

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION – DETROIT

In re:

Law-Den Nursing Home, Inc.

Debtor.

Ch. 11
No. 16-52058
Hon. Phillip J. Shefferly

**DEBTOR'S INITIAL COMBINED CHAPTER 11 PLAN OF
REORGANIZATION AND DISCLOSURE STATEMENT**

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PLAN OF REORGANIZATION

Introduction

Law-Den Nursing Home, Inc. (the “Debtor”)¹ hereby proposes the following Plan of Reorganization (the “Plan”)², for the treatment, allowance, payment, and ultimate resolution of claims of creditors and equity interests. Combined with this Plan is a Disclosure Statement, which is defined in section I.B.29. The Disclosure Statement contains a description of the Debtor, as well as explanations of the Debtor’s business, history, property, operations, risk factors, a summary and analysis of this Plan, voting procedures, and integrates projections and a liquidation analysis as Exhibits.

I. DEFINITIONS, INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW, EXHIBITS, ESTIMATES OF CLAIMS.

A. Scope of Definitions; Rules of Construction.

For the Purposes of the Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms not otherwise assigned shall have the meaning ascribed to them in this Section I.B. of the Plan. Any term used in the Plan that is not defined in this Section I of the Plan, but is defined in the Title 11 of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules of the Eastern District of Michigan, or the Disclosure Statement shall have the meaning ascribed to those terms in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules of the Eastern District of Michigan, or the Disclosure Statement as the case shall be. Whenever

¹ The Debtor is a proponent of this Plan as that term is used in 11 U.S.C. § 1129.

² The Debtor proposes this Plan in good faith and not by any means forbidden by law. 11 U.S.C. § 1129(a)(3).

context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine and the feminine gender shall include the masculine.

B. Definitions.

1. **Administrative Claim.** “Administrative Claim” means a Claim for payment of an administrative expense of a kind specified in Section 503(b) or 507(b) of the Bankruptcy Code and that is entitled to priority pursuant to Section 507(a)(2) or 507(b) of the Bankruptcy Code, including, but not limited to:
 - (a) The actual necessary costs and expenses incurred after the Petition Date, of preserving the Bankrupt Estate and operating the business of the Debtor, including wages, salaries, or commissions for services rendered after the Petition Date;
 - (b) Professional fees, as well as costs advanced on behalf of the Debtor;
 - (c) All fees and charges assessed against the Estate under 28 U.S.C. § 1930; and
 - (d) All Allowed Claims that are entitled to be treated as administrative claims pursuant to a Final Order under Section 546(c)(2) of the Bankruptcy Code.
2. **Administrative Creditor.** “Administrative Creditor” means any Creditor holding an Allowed Administrative Claim.
3. **Allowed.** “Allowed” means an Allowed Claim or Allowed Interest of the type described in a Class, when used in reference to a Claim or Interest within a particular Class.
4. **Allowed Claim.** “Allowed Claim” means:
 - (a) A Proof of Claim or Interest that was:
 - (i) Timely Filed;

- (ii) Deemed filed pursuant to 11 U.S.C. § 1111(a); or
- (iii) Filed late with leave of the Bankruptcy Court after notice and an opportunity for a hearing given to the Debtor and Counsel for the Debtor; and

(b) The Claim:

- (i) Is not a Contested Claim or a Contested Interest; or
- (ii) Is Allowed (and only to the extent allowed) by a Final Order of the Bankruptcy Court.

- 5. **Avoidance Action.** “Avoidance Action” means all Claims granted to the Debtor-in-Possession or to their Estate under Chapter 5 of the Bankruptcy Code.
- 6. **Ballot.** “Ballot” means the Official Bankruptcy Form no. B 314³ adopted for Chapter 11 cases or a document prepared by Debtor’s Counsel in substantial conformity therewith, which is distributed to all Creditors and parties in interest in connection with the solicitation of votes for or against the Plan.
- 7. **Bankruptcy Code.** “Bankruptcy Code” means the 11 U.S.C. § 101, *et seq.* as enacted by Congress as the Bankruptcy Reform Act of 1978, and as subsequently amended.
- 8. **Bankruptcy Court.** “Bankruptcy Court” means the United States Bankruptcy Court for the Eastern District of Michigan, Southern Division or such other Court as may have jurisdiction over a Chapter 11 Case.
- 9. **Bankruptcy Rules.** “Bankruptcy Rules” means:
 - (a) The Federal Rules of Bankruptcy Procedure⁴, as promulgated by the Supreme Court of the United States (eff. Dec. 1, 2016), which govern procedures for bankruptcy proceedings. By order dated April 24, 1973, effective October 1, 1973, the Supreme Court prescribed, pursuant to 28 U.S.C. § 2075, the Bankruptcy Rules and Official Bankruptcy

³ Official Bankruptcy Forms may be found at: <http://www.uscourts.gov/forms/bankruptcy-forms> (Site last visited April 3, 2017.).

⁴ The Federal Rules of Bankruptcy Procedure may be found at: <http://www.uscourts.gov/rules-policies/current-rules-practice-procedure> (Site last visited April 3, 2017.).

