

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION — BAY CITY

In re:)	
)	Case No. 12-20666
COMMUNITY MEMORIAL HOSPITAL)	
dba CHEBOYGAN MEMORIAL HOSPITAL,)	Chapter 11
a Michigan nonprofit corporation,)	
)	Judge Daniel S. Opperman
Debtor.)	

COMBINED CHAPTER 11 PLAN OF LIQUIDATION AND DISCLOSURE
STATEMENT OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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TABLE OF CONFIRMATION EXHIBITS¹

Exhibit 3.3.1	—	Liquidating Trust Agreement
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¹ As set forth in Section 3.1 of the Plan, the Confirmation Exhibits shall be Filed with the Bankruptcy Court no later than 10 days before the Confirmation Hearing.

ARTICLE IDISCLOSURE STATEMENT²

A. PRELIMINARY STATEMENT AND OVERVIEW OF THE PLAN

Community Memorial Hospital dba Cheboygan Memorial Hospital (“CMH”), or where applicable, the “Debtor”) is the debtor and debtor in possession in this case. As of the Petition Date, CMH operated a 25-bed critical access hospital (“CAH”) in Cheboygan, Michigan. The Debtor provided a broad spectrum of healthcare services including, but not limited to: (i) emergency services; (ii) surgery and recovery; (iii) general medical and intermediate care; (iv) cardiopulmonary services; (v) oncology services; (vi) physical rehab, occupational and speech therapy; (vii) pharmacological services; and (viii) gynecological and pediatric services. The Debtor served the medical needs of over 75,000 area residents, as well as approximately one million tourists that pass through the area each summer. In addition to operating the CAH, CMH also operated a 50-bed long-term care facility, known as Larson Hall, as well as various clinics, including four primary care clinics, an oncology clinic, a wellness center and a surgical clinic.

As described more fully in the Affidavit and Statement of Shari Schult in Support of the Chapter 11 Petitions and First Day Motions [Docket No. 6], CMH began to see a decline in revenues and patient admissions due to a variety of reasons in 2009. Throughout 2009, 2010 and 2011, CMH attempted various strategies to combat the revenue decline and increase operational efficiencies, including the failed implementation of new billing software for several clinic and financial modules and revenue cycle processes aimed at updating the hospital’s post-care clerical functions and improving collections. The failure of the implementation resulted in a fragmented, redundant and confusing billing system leading to a substantial and unexpected increase in bad debt expense. In 2011, bad debt increased by \$1.3 million, or 43% when compared to the prior year, in part due to the failed implementation. In addition, CMH experienced significant turnover in key executive positions. The turnover and lack of consistent leadership contributed to the declining operational performance of CMH. The continued financial distress born of CMH’s operating losses resulted in a significant deterioration of the liquidity necessary to continue operations. In conjunction with aggressive restructuring initiatives, CMH’s Board of Trustees (the “Board”) and the administration retained both financial advisors and legal counsel to assist in certain cash management and analytical capacities. The Board authorized CMH to commence a sale process, continue restructuring efforts and prepare a plan for orderly wind down in the event a successful result was not achieved. Despite the Board’s efforts prior to the Petition Date, CMH’s cash reserves were not sufficient to continue operation for any significant period of time outside of the protections of a chapter 11 bankruptcy.

The foregoing is offered as a general description of the Debtor’s history. It is not intended to be exhaustive or to exclude other factors that may have contributed to the Debtor’s financial or operational distress or to the Debtor’s eventual bankruptcy filing.

Upon filing for chapter 11 protection on March 1, 2012, the Debtor initially sought debtor in possession financing (“DIP Financing”) from a prospective buyer, McLaren Healthcare Corporation (“McLaren”). The purpose of the DIP Financing was to allow the Debtor and McLaren reasonable time to consummate a sale of the Debtor’s assets. Shortly after filing, the Debtor’s DIP Financing agreement was withdrawn. The Debtor was forced to seek alternative financing for its operations to maintain the quality level of healthcare in the community. Unable to secure additional financing, the Debtor, by and through counsel, initiated an expedited sale process with the Bankruptcy Court and was able to secure use of its cash collateral. The Bankruptcy Court approved this expedited process for the Sale and the Debtor and McLaren

² Any terms used in this section but not defined herein shall have the meanings provided for in the Bankruptcy Code, the Plan or the Defined Terms attached hereto as Exhibit A.

began preparations to consummate the Sale. Due to certain licensing circumstances surrounding the Sale transaction, the Sale was not consummated on an expedited basis and the Debtor was left with no choice but to shut down its operations.

The Debtor and other interested parties worked to revive the Sale of the Debtor's assets to McLaren in order to bring healthcare back to the community of Cheboygan. The parties eventually came to an agreement and the Sale of substantially all of the Debtor's assets (the "Sale Assets") to McLaren was consummated on May 1, 2012. The Debtor received approximately \$4,923,000 in cash from the Sale, which amount is being held in escrow for distribution to the holders of Secured Claims secured by the Sale Assets. The assets of the Debtor remaining unsold now consist principally of Cash, Accounts Receivable, Causes of Action, Avoidance Actions, D&O Actions and other actions, and the Lincoln Bridge Plaza Property.

Following the Sale, the Debtor worked with the Official Committee of Unsecured Creditors (the "Creditors' Committee") to implement a wind down plan for the administration and sale of the Debtor's remaining assets and the disposition of proceeds to creditors. On July 31, 2012, the Debtor Filed the Combined Chapter 11 Plan of Liquidation and Disclosure Statement of the Debtor [Docket No. 294] (the "Debtor's Plan"). On August 1, 2012, the Bankruptcy Court entered its Order Granting Preliminary Approval of the Disclosure Statement and Scheduling Confirmation Hearing [Docket No. 299] scheduling a confirmation hearing on the Debtor's Plan for September 7, 2012.

The Debtor's Plan provided for the liquidation of the Debtor and for the transfer of the Debtor's assets to a Liquidating Trust to be administered by James D. Boyd,³ as Liquidating Trustee; and, the Liquidating Trustee would liquidate the Debtor's remaining assets in the manner provided in the Debtor's Plan. In addition, the Liquidating Trustee would pursue and prosecute any and all Causes of Action, Avoidance Actions, D&O Actions and other actions of the Debtor; and, on one or more distribution dates, the Liquidating Trustee would make distributions to creditors as more fully described in Section 5 of this Plan.

Objections to the Debtor's Plan were Filed by various creditors and the confirmation hearing was adjourned several times to allow time for the Debtor to resolve the objections so as to obtain confirmation of the Debtor's Plan. The Debtor has been unable to resolve all objections to the Debtor's Plan and the ability of the Debtor to obtain confirmation of the Debtor's Plan is uncertain.

The exclusivity period under Section 1121 of the Bankruptcy Code has expired. The Creditors' Committee has Filed this Combined Chapter 11 Plan of Liquidation and Disclosure Statement of the Official Committee of Unsecured Creditors (the "Plan" or the "Committee Plan"). The fundamental structure of the Committee Plan is very similar to the Debtor's Plan. A substantial portion of the representations in this Plan are taken from the Debtor's Plan and are presented as representations of the Debtor.

³ James W. Boyd is a Ch. 7 standing trustee in the United States Bankruptcy Court for the Western District of Michigan, and has served in that role since 1988 handling thousands of cases. In addition, he has served as a Ch. 11 trustee, including as a liquidation trustee, in several large cases, including the Grand Traverse Resort, Sturgis Iron and Metal, Inc., and MWC Liquidation, Inc. (formerly known as Michigan Wheel Corporation). He served on the board of directors of the National Association of Bankruptcy Trustees from 1999-2012 and is a past president of that organization.

As more fully described below, the Creditors' Committee is confident that the anticipated proceeds to be collected and distributed by the Liquidating Trustee on behalf of the Liquidating Trust are likely to exceed those proceeds that would be collected in either a Chapter 7 bankruptcy proceeding or outside of bankruptcy if this Chapter 11 case was dismissed. As discussed in more detail in the liquidation analysis, as of the date of Filing of this Plan, the Debtor's cash on deposit is approximately \$1.1 million, with the expectation that an additional \$500,000 will be received from collections of Accounts Receivable. In addition, the Creditors' Committee anticipates additional recoveries on Accounts Receivable as a result of the proposed settlement with Citizens Bank (as described below) and significant recoveries on the Causes of Action, Avoidance Actions, D&O Actions and other actions of the Debtor

Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Creditors' Committee reserves the right to alter, amend, modify, revoke or withdraw this Plan prior to its substantial consummation.

B. POSTPETITION LITIGATION; ESTATE CLAIMS; OTHER EVENTS OF SIGNIFICANCE

Postpetition, the Debtor has not initiated or been involved in any adversary proceedings; however, pursuant to the actions assigned to the Creditors' Committee in the Sale Order, the Creditors' Committee has prepared and sent out to a number of parties demand letters for return of asserted preference payments pursuant to section 547 of the Bankruptcy Code.

Pursuant to the Sale Order and this Plan and Disclosure Statement, all rights, interest and standing of the Debtor and/or the Creditors' Committee to investigate and pursue, whether through negotiation or litigation, any and all Causes of Action, including Avoidance Actions, D&O Actions, and any other actions of the Debtor assigned in the Sale Order, including, but not limited to, those actions identified and set forth on Confirmation Exhibit 3.4.3, are preserved for the benefit of, and assigned to, the Liquidating Trust.

Events of significance since the Petition Date include: (i) the closing of the Debtor's long-term care facility and transferring of the long-term care residents to other facilities; (ii) the cessation of the Debtor's operations on April 3, 2012; (iii) the Sale of substantially all of the Debtor's assets to the Purchaser (as discussed more fully above); and (iv) the entry of various interim Orders regarding the Debtor's use of cash collateral.

