unliquidated Claim pursuant to applicable law, in each case regardless of whether the Debtor, Litigation Trustee or the Plan Proponent has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to the maximum extent permitted by law as determined by the Bankruptcy Court to estimate any such Disputed Claim, Contingent Claim, or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection.

If the Bankruptcy Court estimates any Disputed Claim, Contingent Claim, or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Plan, including for purposes of Distributions, and the Litigation Trustee or Plan Proponent may elect to pursue additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Litigation Trustee or Plan Proponent may elect to pursue any supplemental proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding Bankruptcy Code section 502(j), in no event shall any Holder of a Claim that has been estimated pursuant to Bankruptcy Code section 502(c) or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before twenty-one (21) days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

7.4 ***Expungement or Adjustment to Claims without Objection.*** Any Claim that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, may be marked as satisfied, adjusted or expunged (as applicable) on the Claims Register by the Claims Agent at the direction of the Litigation Trustee without an objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court; provided, that the Litigation Trustee shall provide thirty (30) days' notice of any of the foregoing modifications to the Claims Register to the Holder of any affected Claim or Interest during which period the Holder may object thereto.

SECTION 8 INJUNCTION AND RELATED PROVISIONS

8.1 *Injunction.* ALL INJUNCTIONS OR STAYS PROVIDED FOR IN THE CHAPTER 11 CASE UNDER BANKRUPTCY CODE SECTIONS 105 OR 362, OR OTHERWISE, AND IN EXISTENCE ON THE CONFIRMATION DATE SHALL REMAIN PERMANENTLY IN FULL FORCE AND EFFECT. NOTWITHSTANDING THE FOREGOING, NOTHING HEREIN SHALL MODIFY, LIMIT, AMEND OR SUPERSEDE ANY INJUNCTIONS OR STAYS GRANTED IN THE SALE ORDER.

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR TO THE EXTENT NECESSARY TO ENFORCE THE TERMS AND CONDITIONS OF THE PLAN, THE CONFIRMATION ORDER, OR A SEPARATE ORDER OF THE BANKRUPTCY COURT, ALL ENTITIES THAT HAVE HELD, HOLD, OR MAY HOLD CLAIMS AGAINST THE DEBTOR OR ITS ESTATE THAT AROSE PRIOR TO THE EFFECTIVE DATE ARE PERMANENTLY ENJOINED FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST ANY PROPERTY THAT IS TO BE DISTRIBUTED UNDER THE TERMS OF THE PLAN ON ACCOUNT OF ANY SUCH CLAIMS: (A) COMMENCING OR CONTINUING IN ANY MANNER, OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY PROPERTY OF THE DEBTOR OR ITS ESTATE THAT IS TRANSFERRED TO THE LITIGATION TRUST OR ANY OTHER PERSON PURSUANT TO THE PLAN; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST ANY PROPERTY OF THE DEBTOR OR ITS ESTATE THAT IS TRANSFERRED TO THE LITIGATION TRUST OR ANY OTHER PERSON PURSUANT TO THE PLAN; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE AGAINST ANY PROPERTY OF THE DEBTOR OR ITS ESTATE THAT IS TRANSFERRED TO THE LITIGATION TRUST OR ANY OTHER PERSON PURSUANT TO THE PLAN; (D) EXCEPT TO THE EXTENT PERMITTED BY BANKRUPTCY CODE SECTIONS 362(B), 553, 559, 560, OR 561, OR AS OTHERWISE PROVIDED IN THE PLAN OR CONFIRMATION ORDER, ASSERTING A SETOFF RIGHT, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY DEBT, LIABILITY, OR OBLIGATION DUE TO THE DEBTOR, ITS ESTATE, THE LITIGATION TRUST, THE LITIGATION TRUSTEE, OR ANY OTHER PERSON PURSUANT TO THE PLAN; AND (E) COMMENCING OR CONTINUING IN ANY MANNER OR IN ANY PLACE, ANY ACTION THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE PLAN; PROVIDED, HOWEVER, THAT SUCH ENTITIES SHALL NOT BE PRECLUDED FROM EXERCISING THEIR RIGHTS PURSUANT TO AND CONSISTENT WITH THE TERMS OF THE PLAN OR THE CONFIRMATION ORDER; PROVIDED, FURTHER, THAT THE FOREGOING SHALL NOT APPLY TO ANY ACTS, OMISSIONS, CLAIMS, CAUSES OF ACTION OR OTHER OBLIGATIONS EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN OR ANY DEFENSES THERETO. NOTWITHSTANDING THE FOREGOING OR ANY OTHER PROVISION UNDER THE PLAN, THE DEBTOR SHALL NOT RECEIVE A DISCHARGE AS SET FORTH IN BANKRUPTCY CODE SECTION 1141(D)(3)(A).