Forms, which abrogated previous rules and forms. Over the years, the Bankruptcy Rules and Official Forms have been amended many times, most recently in 2016. And,

(b) The Local Bankruptcy Rules and Administrative Orders of the United States Bankruptcy Court for the Eastern District of Michigan⁵.

10. **Bar Date.** “Bar date” means the date(s), if any, designated by the Bankruptcy Court as the last date(s) to file a Proof of Claim or Interest against the Debtor, or to otherwise assert any Claim against the Debtor, or, in the absence of such designation, as applicable under the Bankruptcy Rules.
11. **Business Day.** “Business Day” means any day, other than a Saturday, Sunday, or Legal Holiday as that term is defined in Fed. R. Bankr. P. 9006(a).
12. **Cash.** “Cash” means legal monetary tender of the United States expressed in U.S. dollars, or equivalents thereof.
13. **Cause of Action.** “Cause of Action” means any and all actions, proceedings, suits, accounts, demands, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment, and Claims, whether known or unknown, reduced to judgment or not reduced to judgment, liquidated or unliquidated, fixed, contingent or non-contingent, matured or unmatured, disputed or undisputed, secured or unsecured, and whether asserted or assertable directly or derivatively in law, equity or otherwise, including Avoidance Actions, unless otherwise waived or released by the Debtor or the Reorganized Debtor to the extent such Cause of Action is a Cause of Action held by the Debtor or the Reorganized Debtor.
14. **Chapter 11 Case.** “Chapter 11 Case” means the case captioned as *In re Law-Den Nursing Home, Inc.*, No. 16-52058 (Bankr. E.D. Mich.), unless specifically stated otherwise.
15. **Claim.** “Claim” means any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, contested, disputed, undisputed, legal, equitable, secured, or unsecured, or any

⁵ The Local Bankruptcy Rules and Administrative Orders of the United States Bankruptcy Court for the Eastern District of Michigan may be found at: <http://www.mieb.uscourts.gov/court-info/local-rules-and-orders> (Site last visited April 3, 2017.).

right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

16. **Class.** “Class” means a category of Claim holders or Interest holders as described in this Plan below.
17. **Collateral.** “Collateral” means any property or interest in property of an Estate subject to an unavoidable Lien securing the payment or performance of a Secured Claim.
18. **Committee.** “Committee” means the official committee of unsecured creditors or any other official committee that has been or may be appointed pursuant to 11 U.S.C. § 1102(a) in the Chapter 11 Case.
19. **Conditions Precedent.** “Conditions Precedent” means those conditions to the Effective Date of the Plan set forth in V.A. below.
20. **Confirmation Date.** “Confirmation Date” means the date on which the Bankruptcy Court enters the Confirmation Order or Order Confirming Plan.
21. **Confirmation Hearing.** “Confirmation Hearing” means the hearing to consider the confirmation of the Plan under 11 U.S.C. § 1128.
22. **Confirmation Order or Order Confirming Plan.** “Confirmation Order” or “Order Confirming Plan” means the Order entered by the Bankruptcy Court confirming a Plan of Reorganization pursuant to 11 U.S.C. § 1129.
23. **Contested.** “Contested” when used in reference to a Claim or Interest in this Plan, means any Claim or Interest as to which the Debtor or any other party in interest has interposed an objection or commenced an adversary proceeding in accordance with the Bankruptcy Code, Bankruptcy Rules, and this Plan, which objection or action has not been adjudicated by a Final Order.
24. **Creditor.** “Creditor” means any Holder of a Claim against the Debtor and such other meaning set forth by 11 U.S.C. § 101(10).

25. **Cure.** “Cure” means the payment or other honoring of all obligations required to be paid or honored in connection with assumption of an executory contract or unexpired lease pursuant to Section 365 of the Bankruptcy Code, including, to the extent such obligations are enforceable under the Bankruptcy Code and applicable non-bankruptcy law:
- (a) The cure of any non-monetary defaults to the extent required, if at all, pursuant to Section 365 of the Bankruptcy Code; and
 - (b) With respect to monetary defaults, the distribution within a reasonable period of time following the Effective Date, of Cash, or such other property as may be agreed upon by the parties or ordered by the Bankruptcy Court, with respect to the assumption (or assumption and assignment) of an executory contract or unexpired lease, pursuant to Section 365(b) of the Bankruptcy Code, in an amount equal to all unpaid monetary obligations or such lesser amount as may be agreed upon by the parties, under such executory contract or unexpired lease.
26. **Debtor and Debtor-in-Possession.** “Debtor” and “Debtor-in-Possession” means Law-Den Nursing Home, Inc.
27. **Deficiency Claim.** “Deficiency Claim” means any claim, or portion thereof, asserted by a Secured Claim Holder that is not an Allowed Secured Claim or a Priority Claim.
28. **Disallowed Claim.** “Disallowed Claim” means:
- (a) A Claim, or any portion thereof, that has been disallowed by a Final Order or a settlement;
 - (b) A Claim, or any portion thereof, that is Scheduled at zero (0) or as contingent, disputed, or unliquidated and as to which a Bar Date has been established but no Proof of Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law, or
 - (c) A Claim, or any portion thereof, that is not Scheduled and as to which a Bar Date has been established but no Proof of Claim has been timely

filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or a Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law.