During the pendency of this Chapter 11 Case, the Debtor negotiated with its secured creditors for the entry of six interim Orders authorizing the use of cash collateral (collectively, the "Cash Collateral Orders") to fund, among other things, the hospital's operations, payment of United States Trustee fees, costs relating to patient records access and a wind down budget. The Cash Collateral Orders granted USDA and Citizens Bank replacement liens in the same property of the Debtor's Estate as held by USDA and Citizens Bank prior to the Petition Date (the "Replacement Liens"). The Cash Collateral Orders provided that the Replacement Liens shall enjoy the same validity, extent and priority as the liens that USDA and Citizens Bank held on the Petition Date.

As of the date of Filing of this Plan, one adversary proceeding has been Filed in this Chapter 11 Case on October 24, 2012 by the Creditors' Committee against the USDA seeking (i) a determination as to the validity, extent and priority of the security interest claimed by the USDA in Accounts Receivable and (ii) a proper adjustment to the amount of the Secured Claim of the USDA based upon the determination. The Creditors' Committee believes that at most the Secured Claim of the USDA is secured by approximately five percent (5.0%) of the Accounts Receivable.

As of the date of Filing of this Plan, the approval by the Bankruptcy Court of a settlement between the Debtor and Citizens Bank is pending pursuant to an Application to Compromise Controversy with

Citizens National Bank [Docket No. 413] Filed by the Debtor. Under the proposed settlement, the Secured Claims of Citizens Bank, to the extent they purport to be secured by Accounts Receivable, will be compromised by the allowance of such Secured Claims to the extent of fifty percent (50%) of Accounts Receivable Proceeds on hand and collected in the future. The remaining fifty percent (50%) of such Accounts Receivable Proceeds on hand will be retained by the Debtor and are not subject to any other security interests (other than the limited security interest, if any, of the USDA).

Citizens Bank has filed a motion seeking an order of the Bankruptcy Court for distribution of the escrowed Sale Proceeds to Citizens Bank and the USDA [Docket No. 481]. The final distribution of Sale Proceeds pursuant to this Motion will affect the amount of Accounts Receivable Proceeds on hand and collected in the future that will be distributed to Citizens Bank. Based upon the portion of the Sale Proceeds claimed by Citizens Bank in its motion, the Claim of Citizens Bank secured by Accounts Receivable would be full paid with less than a fifty percent (50%) distribution of Accounts Receivable Proceeds.

Other than the foregoing, the Creditors' Committee asserts that no other events of significance have occurred since the Petition Date that have had a substantial or material effect on the Estate. The forced closing of the Debtor's operations had the greatest material impact on the administration of this Chapter 11 Case, as all of the Debtor's employees were terminated and revenues ceased. This abrupt closure may have caused additional administrative and priority Claims that were not otherwise anticipated.

C. OVERVIEW OF DEFINED BENEFIT PLAN TERMINATION AND EFFECT THEREOF

The Debtor sponsors the Community Memorial Hospital Employee Pension Plan (the "Pension Plan"), which is a defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") 29 U.S.C. §§ 1301-1461 (2006 & Supp. IV 2010).

The Debtor, as the sponsor of the Pension Plan, and all members of the Debtor's controlled group (within the meaning of 29 U.S.C. § 1301(a)(14)), are jointly and severally liable to contribute to the Pension Plan the amounts necessary to satisfy ERISA's and the Internal Revenue Code's minimum funding standards ("Minimum Funding Contributions").⁴ See 29 U.S.C. §§ 1082, 1083 (as to § 1083, effective for pension plans years beginning after December 31, 2007); 26 U.S.C. §§ 412, 430 (as to § 430, effective for pension plan years beginning after December 31, 2007). The Debtor and members of the Debtor's controlled group are also jointly and severally liable for insurance premiums owed to the Pension Benefit Guaranty Corporation ("PBGC"). See 29 U.S.C. §§ 1306, 1307.

PBGC is the federal agency that administers the nation's defined benefit pension plan termination insurance program under Title IV of ERISA. When an underfunded pension plan terminates with insufficient assets to pay benefits, PBGC generally becomes statutory trustee of the plan and pays benefits to the plan's participants up to statutory limits.

In an agreement dated June 21, 2012, PBGC and the Debtor agreed to terminate the Pension Plan, effective April 3, 2012, and to appoint PBGC as statutory trustee of the terminated Pension Plan. As statutory trustee of the Pension Plan, PBGC has authority to collect any amounts owed to the Plan, including unpaid Minimum Funding Contributions. 29 U.S.C. § 1342(d)(1)(B)(ii).

⁴ A group of trades or business under common control, referred to as a "controlled group," includes, for example, a parent and its 80% owned subsidiaries. Another example includes brother-sister groups of trades or business under common control. See 29 U.S.C. § 1301(14)(A), (B); 26 U.S.C. § 414(b), (c); 26 C.F.R. §§ 1.414(b)-1, 1.414(c)-1, 1.414(c)-2.

PBGC has Filed timely proofs of claims against the Debtor for (1) the Pension Plan's underfunding on a termination basis ("Unfunded Benefit Liabilities"); (2) unpaid Minimum Funding Contributions, portions of which PBGC asserts is entitled to priority under 11 U.S.C. §§ 507(a)(2) and (5); (3) unpaid premiums; and (4) shortfall and waiver amortization charges. PBGC estimates that the Pension Plan's Unfunded Benefit Liability is approximately \$2,987,188, unpaid Minimum Funding Contributions total approximately \$303,279, unpaid premiums are unliquidated, and shortfall and waiver amortization charges are approximately \$1,255,780.

Nothing in the Debtor's bankruptcy proceedings, the Confirmation Order, the Plan, the Bankruptcy Code (and section 1141 thereof), or any other document Filed in the Debtor's bankruptcy case shall in any way be construed to discharge, release, limit, or relieve the Debtor or any other party, in any capacity, from any liability or responsibility with respect to the Pension Plan or any other defined benefit pension plan under any law, governmental policy, or regulatory provision. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability or responsibility by any of the provisions of the Plan, Confirmation Order, Bankruptcy Code, or any other document Filed in the Debtor's bankruptcy case.

D. SUMMARY OF THE DEBTOR'S LIABILITIES TO CREDITORS

Type of Claim	Summary of Claim
Secured Claims – Citizens Bank	As of the date of filing of this Plan, the two (2) proofs of claim Filed by Citizens Bank assert (i) a secured claim in the amount of \$737,860.54 secured by a mortgage on the Lincoln Bridge Plaza Property and on the Indian River Clinic Property, all having an unspecified value and (ii) a secured claim in the amount of \$3,853,180.17 secured by 1st priority and 3rd priority mortgages on the Hospital Campus Property and the Indian River Clinic Property and by a security interest in all personal property assets, including certain Accounts Receivable, all having an unspecified value. The Hospital Campus Property and the Indian River Clinic Property were sold in the Sale and the mortgage liens of Citizens Bank thereon were deemed released and now attach to the Sale Proceeds held in escrow pursuant to the Sale Order for distribution when the relative rights of creditors to the Sale Proceeds have been determined by agreement or by the Bankruptcy Court. Citizens Bank and the Debtor have entered into a settlement as to the amount of Accounts Receivable subject to the security interest of Citizens Bank and approval of the settlement by the Bankruptcy Court is pending. Citizens Bank has filed motions for relief from stay seeking relief from the automatic stay with respect to enforcement of its mortgage lien on the Lincoln Bridge Plaza Property [Docket No. 427] and for distribution to Citizens Bank of \$3,605,892 (plus interest earned thereon) of the Sales Proceeds [Docket No. 481]. The Claims of Citizens Bank, to the extent they are secured by property of the Debtor's Estate, are classified in Class 3 of this Plan and the balance is a Remainder Claim classified in Class 5 of this Plan. The Creditors' Committee believes the maximum amount of the Class 3 Claim of Citizens Bank after distribution of its share of the Sale Proceeds will be \$400,000.

Secured Claim –
USDA

As of the date of filing of this Plan, the proof of claim Filed by the USDA asserts a Secured Claim in the amount of \$5,800,000 secured by a mortgage on the medical office building ("MOB") for \$4,000,000 and a security interest in Accounts Receivable for \$1,800,000. The MOB was sold in the Sale and the mortgage lien of the USDA thereon were deemed released and now attaches to the Sale Proceeds held in escrow pursuant to the Sale Order for distribution when the relative rights of creditors to the Sale Proceeds have been determined by agreement or by the Bankruptcy Court. The USDA Secured Claim relating to Accounts Receivable is the subject of a pending Adversary Proceeding. The Creditors' Committee believes the maximum Accounts Receivable secured by the Secured Claim of the USDA is \$50,000. The Claim of the USDA, to the extent it is secured by property of the Debtor's Estate, is classified in Class 4 of this Plan and the balance is a Remainder Claim classified in Class 5 of this Plan.

Secured Tax Claims:

As of the date of filing of this Plan, no proofs of claim have been Filed asserting Secured Tax Claims.

Unsecured Priority
Claims:

The Debtor has no scheduled claims listed on Schedule E for unsecured priority claims. As of the date of filing of this Plan, according to the Claims Registry Summary on PACER in this Chapter 11 Case, proofs of claim asserting unsecured Priority Claims (other than Administrative Claims) have been Filed in the approximate aggregate amount of \$943,409, which include a priority tax claim Filed by the Michigan Department of Community Health ("MDCH") in the amount of \$286,491; however, none of these Claims have been adjudicated.

General Unsecured
Claims:

The Debtor has scheduled on Schedule F general unsecured claims in the amount of \$12,043,650, consisting primarily of unpaid trade debts, and not including any Remainder Claims asserted by Citizens Bank or USDA. The foregoing does not take into consideration the claims of non-debtor parties to rejected executory contracts and unexpired leases, because as more fully explained in the Plan, the Purchaser is still in the process of determining which executory contracts and unexpired leases it would like the Debtor to assume and assign to Purchaser. As of the date of filing of this Plan, according to the Claims Registry Summary on PACER in this Chapter 11 Case, proofs of claim have been Filed asserting unsecured Claims in the approximate aggregate amount of \$30,904,863; however, none of these Claims have been adjudicated. The undersecured, non-priority and non-administrative portions of Claims Filed as secured, priority and/or administrative claims will increase the amount of General Unsecured Claims; however, none of those Claims have been adjudicated.