8.2 *Term of Injunctions or Stays.* Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to

Bankruptcy Code sections 105 or 362 or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. Upon the Effective Date, all injunctions or stays contained in the Plan or the Confirmation Order shall be in full force and effect in accordance with their terms.

8.3 **Release of Liens.** Except as otherwise provided in the Plan or any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall transfer to the Litigation Trustee pursuant to the terms herein). For the avoidance of doubt, except as otherwise provided in the Plan (including the Plan Supplement), all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estate, whether expressly addressed or discussed herein or in the Plan, shall be fully released and discharged on the Effective Date without any further action of any party, including, but not limited to, further order of the Bankruptcy Court or filing updated schedules or statements typically filed pursuant to the Uniform Commercial Code.

SECTION 9 CONDITIONS PRECEDENT TO CONFIRMATION AND THE EFFECTIVE DATE

9.1 **Conditions Precedent to Confirmation.** It shall be a condition precedent to the confirmation of the Plan, such that the Confirmation Order shall not be entered, until each of the following conditions precedent have been satisfied or waived pursuant to the provisions of the Plan:

- (a) The Bankruptcy Court shall have entered an order approving the Disclosure Statement as containing adequate information and such order shall have become a Final Order that has not been stayed or modified or vacated on appeal;
- (b) A form of Litigation Trust Agreement shall be in a form agreed upon by the Bond Trustee;
- (c) The proposed Litigation Trustee is identified and disclosed;
- (d) The Plan Supplement shall have been filed;
- (e) The Plan shall not have been materially amended, altered, or modified, unless such material amendment, alteration or modification has been made in accordance with Section 11.1 of the Plan; and
- (f) The Confirmation Order shall have been entered by the Bankruptcy Court confirming the Plan in a form agreed upon by the Bond Trustee, and such

order shall have become a Final Order that has not been stayed or modified or vacated on appeal.

9.2 ***Conditions Precedent to the Effective Date.*** It shall be a condition precedent to the Effective Date that each of the following provisions, terms, and conditions shall have been satisfied or waived pursuant to the provisions of the Plan.

- (a) The foregoing conditions precedent as to Confirmation shall have been met;
- (b) The Litigation Trust Agreement shall be executed and the Litigation Trustee shall have been appointed and accepted such appointment;
- (c) The confirmed Plan shall not have been materially amended, altered, or modified from the Plan, unless such material amendment, alteration, or modification has been made in accordance with Section 11.1 of the Plan;
- (d) No Option Deposits shall remain in the Entrance Fee Escrow and all Residents who deposited an Option Deposit shall have received a return of the Option Deposit in accordance with the terms of applicable agreements, including the Option Agreements; and
- (e) The Plan Proponent shall have Filed a notice of the Effective Date.

9.3 ***Waiver of Conditions.*** The conditions precedent to Confirmation and conditions precedent to the Effective Date may be waived in whole or in part, in writing, by the Plan Proponent, without further order of the Bankruptcy Court.