Administrative
Expense Claims:

Pursuant to Section 2.1.1(c), the Bar Date for Administrative Claims, other than Fee Claims, is thirty days after the Effective Date. As of the date of filing of this Plan, according to the Claims Registry Summary on PACER in this Chapter 11 Case, proofs of claim asserting Administrative Claims have been Filed in the approximate aggregate amount of \$2,446,790; however, none of these Claims have been adjudicated, and, the Creditors' Committee believes the eventual allowable amount of these Administrative Claims when adjudicated will be approximately \$111,000. An additional \$45,830 of Administrative Claims have been Allowed pursuant to Orders entered by the Bankruptcy Court. Additionally, certain Professionals will have Administrative Claims for fees and expenses in addition to retainers and payments made during this Chapter 11 Case. The Creditors' Committee estimates that total remaining fees and expenses due to Professionals for services provided through the Effective Date will be approximately \$975,000. The Creditors' Committee believes all Professionals will agree to waive the requirement for payment of their Administrative Claims for fees and expenses on the Effective Date and accept deferred payments. The Creditors' Committee therefore estimates that the amount of Administrative Claims that will be required to be paid on the Effective Date is approximately \$157,000.

Administrative
Expense Claims Under
§507(b):

Centers for Medicare & Medicaid Services ("CMS") has Filed a motion for allowance of a post-petition Administrative Claim with priority over all other Administrative Claims in the amount of \$552,342; however, this claim has not been adjudicated. The Creditors' Committee and Citizens Bank have objected to the allowance of this Claim as not being entitled to priority over other Administrative Claims and as not allowable in its entirety.

Other Proofs of Claim
Not Classified or
Liquidated:

CMS has Filed a proof of claim asserting a claim in the amount of \$12,806,203 consisting of (i) a contingent claim in the amount of \$9,621,062 and (ii) a secured claim in the amount of \$3,185,141 secured by collateral described as setoff and recoupment rights under 42 CFR 405.371. These claims have not been adjudicated and the Creditors' Committee believes these claims, if allowed, would be General Unsecured Claims.

The Pension Benefit Guaranty Corporation ("PBGC") has Filed four (4) Proofs of Claim asserting Claims for amounts owing for statutory liability for underfunded benefit liabilities, unpaid minimum funding contributions, unpaid flat rate, variable rate and termination premiums, and shortfall and amortization charges under Federal law applicable to the single employer pension plan of the Debtor. These Claims assert Administrative Claims, Priority Tax Claims and General Unsecured Claims variously in liquidated and unliquidated amounts. The Creditors' Committee believes that only a small portion of the PBGC Claims is entitled to priority as an Administrative Claim in the amount of \$6,764 and that all other PBCG Claims are either Priority Tax Claims or General Unsecured Claims.

As set forth below, the Creditors' Committee believes that the proposed terms of this Plan are in the best interest of the Estate and its Creditors, and will result in a greater recovery to Unsecured Creditors than if this Chapter 11 Case was Filed under or converted to a chapter 7 case.

E. OVERVIEW OF TREATMENT OF CLASSES

Class and Description	General Treatment
Class 1 Claims – Other Priority Claims	Unimpaired – nonvoting.
Class 2 Claims – Other Secured Claims	Unimpaired – nonvoting.
Class 3 Claims – Citizens Bank Secured Claims	Impaired – eligible to vote on the Plan.
Class 4 Claims – USDA Secured Claim	Impaired – eligible to vote on the Plan.
Class 5 Claims – General Unsecured Claims	Impaired – eligible to vote on the Plan.

F. TREATMENT OF CLASS 3 AND 4 SECURED CLAIMS

The Plan contemplates that the Liquidating Trustee will seek a full and final resolution of any and all security interests asserted or associated with the Accounts Receivable and the Accounts Receivable Proceeds. Upon determination of any valid security interest in the Accounts Receivable and the Accounts Receivable Proceeds, the holders of the Allowed Class 3 Claim and the Allowed Class 4 Claim will receive a 20% cash payment and a promissory note for the balance of the claim secured by Accounts Receivable and payable in 12 quarterly installments with interest at 5%, but only to the extent of determined security interest of the holders of such Claims.

Under this Plan, the Allowed Class 3 Claims, which are also secured by the Lincoln Bridge Plaza Property, will also be treated in accordance with §1129(b)(2)(A)(iii), by receiving the Lincoln Bridge Plaza Property as a distribution on the Effective Date.

G. MEDICAID AND MEDICARE CLAIMS FOR OVERPAYMENTS

The MDCH, which administers Medicaid, and the CMS, which administers Medicare, have asserted pre-petition claims against the Debtor for overpayments. The Debtor operated for approximately 5 weeks after the filing date of this Chapter 11 Case. Accordingly, the Creditors' Committee believes that post-petition reimbursement obligations owing by either MDCH or CMS to the Debtor, if any, are de minimus in amount. To the extent that MDCH and/or CMS have post-petition reimbursement obligations owing to the Debtor, such obligations may be recouped against their Allowed pre-petition claims. The setoff and recoupment rights of MCDH and CMS are not Claims. Accordingly, the Plan does not provide treatment of such rights and the Plan does not affect or impair such rights.

H. IMPLEMENTATION OF THE PLAN

Prior to the Closing Date, the Debtor was forced to cease operations of its business, as such, no historical information is being provided as part of this Disclosure Statement, nor are any financial projections being provided for any period. Similarly, in light of the fact that the Debtor ceased all operations on April 3, 2012, and then subsequently sold substantially all the formerly operational assets to McLaren, no information is being provided with respect to who will be in charge of such business and the

compensation to be received by them, including fringe benefits, provided, however, that it is contemplated that the Liquidating Trustee will retain legal counsel and other professionals to represent, consult and assist in the administration of the Liquidating Trust and the pursuit and collection of the Liquidating Trust Assets. As more fully described in the Plan, the Liquidation Administrative Expenses will be paid from the Liquidating Trust Assets.

Moreover, due to the cessation of operations and subsequent Sale, there will be no tax ramifications for the Debtor as a continuing entity. In general, the Internal Revenue Code, with certain exceptions, provides that a taxpayer who realizes a “discharge of indebtedness” must include the amount of discharged indebtedness in gross income to the extent that the indebtedness discharged exceeds any consideration for such discharge. To the extent that CMH has actual Allowed Claims against it, it still will not incur debt forgiveness income because the Internal Revenue Code provides that if a taxpayer is a debtor under the Bankruptcy Code and the discharge of indebtedness is pursuant to a plan approved by a Bankruptcy Court, such discharge is not required to be included in gross income, although it loses certain tax attributes.

I. LIQUIDATION ANALYSIS

Pursuant to the Sale Order (attached hereto as Exhibit B) and the Asset Purchase Agreement, substantially all of the Debtor’s assets, **but for** Accounts Receivable, Cash (as defined in the Asset Purchase Agreement), Causes of Action, including Avoidance Actions, D&O Actions or other actions of the Debtor assigned in the Sale Order to the Creditors’ Committee, and the Excluded Real Property (all of which will be transferred to the Liquidating Trust upon the Effective Date), were acquired by Purchaser at the Closing Date.

Taking into account the foregoing, a comparison of the assets which the Creditors' Committee estimates would be available for distribution to creditors under this Plan versus under a Chapter 7 liquidation proceeding is as set forth on Exhibit D attached hereto.

Accordingly, the Creditors' Committee believes the Liquidating Trust will have funds in an amount sufficient to pay all Allowed Administrative Claims required to be paid on the Effective Date; and, that sufficient funds will be available to pay all fees, costs and expenses of the Liquidating Trustee and its professionals, deferred Allowed Administrative Claims (with applicable interest), an deferred payments on Class 3 and Class 4 Claims with interest, and there will be significant funds remaining to be distributed to the holders of Priority and General Unsecured Claims.

The Creditors' Committee believes the Liquidating Trustee will be no less efficient in the prosecution and collection of the Causes of Action than a Chapter 7 Trustee, allowing the Liquidating Trustee to maximize the value of the assets available for distribution. More importantly, this Chapter 11 Case cannot be the subject of an involuntary conversion to a Chapter 7 case. This means the only practical option to a Chapter 11 Plan is a dismissal of this Case, which would result in the loss of the Avoidance Actions and therefore a significantly smaller return to creditors. The Creditors' Committee therefore believes that acceptance of the Plan is in the best interests of the Estate, as it will allow for the greatest possible recovery for creditors.

J. LEGAL REQUIREMENTS⁵

(i) Voting Procedures

Under the Bankruptcy Code, the only classes that are entitled to vote to accept or reject a plan are classes of claims, or equity interest, that are impaired under the plan. Accordingly, classes of claims or interests that are not impaired are not entitled to vote on the plan.

Creditors that hold claims in more than one impaired class are entitled to vote separately in each class. Such a creditor will receive a separate ballot for all of its claims in each class (in accordance with the records of the Clerk of the Court) and should complete and sign each ballot separately. A creditor who asserts a claim in more than one class and who has not been provided with sufficient ballots may photocopy the ballot received and file multiple ballots.

Votes on the plan will be counted only with respect to claims: (a) that are listed on the Debtor's Schedules of Assets and Liabilities other than as disputed, contingent or unliquidated; or (b) for which a proof of claim was Filed on or before the bar date set by the Court for the filing of proofs of claim (except for certain claims expressly excluded from that bar date or which are allowed by Court order). However, any vote by a holder of a claim will not be counted if such claim has been disallowed or is the subject of an unresolved objection, absent an order of the Court allowing such claim for voting purposes pursuant to 11 U.S.C. § 502 and Bankruptcy Rule 3018.

Voting on the plan by each holder of a claim or interest in an impaired class is important. After carefully reviewing the plan and disclosure statement, each holder of such a claim or interest should vote on the enclosed ballot either to accept or to reject the plan, and then return the ballot by mail to the attorney for the Creditors' Committee by the deadline previously established by the court.

Any ballot that does not appropriately indicate acceptance or rejection of the plan will not be counted.

A ballot that is not received by the deadline will not be counted.

If a ballot is damaged, lost, or missing, a replacement ballot may be obtained by sending a written request to the attorney for the Creditors' Committee.

(ii) Acceptance

The Bankruptcy Code defines acceptance of a plan by an impaired class of claims as acceptance by the holders of at least two-thirds in dollar amount, and more than one-half in number, of the claims of that class which actually cast ballots. The Bankruptcy Code defines acceptance of a plan by an impaired class of equity interests as acceptance by holders of at least two-thirds in number of the equity interests of that class that actually cast ballots. If no creditor or interest holder in an impaired class votes, then that class has not accepted the plan.

⁵ This Section is reproduced in the Plan as provided for in Judge Opperman's Requirements for Information to Include in the Combined Plan and Disclosure Statement local form.

(iii) Confirmation

11 U.S.C. § 1129(a) establishes conditions for the confirmation of a plan. These conditions are too numerous and detailed to be fully explained here. Parties are encouraged to seek independent legal counsel to answer any questions concerning the Chapter 11 process.

Among the several conditions for confirmation of a plan under 11 U.S.C. §1129(a) are:

- (1) Each class of impaired creditors and interests must accept the plan, as described in the paragraph (ii), above.
- (2) Either each holder of a claim or interest in a class must accept the plan, or the plan must provide at least as much value as would be received upon liquidation under Chapter 7 of the Bankruptcy Code.

(iv) Modification

The Creditors' Committee reserves the right to modify or withdraw the plan at any time before confirmation.

(v) Effect of Confirmation

If the plan is confirmed by the Court:

- (1) Its terms are binding on the Debtor, all creditors, shareholders and other parties in interest, regardless of whether they have accepted the Plan.
- (2) Except as provided in the Plan:
 - a. In the case of a corporation that is reorganizing and continuing business:
 - (1) All claims and interests will be discharged.
 - (2) Creditors and shareholders will be prohibited from asserting their claims against or interest in the Debtor or its assets.
 - b. In the case of a corporation that is liquidating and not continuing its business:
 - (1) Claims and interests will not be discharged.
 - (2) Creditors and shareholders will not be prohibited from asserting their claims against or interests in the Debtor or its assets.
 - c. In the case of an individual or husband and wife:
 - (1) Claims will be discharged, except as provided in 11 U.S.C. §§ 523 and 727(a).
 - (2) Creditors will be prohibited from asserting their claims except as to those debts which are not discharged or dischargeable under 11 U.S.C. §§ 523 and 727(a).

In this Chapter 11 Case, paragraph 2(b) applies with respect to the Debtor in this Plan and Disclosure Statement.

K. APPROVAL AND SUPPORT OF PLAN BY THE DEBTOR

The Debtor approves and supports this Plan.

**CHAPTER 11 PLAN OF LIQUIDATION OF THE OFFICIAL COMMITTEE
OF UNSECURED CREDITORS**

**ARTICLE I
DEFINED TERMS, RULES OF INTERPRETATION
AND COMPUTATION OF TIME**

1.1 Defined Terms

As used in the Plan, capitalized terms have the meanings set forth in Exhibit A attached hereto. Any term that is not otherwise defined in this Plan, but that is used in the Bankruptcy Code or the Bankruptcy Rules, will have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

1.2 Rules of Interpretation and Computation of Time

1.2.1 Rules of Interpretation

For purposes of this Plan, unless otherwise provided in this Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural; (b) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in this Plan to an existing document or schedule Filed or to be Filed means such document or schedule, as it may have been or may be amended, modified, or supplemented pursuant to this Plan; (d) any reference to an entity or person as a Holder of a Claim includes that entity's or person's successors and assigns; (e) all references in this Plan to Sections, Articles, and Exhibits are references to Sections, Articles, and Exhibits of or to this Plan; (f) the words "in this Plan", "hereunder," and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (h) subject to the provisions of any contract, certificates of formation, limited liability operating agreement, instrument, release, or other agreement or document entered into in connection with this Plan, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and Bankruptcy Rules; and (i) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply.

1.2.2 Computation of Time

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

**ARTICLE II
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

All Claims, except Administrative Claims, statutory fees payable pursuant to 23 U.S.C. § 1930 and Priority Tax Claims, are placed in the following Classes. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Statutory Fees and Priority Tax Claims, as described in Section 2.1, are not classified for purposes of voting or receiving distributions under the Plan and thus are excluded from the following Classes (all such claims are instead treated separately pursuant to the terms set forth in 2.1 of this Article II). A Claim is classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and is classified in other Classes to the extent that any remainder of the Claim qualifies within the description of such other Classes.

2.1 Unclassified Claims

2.1.1 Payment of Administrative Claims

a. Administrative Claims in General

Subject to the Bar Date provisions in this Plan, and unless an order of the Bankruptcy Court provides otherwise or the holder of an Allowed Administrative Claim agrees to less favorable treatment, each holder of an Allowed Administrative Claim will receive, in full satisfaction of its Allowed Administrative Claim, Cash equal to the amount of such Allowed Administrative Claim on the later of (i) the Effective Date or (ii) the date on which such Administrative Claim becomes an Allowed Administrative Claim.

b. Statutory Fees

Each holder of an Allowed Administrative Claim for fees payable pursuant to 28 U.S.C. § 1930 will be paid as provided in Section 2.1.1(a).

c. Bar Dates for Administrative Claims

(i) Bar Date for General Administrative Claims

Any Administrative Claim, other than Fee Claims and US Trustee Fees, incurred or arising prior to April 3, 2013, is barred unless a Claim has been Filed on or prior to the Administrative Claims Bar Date, or the Bankruptcy Court has otherwise previously entered an order allowing such Claim. Any other requests for the payment or allowance of an Administrative Claim (other than the Fee Claims, dealt with in Section 2.1.1(c)(ii) below), shall be deemed discharged and barred forever and shall be unenforceable unless a request for the payment of such Administrative Claim is Filed and served upon the Creditors' Committee, if prior to the Effective Date and dissolution of the Debtor, and the Liquidating Trustee on or before the date that is thirty (30) days after the Effective Date.

(ii) Bar Dates for Professional Compensation

Unless previously ordered otherwise by the Bankruptcy Court, all Fee Claims by Professionals prior to the Effective Date shall be subject to final allowance or disallowance upon application to the Bankruptcy Court pursuant to sections 328, 330 or 503(b)(4) of the Bankruptcy Code. Final applications for allowance of Fee Claims for services rendered in connection with the Chapter 11 Case shall be Filed with the Bankruptcy Court no later than 45 days after the Effective Date. Objections to any Fee Claims must be Filed and served on the Notice Parties, listed on Exhibit C, attached hereto, and the requesting party in accordance with applicable Bankruptcy Rules.

2.1.2 Payment of Priority Tax Claims

a. Priority Tax Claims

Each holder of an Allowed Priority Tax Claim will be paid as provided in Section 2.1.1(a).

b. Other Provisions Concerning Treatment of Priority Tax Claims

Notwithstanding the provisions of Section 2.1.2(a), the holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim. Any such Claim or demand for any such penalty will be

subject to treatment in Class 5 (General Unsecured Claims), as applicable, if not subordinated to Class 5 Claims pursuant to an order of the Bankruptcy Court.

The holder of an Allowed Priority Tax Claim will not assess or attempt to collect such penalty from the Debtor, the Liquidating Trust or from the Liquidating Trust Assets (other than as a holder of a Class 5 Claim).

2.2 Classified Claims

2.2.1 Other Priority Claims (Class 1 Claims) – Unimpaired.

Each Holder of an Allowed Other Priority Claim will be paid as provided in Section 2.1.1(a).

2.2.2 Other Secured Claims (Class 2 Claims) – Unimpaired.

Unless the Holder of an Allowed Other Secured Claim and the Creditors' Committee agree to different treatment, 30 days after the later of (a) Effective Date and (b) the date on which the Claim is Allowed, in full satisfaction of its Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive, at the option of the Creditors' Committee: (x) the net proceeds of the sale of the property securing such Claim, up to the Allowed amount of such Claim; (y) the return of property securing such Claim; or (z) Cash equal to the value of the property securing such Claim, up to the value of the Allowed Other Secured Claim.

2.2.3 Citizens Bank Secured Claim (Class 3 Claim) – Impaired.

On the Effective Date, in full satisfaction, discharge and release of the Secured Claim of Citizens Bank, Citizens Bank shall be deemed to have that portion of its claim that is a Secured Claim deemed satisfied and paid in full in exchange for the treatment more fully described in Section 5.4.2.

2.2.4 USDA Secured Claim (Class 4 Claim) – Impaired.

On the Effective Date, in full satisfaction, discharge and release of the Secured Claim of the USDA, the USDA shall be deemed to have that portion of its claim that is a Secured Claim deemed satisfied and paid in full in exchange for the treatment more fully described in Section 5.4.3.

2.2.5 General Unsecured Claims (Class 5 Claims) – Impaired.

Upon the later of (a) payment of all Allowed Administrative Claims, (b) payment of all Allowed Class 3 Claims and Class 4 Claims, (c) payment of all Allowed Priority Tax Claims, and (d) a General Unsecured Claim becoming an Allowed General Unsecured Claim, and in full satisfaction, discharge, and release, and in exchange for each holder's Allowed General Unsecured Claim, on one or more Distribution Dates, unless the Liquidating Trustee and the Holder of a General Unsecured Claim agree to different treatment, each holder of an Allowed General Unsecured Claim shall receive its Pro-Rata share of the Liquidating Trust Assets (after payment of Liquidation Administrative Expenses).