9.4 ***Effect of Nonoccurrence of Conditions.*** If the conditions precedent to the Effective Date are not satisfied or waived, the Plan Proponent may, upon motion and notice to parties in interest, seek to vacate the Confirmation Order; *provided, however*, that notwithstanding the filing of such motion, the Confirmation Order may not be vacated if each of the conditions precedent to the Effective Date are satisfied or waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated: (a) the Plan is null and void in all respects; and (b) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against the Debtor, or (ii) prejudice, in any manner, the rights of the Debtor or any other party in interest.

SECTION 10 RETENTION OF JURISDICTION

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

- (a) to hear and determine any Retained Causes of Action, including the FSO Causes of Action, the Intercompany Claims, the D&O Causes of Action, and the ERTC Turnover Action, brought by the Litigation Trustee and/or Plan Proponent;
- (b) to hear and determine any objections to Claims and to address any issues relating to Disputed Claims;

- (c) to hear and determine a Challenge;
- (d) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;
- (e) to issue such orders in aid of execution and consummation of the Plan, to the extent authorized by Bankruptcy Code section 1142;
- (f) to consider any amendments to or modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- (g) to hear and determine all requests for compensation and reimbursement of expenses to the extent allowed by the Bankruptcy Court under Bankruptcy Code sections 330 or 503;
- (h) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan;
- (i) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Sale Order;
- (j) to hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146;
- (k) to hear any other matter not inconsistent with the Bankruptcy Code;
- (l) to enter the Final Decree;
- (m) to ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
- (n) to decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters and grant or deny any applications involving the Debtor which may be pending on the Effective Date;
- (o) to issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the occurrence of the Effective Date or enforcement of the Plan, except as otherwise provided therein;
- (p) to determine any other matters that may arise in connection with or related to the Plan, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created or implemented in connection with the Plan;
- (q) to determine any other matters that may arise in connection with or related to the Sale Order or any contract, instrument, release, indenture, or other

agreement or document created or implemented in connection with the Sale Order;

- (r) to enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, exculpations, releases and rulings entered in connection with the Chapter 11 Case (whether or not the Chapter 11 Case has been closed);
- (s) to resolve disputes concerning any reserves with respect to Disputed Claims or the administration thereof; and
- (t) to resolve any disputes concerning whether a Person or Entity had sufficient notice of the Chapter 11 Case, the Bar Dates, or the Confirmation Hearing for the purpose of determining whether a Claim or Interest is discharged hereunder, or for any other purpose.

SECTION 11 MISCELLANEOUS PROVISIONS

11.1 Amendment or Modification of the Plan. Alterations, amendments, or modifications of the Plan may be proposed in writing by the Plan Proponent at any time before the Confirmation Date, provided that the Plan, as altered, amended, or modified, satisfies the conditions of Bankruptcy Code sections 1122 and 1123 and the Plan Proponent shall have complied with Bankruptcy Code section 1125. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted such Plan as modified if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder. Entry of the Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to Bankruptcy Code section 1127(a) and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

11.2 Exhibits, Schedules, and Plan Supplement. The Plan Proponent will File the Plan Supplement no later than ten (10) days before the Voting Deadline. The Plan Proponent reserves the right to alter, modify, or amend the Plan Supplement through and to the Confirmation Hearing. All exhibits and schedules to the Disclosure Statement, the Plan, and the Plan Supplement are incorporated into and are part of the Plan as if set forth in full therein.

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

11.4 Binding Effect of the Plan. Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or any other Bankruptcy Rule, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and binding upon and inure to the benefit of the Plan Proponent, the Debtor, the Holders of Claims, and their respective successors and assigns. Notwithstanding anything to the contrary herein, (i) nothing in

the Plan modifies, alters, or amends the respective rights and obligations of the Debtor or the Purchaser under the Sale Order, the Community APA, or any other document governing the Sale, and (ii) the 2017 Bond Documents shall continue to govern the rights of and among the Bond Trustee and the beneficial owners of the Bonds.

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

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

11.7 **Severability.** If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, Impaired, or invalidated by such holding, alteration, or interpretation.