2.3 Special Provisions Relating to the Rights of Setoff of Creditors

Nothing in this Plan shall expand or enhance a creditor's right of setoff, which shall be determined as of the Petition Date. Nothing in this Plan is intended to, or shall be interpreted to, approve any creditor's effectuation of a postpetition setoff without the prior written consent of the Creditors' Committee, unless prior Bankruptcy Court approval has been obtained.

**ARTICLE III
MEANS FOR IMPLEMENTATION OF THIS PLAN**

3.1 Confirmation Exhibits

All Confirmation Exhibits to this Plan shall be Filed with the Bankruptcy Court no later than 10 days before the Confirmation Hearing.

3.2 Dissolution of the Debtor

As of the later of the Effective Date or upon completion of the transfer of the Liquidating Trust Assets to the Liquidating Trust, the Debtor shall be deemed dissolved. Any final reporting or filing requirements shall become the obligation of the Liquidating Trustee.

3.3 Liquidating Trust

3.3.1 Liquidating Trust Generally

On or prior to the Effective Date, the Liquidating Trust shall be established pursuant to the Liquidating Trust Agreement for the purpose of liquidating remaining Assets and distributing the proceeds thereof to creditors in accordance with the terms of the Plan. The Liquidating Trust Agreement will establish the Liquidating Trust. On the date the Confirmation Order becomes a Final Order, the Liquidating Trust Agreement, and which is incorporated into this Plan, shall be deemed effective and approved by the Bankruptcy Court. Subject to and to the extent set forth in the Plan, the Confirmation Order, the Liquidating Trust Agreement or other agreement (or any other order of the Bankruptcy Court entered pursuant to or in furtherance hereof), the Liquidating Trust (and the Liquidating Trustee) shall be empowered to: (a) affect all actions and execute all agreements, instruments and other documents necessary to implement the Liquidating Trust provisions of the Plan; (b) accept, preserve, receive, collect, manage, invest, supervise, prosecute, settle and protect the Liquidating Trust Assets (directly or through its professionals, in accordance with the Plan); (c) sell, liquidate, transfer, distribute or otherwise dispose of the Liquidating Trust Assets (directly or through its professionals) or any part thereof or any interest in this Plan upon such terms as the Liquidating Trustee determines to be necessary, appropriate or desirable; (d) calculate and make distributions to holders of Allowed Claims pursuant to the procedures for allowing Claims and making distributions prescribed in the Plan; (e) comply with the Plan and exercise the Liquidating Trustee's rights and fulfill its obligations thereunder; (f) review, reconcile or object to Claims and resolve such objections as set forth in the Plan; (g) pursue the Causes of Action, the Avoidance Actions, the D&O Actions and any other actions of the Debtor transferred to the Liquidating Trust; (h) retain and compensate professionals to represent the Liquidating Trustee with respect to his responsibilities; (i) establish and maintain a Disputed Claims Reserve; (j) file appropriate Tax returns and other reports on behalf of the Liquidating Trust and pay Taxes or other obligations owed by the Liquidating Trust; (k) exercise any investigative and administrative powers and authority available to the Debtor or a trustee of the Estate in regards to the Liquidating Trust Assets, including, but not limited to, examinations of parties in interest under Bankruptcy Rule 2004; (l) exercise such other powers as may be vested in the Liquidating Trustee under the Liquidating Trust Agreement or the Plan, or as deemed by the Liquidating Trustee to be necessary and proper to implement the provisions of the Plan and the Liquidating Trust Agreement; (m) object to the amount of any Claim on any Schedule if the Liquidating Trustee determines in good faith that the Claim is invalid or has previously been paid or satisfied; (n) pay any and all residual statutory fees of the Debtor as provided in Section 2.1.1(b) of this Plan; and (o) dissolve the Liquidating Trust in accordance with the terms of the Liquidating Trust Agreement.

Notwithstanding anything to the contrary in this Section, the Liquidating Trust's primary purpose is liquidating the Assets transferred to it by the Debtor and making distributions of the assets of the Liquidating Trust to holders of Allowed Claims.

3.3.2 Funding of and Transfer of Assets into the Liquidating Trust

a. On the Effective Date, all of the Liquidating Trust Assets shall be transferred to the Liquidating Trust. The Liquidating Trust Assets shall vest in the Liquidating Trust on the Effective Date free and clear of all Claims, liens, encumbrances, charges and other interests, except as otherwise provided in this Plan. All property held for distribution pursuant to this Plan shall be held by the Liquidating Trust in trust for the Holders of Allowed Claims and shall not be deemed property of the Debtor. Nothing in this Plan, however, shall preclude payment of: (i) statutory fees under 28 U.S.C. §1930 to the extent unpaid on the Effective Date; and (ii) the Liquidation Administrative Expenses in accordance with this Plan and the Liquidating Trust Agreement from the Liquidating Trust Assets. The Debtor is authorized to take such steps as may be necessary or appropriate to confirm such transfer and contribution of the Liquidating Trust Assets to the Liquidating Trust, subject to oversight from the Liquidating Trustee.

b. The Liquidating Trustee shall have the authority to create sub-accounts or sub-trusts within the Liquidating Trust, and into which the Liquidating Trustee may deposit any Unliquidated Assets, including real or personal property pending its liquidation. The Liquidating Trustee, as trustee of such sub-accounts or sub-trusts may hold legal title to such property. Once liquidated, any Cash proceeds of such sub-accounts or sub-trusts shall be deposited directly into the primary trust account.

c. The transfer of the Accounts Receivable to the Liquidating Trust shall not be construed to destroy, limit, or enlarge any such lien or interest Citizens Bank, USDA, or the Debtor may have in the Accounts Receivable or the Accounts Receivable Proceeds. Any such interests or liens of Citizens Bank, USDA or the Debtor in the Accounts Receivable or the Accounts Receivable Proceeds shall be determined in accordance with the terms of this Plan or further Bankruptcy Court Order.

d. The act of transferring assets and rights to the Liquidating Trustee of the Liquidating Trust, as authorized by the Plan and Confirmation Order, shall not be construed to destroy or limit any such assets or rights or be construed as a waiver of any right, and such rights may be asserted by the Liquidating Trust as if the asset or right was still held by the Debtor.

e. The Liquidating Trustee shall have standing, in all respects, to enforce all rights of the Debtor, including but not limited to those set forth in the Plan, the Liquidating Trust Agreement and the Bankruptcy Code.

3.3.3 Liquidating Trustee

a. The Liquidating Trustee shall be James D. Boyd.

b. All powers, rights and responsibilities of the Liquidating Trustee shall be as specified in the Plan and the Liquidating Trust Agreement. Other rights and duties of the Liquidating Trustee and the beneficiaries of the Liquidating Trust shall be as set forth in the Liquidating Trust Agreement.

c. The Liquidating Trustee shall have the authority to retain certain professionals to assist in performing his duties and obligations as trustee of the Liquidating Trust.

3.3.4 Compensation

The Liquidating Trustee shall be entitled to compensation as follows: (i) for activities other than those related to the prosecution of Causes of Action, Avoidance Actions, D&O Actions or other actions of the Debtor, the amount of \$250 per hour, plus reimbursement for reasonable and necessary out-of-pocket costs (including attorneys' fees), and (ii) for activities related to the prosecution of Causes of Action, Avoidance Actions, D&O Actions or other actions of the Debtor, and in lieu of any hourly fees, three percent (3%) of gross recoveries, payable as such recoveries are made and without further order of the Bankruptcy Court.

Liquidation Administrative Expenses shall be paid from the Liquidating Trust Assets on a first priority basis. The Liquidating Trustee shall pay such Liquidation Administrative Expenses upon receipt of any invoice therefor, without further order of the Bankruptcy Court. Distributions from the Liquidating Trust Assets shall be made by the Liquidating Trustee first to pay Liquidation Administrative Expenses, and thereafter to pay Allowed Claims of Unsecured Creditors, including Fee Claims, in accordance with priority scheme provided under the Bankruptcy Code and per the terms of this Plan and the Liquidating Trust Agreement.

3.3.5 Liquidating Trust Agreement

The Liquidating Trust Agreement shall be substantially in the form provided as Confirmation Exhibit 3.3.1.⁶ In the event of any discrepancies between the Liquidating Trust Agreement and this Plan, the terms of the Plan shall control.

3.3.6 Claims Against the Liquidating Trust

All persons having any claim against the Liquidating Trustee or the Liquidating Trustee's professionals in connection with the Liquidating Trustee's performance of his rights, powers and duties shall look only to the Liquidating Trust Assets for payment or satisfaction thereof.

3.3.7 Tax Treatment

The Liquidating Trust is intended to be treated for U.S. federal income tax purposes in part as a liquidating trust described in Treasury Regulation § 301.7701-4(d) taxed pursuant to Section 641 et seq. of the Internal Revenue Code or as disputed ownership funds described in Treasury Regulation § 1.468B-9. For federal income tax purposes, the transfer of assets by the Debtor to the Liquidating Trust will be treated in part as the transfer of assets by the Debtor to the holders of Allowed Claims, subject to any liabilities of the Debtor or the Liquidating Trust payable from the proceeds of such assets, followed by the transfer of such assets (subject to such liabilities) by such holders to the Liquidating Trust in exchange for interests in the trust. The holders of Allowed Claims will be treated for federal income tax purposes as the grantors and deemed owners of their respective shares of the assets in the Liquidating Trust (subject to such liabilities), depending on their rights to distributions under the Plan. As grantors and deemed owners of such assets, the holders of Allowed Claims will be required to include in income their respective shares of the income, deductions, gains, losses and credits attributable to such assets. The holders of Allowed Claims will be required to use the values assigned to such assets by the Liquidating Trustee for all federal tax purposes,

⁶ As set forth in Section 3.1 of this Plan, Confirmation Exhibit 3.3.1, the Liquidating Trust Agreement shall be Filed with the Bankruptcy Court no later than 10 days before the Confirmation Hearing.

including the recognition of income, deduction, gain or loss with respect to their Allowed Claims and any gain or loss recognized on the subsequent disposition of an asset in which the holder holds an interest.