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

11.9 **Dissolution of the Committee.** On the Effective Date, the Committee shall be dissolved and its members released of any continuing duties, responsibilities and obligations in connection with the Chapter 11 Case or the Plan and its implementation, and the retention and employment of the Committee's Professionals shall terminate, except with respect to: (i) prosecuting applications for Professionals' compensation and reimbursement of expenses incurred as a member of the Committee; (ii) asserting, disputing and participating in resolution of Professional Fee Claims; or (iii) prosecuting or participating in any appeal of the Confirmation Order or any request for consideration thereof. Upon the resolution of (i) through (iii), the Committee shall be immediately dissolved, and released.

11.10 **Claims Agent.** Stretto, in its capacity as Claims Agent, shall be relieved of such duties on the date of the entry of the Final Decree or upon written notice by the Debtor or the Litigation Trustee.

11.11 **Reservation of Rights.** Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the filing of the Plan, any statement or provision contained herein, or the taking of any action by the Debtor and/or the Plan Proponent with respect to the Plan and/or the Disclosure Statement shall be or shall

be deemed to be an admission or waiver of any rights of the Plan Proponent, the Debtor or Holders of Claims before the Effective Date.

11.12 **Inconsistency.** To the extent that the Plan conflicts with or is inconsistent with any agreement related to the Plan, the provisions of the Plan shall control; *provided, however*, that nothing in the Plan shall supersede, amend, modify the provisions of the Sale Order, the Bid Procedures Order, or the Community APA. In the event of any inconsistency between any provision of any of the foregoing documents, and any provision of the Confirmation Order, the Confirmation Order shall control and take precedence; *provided, however*, that nothing in the Confirmation Order supersede, amend, modify the provisions of the Sale Order, the Bid Procedures Order, or the Community APA.

11.13 **No Admissions.** Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be an admission by any Entity with respect to any matter set forth herein.

11.14 **No Discharge.** As set forth in Bankruptcy Code section 1141(d)(3), the Plan does not grant the Debtor a discharge. However, notwithstanding the foregoing, except as otherwise provided herein, the rights afforded pursuant to the Plan and the treatment of all Claims and Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtor or any of its Assets. All persons and entities shall be precluded from asserting against the Debtor, or any of its Assets, any further Claims and Interests based upon any act, or omission, transaction, or other activity of any kind or nature that occurred before the Effective Date, except as otherwise expressly provided in the Plan.

11.15 **Votes Solicited in Good Faith.** Upon entry of the Confirmation Order, the Plan Proponent will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code and any applicable non-bankruptcy law, and pursuant to Bankruptcy Code section 1125(e), the Plan Proponent and its affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code.

11.16 **Notices.** All notices of requests in connection with the Plan shall be in writing and given by mail and email addressed as follows:

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.
Attn: Daniel S. Bleck
Laurence A. Schoen
Timothy J. McKeon
One Financial Center
Boston, Massachusetts 02111
Email: DSbleck@mintz.com
LASchoen@mintz.com
TJMcKeon@mintz.com

11.17 **Headings.** The headings used in the Plan are inserted for convenience only and neither constitute a portion of the Plan nor in any manner affect the construction of the provisions of the Plan.

11.18 ***Validity and Enforceability.*** The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms. Should any provision in the Plan be determined by the Bankruptcy Court or any appellate court to be unenforceable following the Effective Date, such determination shall in no way limit the enforceability and operative effect of any and all other provisions of the Plan.

11.19 ***Request for Confirmation.*** The Plan Proponent requests entry of a Confirmation Order under Bankruptcy Code section 1129(a) and, to the extent necessary, Bankruptcy Code section 1129(b).

Dated: July 18, 2024

**MINTZ, LEVIN, COHN, FERRIS
GLOVSKY AND POPEO, P.C.**

/s/ Megan Preusker

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-and-

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Laurence A. Schoen (admitted *pro hac vice*)
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TJMcKeon@mintz.com

Counsel for the Plan Proponent

Exhibit 2

(Liquidation Analysis)

[To be Filed]