The Liquidating Trust Agreement will contain certain provisions to comply with IRS guidance for trusts treated as liquidating trusts. Among other things, the agreement will: (a) require that the Liquidating Trust terminate no later than five years after the Effective Date, subject to extension with Bankruptcy Court approval, (b) limit the Liquidating Trustee's investment powers, (c) limit the business operations carried on by the Liquidating Trust to activities reasonably necessary to and consistent with the trust's liquidating purpose, (d) prohibit the Liquidating Trust from receiving or retaining Cash or Cash equivalents in excess of an amount reasonably necessary to meet Claims and contingent liabilities or to maintain the value of the trust assets during liquidation, and (e) distribute at least annually to the holders of Allowed General Unsecured Claims the Liquidating Trust's net income and the net proceeds from the sale of Liquidating Trust Assets in excess of an amount reasonably necessary to meet senior Claims and contingent liabilities (including Disputed Claims) and to maintain the value of the Liquidating Trust Assets.

Liquidating Trust Assets reserved for holders of Disputed Claims will be treated as one or more Disputed Claims reserves for tax purposes, which will be subject to an entity-level Tax on some or all of their net income or gain. No holder of a Claim will be treated as the grantor or deemed owner of an asset reserved for Disputed Claims until such holder receives or is allocated an interest in such asset.

The Liquidating Trustee will file all Tax returns on a basis consistent with the treatment of the Liquidating Trust in part as a liquidating trust (and grantor trust pursuant to Treasury Regulation § 1.671-1(a)) and in part as one or more Disputed Claims reserves taxed as discrete trusts or disputed ownership funds, and will pay all Taxes owed from Liquidating Trust assets, provided that income taxes of the Disputed Claims reserves shall only be paid from the Liquidating Trust assets allocable to the Disputed Claims reserves.

3.3.8 Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes

The Debtor and the Liquidating Trustee, as the case may be, will be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of this Plan. Pursuant to section 1146(a) of the Bankruptcy Code, the following will not be subject to any stamp Tax, real estate transfer Tax, mortgage recording Tax, sales or use Tax or similar Tax: (a) the creation of any mortgage, deed of trust, lien or other security interest; (b) the making or assignment of any lease or sublease; or (c) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale or assignments executed in connection with any of the foregoing or pursuant to the Plan.

3.3.9 Disposition of Assets by Liquidating Trust

On the Effective Date, the Debtor shall transfer to the Liquidating Trust all of the Liquidating Trust Assets. The Liquidating Trustee may conduct any sales or liquidations of Unliquidated Assets from the Liquidating Trust in any manner authorized under the terms of this Plan, the Liquidating Trust Agreement or otherwise approved by the Bankruptcy Court.

3.3.10 Settlement of Causes of Actions and Disputed Claims

The Liquidating Trustee may settle, compromise, abandon or withdraw any Cause of Action, Avoidance Action, D&O Actions or other action of the Debtor, on any grounds or terms he deems

reasonable, without further order of the Bankruptcy Court. The Liquidating Trustee may settle or compromise any Disputed Claims on any terms he deems reasonable, without further order of the Bankruptcy Court.

3.3.11 Additional Obligations of Liquidating Trustee

In addition to the obligations of the Liquidating Trustee provided in the Liquidating Trust Agreement, upon the Effective Date, the Liquidating Trustee shall be responsible for the following: (a) the preparation, oversight and filing of any cost reporting requirements imposed by the Department of Health and Human Services' Centers for Medicare and Medicaid Services or the State of Michigan; and (b) any and all remaining administrative tasks or requirements relating to the administration, wind down and termination of the Employee Benefit Plans. The Liquidating Trustee shall comply with all post-confirmation obligations imposed by the Bankruptcy Code and the United States Trustee's Operating Instructions and Reporting Requirements, including the timely payment of United States Trustee quarterly fees based upon disbursements from the Liquidating Trust, and the filing with the Court, with service upon the United States Trustee, of monthly disbursement reports, until such time as the case is closed, dismissed or converted

3.4 Special Provisions

3.4.1 Liquidation of Tort Claims

All Tort Claims will be liquidated, determined or otherwise resolved in accordance with the provisions of section 502(c) of the Bankruptcy Code and will be subject to the Claims allowance process set forth in the Plan. Any unliquidated Tort Claims that are also Disputed Insured Claims may elect to proceed solely against the applicable insurance or seek relief from the automatic stay pursuant to section 362 of the Bankruptcy Code and seek that the Tort Claim be liquidated by the Bankruptcy Court.

3.4.2 Limitations on Amounts to Be Distributed to Holders of Allowed Insured Claims

Distributions under the Plan to each holder of an Allowed Insured Claim will be in accordance with the treatment provided under the Plan for the Class in which such Allowed Insured Claim is classified, but solely to the extent that such Allowed Insured Claim is not satisfied from proceeds payable to the holder thereof under any pertinent insurance policies and applicable law. Nothing in this Section 3.4.2 or Section 3.4.1 constitutes a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities that any entity may hold against any other entity, including the Debtor's insurance carriers.

3.4.3 Preservation of Causes of Action, Avoidance Actions

On the Effective Date, the Debtor will transfer to the Liquidating Trust, as the representative of the Estate under section 1123(b) of the Bankruptcy Code, all Causes of Action, Avoidance Actions, D&O Actions or other actions of the Debtor, including but not limited to those items identified on Confirmation Exhibit 3.4.3. Any and all Causes of Action, Avoidance Actions, D&O Actions or other actions of the Debtor assigned in the Sale Order to the Creditors' Committee are hereby deemed assigned by the Creditors' Committee to the Liquidating Trust on the following terms and conditions: (i) the Net Proceeds of all such Causes of Action, Avoidance Actions, D&O Actions or other actions of the Debtor assigned in the Sale Order to the Creditors' Committee shall inure to the sole and exclusive benefit of all Unsecured Creditors (whether or not the Claims of such creditors are afforded priority or administrative treatment under this Plan or the Bankruptcy Code, and specifically including Fee Claims for professional fees) and those Allowed Claims shall be paid in accordance with the priority scheme provided for under the

Bankruptcy Code, (ii) the Liquidating Trustee's fee of three percent (3%) and Varnum LLP's fee of thirty-three percent (33.3%) on any gross recoveries shall inure to the sole and exclusive benefit of the Liquidating Trustee and Varnum, LLP; (iii) the Liquidating Trustee shall retain Varnum, LLP as counsel to prosecute all Causes of Action, Avoidance Actions, D&O Actions and other actions of the Debtor (the prior orders of the Bankruptcy Court approving the Creditors Committee's retention of Varnum, LLP under sections 327 and 328 of the Bankruptcy Code are hereby deemed ratified by and binding upon the Liquidating Trust and the Liquidating Trustee without further order of the Bankruptcy Court); (iv) the Liquidating Trustee shall be entitled, in connection with the prosecution of such Causes of Action, and in lieu of any hourly-rate compensation, and without further order of the Bankruptcy Court, a fee of three percent (3%) of all recoveries, and (v) all such causes of action constitute 'Causes of Action' as defined in the Plan generally and in this Section 3.4.3.

Notwithstanding anything contained in this Section 3.4.3 or this Plan to the contrary, the Debtor or the Liquidating Trustee, as the case may be, may assert any Avoidance Action as a defense where applicable. As of the Effective Date, the Liquidating Trustee shall control the privilege rights of the Debtor, including but not limited to the attorney/client privilege, related to the Causes of Action, the Avoidance Actions, the D&O Actions and the other actions of the Debtor.

3.4.4 Comprehensive Settlement of Claims and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim or interest may have with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such Claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtor, its Estate and its respective property and Claim and interest holders and is fair, equitable and reasonable.

3.4.5 Sales Proceeds Distribution

Nothing herein shall be construed as a determination of the respective rights of Citizens Bank and USDA in the Sale Proceeds, nor shall give the Liquidating Trustee the right, power or authorization to distribute the Sale Proceeds absent further Bankruptcy Court Order determining the distribution scheme; provided, however, that the Liquidating Trustee shall be authorized to distribute any undistributed portion of the Committee's Carveout to the Creditors' Committee without further order or authorization from the Bankruptcy Court.

3.4.6 Claims Against the Restricted Assets

Any and all Claims Filed against or to be paid from the Restricted Assets must be approved by the State of Michigan Attorney General prior to being Allowed Claims. Once approved by the State of Michigan Attorney General, the Restricted Assets Claims will be paid from the Restricted Assets by the Liquidating Trustee.

ARTICLE IV EXECUTORY CONTRACTS AND UNEXPIRED LEASES

4.1 Assumption and Assignment

Each Executory Contract, Unexpired Lease or other agreement listed on Confirmation Exhibit 4.1 has been or will be assigned to the Purchaser prior to the Effective Date. All other Executory Contracts,

Unexpired Leases or other agreements are deemed rejected, unless otherwise provided through an Order of the Bankruptcy Court.

4.2 Cure of Defaults

Upon information and belief, all Cure Amount Claims have been satisfied or are in the process of being satisfied by the Purchaser in accordance with the terms and procedures of the Sale and related process.

4.3 Bar Date for Rejection Damage Claims

Claims arising out of the rejection of an Executory Contract or Unexpired Lease pursuant to Section 4.1 must be Filed with the Bankruptcy Court and served on the Creditors' Committee, and after the Effective Date, on the Liquidating Trustee, by no later than 30 days after the later of (a) notice of the Effective Date or (b) notice of an amendment to Confirmation Exhibit 4.1, and upon allowance, shall be an Allowed General Unsecured Claim. Any Claims not Filed within such applicable time periods will be forever barred from receiving a distribution from the Debtor, the Estate, the Liquidating Trustee or the Liquidating Trust Assets.

4.4 Approval of Rejection

Entry of the Confirmation Order shall constitute, pursuant to sections 365 and 1123 of the Bankruptcy Code, the approval of the rejection of all Executory Contracts and Unexpired Leases pursuant to Section 4.1 to the extent not previously assumed or rejected by Order of the Bankruptcy Court.

ARTICLE V PROVISIONS GOVERNING DISTRIBUTIONS

5.1 Distributions for Claims Allowed as of the Effective Date

Except as otherwise provided in this Article V, distributions of Cash to be made on the Effective Date to holders of Claims as provided by Article II that are Allowed as of the Effective Date shall be deemed made on the Effective Date or as promptly thereafter as practicable, but in any event no later than 30 days after the Effective Date or no later than such later date as the holder agrees; or, with respect to undeliverable distributions, when the provisions of Section 5.4 are satisfied. Distributions on account of Claims that become Allowed Claims after the Effective Date will be made pursuant to Section 6.3.

5.2 Method of Distributions to Holders of Claims

The Liquidating Trustee will make all distributions of Cash and other instruments or documents required under the Plan.

5.3 Delivery of Distributions and Undeliverable or Unclaimed Distributions

5.3.1 Delivery of Distributions

Distributions to holders of Allowed Claims will be made: (i) at the addresses set forth on the respective proofs of Claim or request for payment of Administrative Claim Filed by holders of such Claims, as applicable; (ii) at the address for a Claim transferee set forth in a valid and timely notice of transfer of Claim Filed with the Bankruptcy Court; (iii) at the addresses set forth in any written notice of address change Filed with the Bankruptcy Court after the date of Filing of any related proof of Claim; (iv) at the addresses reflected in the Debtor's Schedules if no proof of Claim has been Filed; or (v) if clauses (i)

through (iv) are not applicable, at the last address known or directed by such holder after such Claim becomes an Allowed Claim.

5.3.2 Undeliverable Distributions Held by the Liquidating Trustee

a. Holding of Undeliverable Distributions

Subject to Section 5.3.2(c), distributions returned to the Liquidating Trustee or otherwise undeliverable will remain in the possession of the Liquidating Trustee pursuant to this Section 5.3.2(a), until such time as a distribution becomes deliverable.

b. After Distributions Become Deliverable

On each Distribution Date, the Liquidating Trustee will make all distributions that became deliverable to holders of Allowed Claims at the next Distribution Date; provided, however, that the Liquidating Trustee may, in his sole discretion, establish a record date prior to each periodic Distribution Date, such that only Allowed Claims as of the record date will participate in such periodic distribution. Notwithstanding the foregoing, the Liquidating Trustee reserves the right, to the extent he determines a distribution on any periodic Distribution Date is uneconomical or unfeasible, or is otherwise unadvisable, to postpone a periodic Distribution Date.

c. Failure to Claim Undeliverable Distributions

Any holder of an Allowed Claim that does not assert its right to an undeliverable distribution prior to the date that is 60 days prior to the Final Distribution Date will be forever barred from asserting any such Claim against the Debtor, the Liquidating Trustee and their respective property or accounts. In such cases, unclaimed distributions held by the Liquidating Trustee will be retained by the Liquidating Trustee for distribution to other creditors. Any unclaimed distributions or any distributions that are returned as undeliverable and unclaimed pursuant to this Section 5.3.2(c) will be returned to the Liquidating Trust free of any restrictions thereon. Nothing contained in the Plan will require the Creditors' Committee or the Liquidating Trustee to attempt to locate any holder of an Allowed Claim.

5.4 Treatment and Timing and Calculation of Amounts to be Distributed

5.4.1 Distributions on Account of Allowed Claims - Class 1 and Class 2

Distributions to be made to holders of Allowed Claims classified in Class 1 or Class 2 under the Plan shall be made within 30 days of the later of such Claim becoming an Allowed Claim or on such later dates as the holders of such Claims agree.

5.4.2 Treatment of Allowed Class 3 Claim

The Class 3 Allowed Claim shall receive its share of the Sale Proceeds, the Lincoln Bridge Property, the Citizens Effective Date Payment and the Citizens Plan Note in full satisfaction of the Class 3 Allowed Claim. The Citizens Plan Note shall be Secured by Accounts Receivable and shall be substantially in the form of Confirmation Exhibit 5.4.2.

5.4.3 Treatment of Allowed Class 4 Claim

The Class 4 Allowed Claim shall receive its share of the Sale Proceeds, the USDA Effective Date Payment and the USDA Plan Note in full satisfaction of the Class 4 Allowed Claim. The USDA Plan Note

shall be Secured by Accounts Receivable and shall be substantially in the form of Confirmation Exhibit 5.4.3.

5.4.4 Distributions on Account of Allowed Claims - Class 5

Distributions to be made on account of Allowed Claims classified in Class 5 under the Plan shall be made as soon as reasonably practical.

5.4.5 Distributions to the Liquidating Trustee and to Varnum, LLP

Distributions of percentage fees payable to the Liquidating Trustee and distributions of contingency fees payable to Varnum, LLP shall be paid by the Liquidating Trustee when recoveries are made on each Cause of Action, Avoidance Action, D&O Action and other actions of the Debtor and without further order of the Bankruptcy Court.

5.5 Other Provisions Applicable to Distributions in All Classes

5.5.1 Postpetition Interest

Unless a Holder with a Claim under § 1129(a)(9) demands interest payments at the applicable statutory rate from the Effective Date to the date of payment, no interest shall have accrued on any Claim that is not an Allowed Secured Claim that is oversecured on and after the Petition Date.

5.5.2 Allocation of Distributions

All distributions to a holder of an Allowed Claim that has components of principal and interest will be deemed to apply first to the principal amount of such Claim until such principal amount is paid in full, and then the remaining portion of such distributions, if any, will be deemed to apply to any applicable accrued interest included in such Claim to the extent interest is payable under this Plan.

5.5.3 Holders of Record

Transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 for which a notice of transfer has been Filed on or prior to the Distribution Record Date will be treated as the holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Distribution Record Date. No transfers Filed with the Bankruptcy Court after the Distribution Record Date shall be recognized by the Liquidating Trustee.

5.6 Means of Cash Payments

Except as otherwise specified in this Plan, Cash payments made pursuant to the Plan will be in U.S. currency by checks drawn on a domestic bank selected by the Creditors' Committee or the Liquidating Trustee, as applicable, by wire transfer, electronic funds or ACH from a domestic bank; provided, however, that Cash payments to foreign holders of Allowed Claims may be made, at the option of the Liquidating Trustee, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

5.7 Withholding Requirements

5.7.1 Withholding

In connection with the Plan, to the extent applicable, the Liquidating Trustee will comply with all applicable Tax withholding and reporting requirements imposed on the Liquidating Trust by any

governmental unit, and all distributions pursuant to the Plan will be subject to applicable withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Liquidating Trustee will be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including, without limitation, liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding Taxes or establishing any other mechanisms the Liquidating Trustee believes are reasonable and appropriate, including requiring Claim holders to submit appropriate Tax and withholding certifications. To the extent any Claim holder fails to submit appropriate Tax and withholding certifications as required by the Liquidating Trustee, such Claim holder's distribution will be deemed undeliverable and subject to Section 5.3.2 of the Plan.

5.7.2 Distributions

Notwithstanding any other provision of the Plan, each entity receiving a distribution of Cash pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on it by any governmental unit on account of the distribution, including income, withholding and other Tax obligations.

5.7.3 Allocations

The Creditors' Committee and the Liquidating Trustee, as applicable, reserve the right to allocate and distribute all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support and other spousal awards, liens and similar encumbrances.

5.8 Setoffs

Except with respect to claims of the Debtor released pursuant to the Plan or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Debtor (or the Liquidating Trustee on behalf of the Debtor) may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the Debtor or the Liquidating Trustee of any claims, rights and causes of action that the Debtor may possess against a Claim Holder, which are expressly preserved under Section 3.4.3.

ARTICLE VI PROCEDURES FOR RESOLVING DISPUTED CLAIMS

6.1 Treatment of Disputed Claims

6.1.1 Tort Claims

Each Tort Claim will be resolved in accordance with Section 3.4.1 of this Plan.

6.1.2 Disputed Insured Claims

The resolution of Disputed Insured Claims, including Tort Claims, shall be subject to the provisions of Sections 3.4.1 and 3.4.2 of this Plan.

6.1.3 No Distributions Pending Allowance

Notwithstanding any other provision of this Plan, no payments or distributions will be made on account of a Disputed Claim until such Claim becomes an Allowed Claim, if ever.

6.2 Prosecution of Objections to Claims

6.2.1 Objections to Claims

All objections to Claims must be Filed and served on the holders of such Claims, and any amendment to the Schedules to reduce the scheduled Claim of such holder, must be made by the Debtor or the Liquidating Trustee by the Claims Objection Bar Date. If an objection has not been Filed to a Claim or an amendment has not been made to the Schedules with respect to a scheduled undisputed Claim by the Claims Objection Bar Date, the particular Claim will be treated as an Allowed Claim if such Claim has not been allowed earlier.

6.2.2 Authority to Prosecute Objections

On or after the Effective Date, the Liquidating Trustee shall have the sole authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims.

6.2.3 Authority to Amend Schedules

The Debtor or the Liquidating Trustee, as applicable, will have the authority to amend the Schedules with respect to any Claim, and to make distributions based on such amended Schedules without approval of the Bankruptcy Court. If any such amendment to the Schedules reduces the amount of a Claim or changes the nature or priority of a Claim, the Debtor or the Liquidating Trustee, as applicable, will provide the holder of such Claim with notice of such amendment and such holder will have 30 days to File an objection to such amendment with the Bankruptcy Court.

Notwithstanding anything in this Section 6.2.3 or this Plan to the contrary, the Liquidating Trustee shall have the authority to object to the amount of any Claim indicated on the Schedules if the Liquidating Trustee determines in good faith that the Claim is invalid or has previously been paid or satisfied.

6.2.4 Request for Extension of Claims Objection Bar Date

Upon motion to the Bankruptcy Court, the Liquidating Trustee may request, and the Bankruptcy Court may grant, an extension to the Claims Objection Bar Date generally or with respect to a specific list of Claims. Any extension granted by the Bankruptcy Court shall not be considered to be a plan modification under section 1127 of the Bankruptcy Code.

6.3 Provisions Governing Disputed Claims Reserve

6.3.1 Funding.

At least thirty (30) days following the Effective Date or otherwise prior to any initial distribution under Section 5.4.2 of the Plan and Section 5.04 of the Liquidating Trust Agreement, the Disputed Claims Reserve will be established by the Liquidating Trustee pursuant to the Liquidating Trust Agreement for the benefit of holders of Disputed Claims that become Allowed Claims. For the purpose of calculating the Assets to be contributed to the Disputed Claims Reserve, all Disputed Claims will be treated (solely for purposes of establishing the Disputed Claims Reserve) as Allowed Claims in the Face Amount of such Claims as of the Effective Date, or in the event of a Disputed Administrative Claim as of the Bar Date

provided in Section 2.1.1(c)(1) of the Plan. As Disputed Claims are resolved, the Liquidating Trustee shall make adjustments to the reserves for Disputed Claims, but the Liquidating Trustee shall not be required to increase such reserves from and after the date at which the Disputed Claims Reserve is established. The Liquidating Trustee may File a motion seeking an order of the Bankruptcy Court approving additional procedures for the establishment of the Disputed Claims Reserve.

6.3.2 Distributions.

The distributions received by the Liquidating Trustee on account of the Disputed Claims Reserve from the Liquidating Trust, along with any Cash Investment Yield held in the Disputed Claims Reserve, will (a) be deposited in a segregated bank account for the benefit of holders of Allowed Claims and Disputed Claims that become Allowed Claims and (b) accounted for separately. The Liquidating Trustee will invest any Cash held in the Disputed Claims Reserve in a manner consistent with the Liquidating Trust Agreement.

6.3.3 Recourse.

Each holder of an Allowed Claim and each holder of a Disputed Claim that ultimately becomes an Allowed Claim will have recourse only against the Disputed Claims Reserve and not to any other assets held by the Liquidating Trust, its property or any assets previously distributed on account of any Allowed Claim.

6.3.4 No Transfer of Rights.

The rights of holders of Allowed Claims to receive distributions from the Disputed Claims Reserve in accordance with the Plan will be non-transferable, except with respect to a transfer by will, the laws of descent and distribution or operation of law.

6.4 Distributions on Account of Disputed Claims Once Allowed

Distributions on account of Disputed Claims that become Allowed Claims after the Effective Date shall be made in accordance with Article V of the Plan.

ARTICLE VII CONFIRMATION OF THE PLAN

7.1 Conditions Precedent to Confirmation

The following conditions are conditions to the entry of the Confirmation Order unless such conditions, or any of them, have been satisfied or duly waived pursuant to Section 7.3:

- A. The Confirmation Order will be reasonably acceptable in form and substance to the Debtor and the Creditors' Committee.
- B. 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 9.1 of the Plan.
- C. All Confirmation Exhibits to the Plan are in form and substance reasonably satisfactory of the Creditors' Committee.

7.2 Conditions Precedent to the Effective Date

The Effective Date will not occur, and the Plan will not be consummated, unless and until each of the following conditions have been satisfied or duly waived pursuant to Section 7.3:

- A. The Bankruptcy Court shall have entered the Confirmation Order, and the Confirmation Order shall be a Final Order.
- B. No stay of the Confirmation Order shall then be in effect.
- C. The Liquidating Trustee shall have been appointed, and shall have accepted such appointment.
- D. The Plan and all Confirmation Exhibits to the Plan shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made in accordance with Section 9.1 of the Plan.

7.3 Waiver of Conditions to Confirmation or Effective Date

The conditions to Confirmation and the conditions to the Effective Date may be waived in whole or in part at any time by the Creditors' Committee without an order of the Bankruptcy Court.

7.4 Cramdown

The Creditors' Committee requests Confirmation under section 1129(b) of the Bankruptcy Code with respect to any impaired Class that has not accepted or is deemed not to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

7.5 Effect of Nonoccurrence of Conditions to the Effective Date

If each of the conditions to the Effective Date is not satisfied or duly waived in accordance with Section 7.3, then upon motion by the Creditors' Committee made before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is satisfied or waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section 7.5: (1) the Plan will be null and void in all respects; and (2) nothing contained in the Plan will (a) constitute a waiver or release of any Claims by or against the Debtor or (b) prejudice in any manner the rights of the Debtor or any other party in interest.

7.6 Effect of Confirmation of the Plan - Discharge of Claims and Termination of Interests

Pursuant to section 1141(d)(3) of the Bankruptcy Code, Confirmation will not discharge Claims against the Debtor; provided, however, that no holder of a Claim against the Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, the Debtor, the Liquidating Trustee or property of the Estate, except as expressly provided in the Plan.

**ARTICLE VIII
RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain such jurisdiction over the Chapter 11 Case after the Effective Date as is legally permissible, including jurisdiction to:

A. Allow, disallow, determine, liquidate, reduce, classify, re-classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the amount, allowance, priority or classification of Claims;

B. Resolve any issues arising under the Asset Purchase Agreement or the Sale Order;

C. Either grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

D. Resolve any matters related to the assumption, assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which the Debtor is a party or with respect to which the Debtor may be liable and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including any Cure Amount Claims;

E. Ensure that distributions on account of Allowed Claims are accomplished pursuant to the provisions of the Plan;

F. Decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and either grant or deny any applications involving the Debtor that may be pending on the Effective Date or brought thereafter;

G. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Liquidating Trust Agreement, the Disclosure Statement or the Confirmation Order;

H. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan, the Liquidating Trust Agreement or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan, the Liquidating Trust Agreement, or any entity's rights arising from or obligations incurred in connection with the Plan, the Liquidating Trust Agreement, or other such documents;

I. Modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code; modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order; or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court Order, the Plan, the Disclosure Statement, the Confirmation Order, the Liquidating Trust Agreement or any contract, instrument, release or other agreement or document entered into, delivered or created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

J. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain

interference by any entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

K. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or distributions pursuant to the Plan are enjoined or stayed;

L. Determine any other matters that may arise in connection with or related to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

M. Hear, decide and resolve motions, adversary proceedings, contested or litigated matters brought by the Debtor or the Liquidating Trustee in connection with the Causes of Action, Avoidance Actions, and D&O Actions;

N. Enforce or clarify any orders previously entered by the Bankruptcy Court in the Chapter 11 Case;

O. Enter a final decree closing the Chapter 11 Case;

P. Determine matters concerning state, local and federal Taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code, including any Disputed Claims for Taxes;

Q. Hear all matters arising out of the consummation of the Sale;

R. Recover all assets of the Debtor and the Estate, wherever located; and

S. Hear any other matter not inconsistent with the Bankruptcy Code.

ARTICLE IX MISCELLANEOUS PROVISIONS

9.1 Modification of the Plan

Subject to the restrictions on alteration, amendment and modification set forth in section 1127 of the Bankruptcy Code, the Creditors' Committee reserves the right to alter, amend or modify the Plan before the Effective Date.

9.2 Revocation of the Plan

The Creditors' Committee reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Creditors' Committee revokes or withdraws the Plan, or if Confirmation does not occur, then the Plan will be null and void in all respects, and nothing contained in the Plan will: (a) constitute a waiver or release of any Claims by or against the Debtor; (b) prejudice in any manner the rights of the Debtor or any other party in interest; or (c) constitute an admission of any sort by the Debtor or any other party in interest.

9.3 Severability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, 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. The Confirmation Order will constitute a judicial determination and will 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.

9.4 Dissolution of Creditors' Committee

On the Effective Date the Creditors' Committee and any other official committees appointed in the Chapter 11 Case will dissolve, and the members of the Creditors' Committee and their respective Professionals, except as provided herein, will cease to have any duty, obligation or role arising from or related to the Chapter 11 Case. The Professionals retained by the Creditors' Committee and the respective members thereof will not be entitled to assert any Fee Claim against the Debtor or the Estate for any services rendered or expenses incurred after the Effective Date in their capacity as Professionals for the Creditors' Committee, except to the extent necessary to File, prepare and defend any fee application.

9.5 Successors and Assigns

The rights, benefits and obligations of any entity named or referred to in the Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

9.6 Section 1125(e) Good Faith Compliance

The Debtor, the Creditors' Committee and its individual members, and each of their respective Representatives, shall be deemed to have acted in "good faith" under section 1125(e) of the Bankruptcy Code.

9.7 Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, instrument, release, or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the state of Michigan without giving effect to the principles of conflict of laws thereof. However, notwithstanding this paragraph, or any provision in this Plan or Confirmation Order to the contrary, all disputed matters arising under (i) Medicare shall be governed by the Medicare Act and other applicable law (ii) Medicaid shall be governed by the Medicaid Act and other applicable law

Dated: January 24, 2013

Respectfully Submitted,

Official Committee of Unsecured Creditors of Community
Memorial Hospital dba Cheboygan Memorial Hospital

By: /s/ Greg Robinson

Name: Greg Robinson

Title: Chairperson of the Official Committee
of Unsecured Creditors

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