29. **Disclosure Statement.** “Disclosure Statement” means the document titled “Disclosure Statement” that relates to the Plan, that is attached hereto, as amended, supplemented or modified from time to time, and that was prepared and distributed in accordance with Section 1125 of the Bankruptcy Code and applicable Bankruptcy Rules.
30. **Disputed.** “Disputed” means any Claim in the Claims Register that is not yet allowed.
31. **Disputed Claim or Disputed Interest.** “Disputed Claim or Disputed Interest” mean a Claim, or any portion thereof, or an Interest, or any portion thereof, that is neither an Allowed Claim nor a Disallowed Claim, nor an Allowed Interest nor a Disallowed Interest as the case may be.
32. **Effective Date.** “Effective Date” means the twentieth (20th) Business Day after the occurrence or waiver by the Debtor of all Conditions Precedent.
33. **Estate or Bankrupt Estate.** “Estate” or “Bankrupt Estate” means the Estate of a Debtor in this Chapter 11 Case, or created pursuant to 11 U.S.C. § 541.
34. **Exculpated Claim.** “Exculpated Claim” means any Claim related to any act or omission in connection with, relating to, or arising out of the Debtor in this Chapter 11 Case, the filing of the Disclosure Statement or Plan or any contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement or Plan, the filing of this Chapter 11 Case, the pursuit of confirmation, the pursuit of consummation, the administration and implementation of the Plan, or the distribution of property under the Plan or any other agreement.
35. **Exhibit.** “Exhibit” means any document identified as an “Exhibit” in this Combined Plan and Disclosure Statement, as modified, amended or supplemented.
36. **Final Decree.** “Final Decree” is the decree of the Court brought by the Court *sua sponte* or upon motion of a party in interest as set forth in Fed. R. Bankr. P. 3022.

37. **Final Order.** A Final Order is an order of the Bankruptcy Court on which (i) the time for appeal has expired and no appeal was timely claimed, (ii) a timely appeal was claimed and has been finally determined or dismissed, and the time for any further appeal has expired without further appeal, or (iii) in the discretion of the Reorganized Debtor an appeal has been timely claimed but an order staying the order appealed from has not been entered within ten (10) days after filing the appeal.
38. **GAAP.** “GAAP” is an acronym meaning Generally Accepted Accounting Principles. GAAP are the standard framework of guidelines for financial accounting. GAAP is generally interchangeable with the terms “accounting standards” and “standard accounting practice.”
39. **Group.** “Group” means one or more similarly situated Creditors who hold or may assert Claims against the Debtor whose Claims are not subject to classification pursuant to 11 U.S.C. § 1123(a)(1).
40. **Holder.** “Holder” means a Person holding a Claim, Interest, or Lien.
41. **Impaired.** “Impaired” means an impaired Claim or Interest within the meaning of 11 U.S.C. § 1124.
42. **Insider.** As set forth in 11 U.S.C. § 101(31)(B), the term “Insider” includes:
- (a) director of the debtor;
 - (b) officer of the debtor;
 - (c) person in control of the debtor;
 - (d) partnership in which the debtor is a general partner;
 - (e) general partner of the debtor; or
 - (f) relative of a general partner, director, officer, or person in control of the debtor.

43. **Interest.** “Interest” means any equity interests in the Debtor, of any kind or nature, including without limitation, any corporate share or company membership interest(s).
44. **Interest Rate.** “Interest Rate” means, for each Claim, except as otherwise expressly stated in the Plan:
- (a) The prime rate of interest published in the WALL STREET JOURNAL on the Confirmation Date, or, if no prime rate is published on the Confirmation Date, the most recent prime rate of interest published in the WALL STREET JOURNAL prior to the Confirmation Date;
 - (b) With respect to a Claim for taxes, the interest rate applicable under non-bankruptcy law; or
 - (c) Such other interest rate as may be determined by a Final Order of the Bankruptcy Court.
45. **Lien.** “Lien” means a charge against, or an interest in, property to secure payment of a debt or performance of an obligation.
46. **Net Cashflow.** “Net Cashflow” with respect to the reorganized debtor, means all revenues, less
- (a) The following:
 - (i) All expenses of any kind, whatever, including taxes, calculated using GAAP;
 - (ii) All payments relating to the restructuring, including all payments to Holders of Allowed Claims in any Group or Class, and
 - (iii) All capital expenditures (net of financing); plus,
 - (b) Depreciation (less any principal payments).
47. **Person.** The term “Person” is defined by 11 U.S.C. § 101(41).

48. **Petition.** “Petition” means Official Bankruptcy Form 201 "Voluntary Petition for Non-Individuals Filing for Bankruptcy" filed by the Debtor at ECF no. 1, in case no. 16-52058.
49. **Petition Date.** “Petition Date” means the date the Debtor filed the Petition, which is August 30, 2016.
50. **Plan.** “Plan” means the Debtor’s Plan of Reorganization, as it may be altered, amended, supplemented or modified from time to time.
51. **Priority Claim.** “Priority Claim” means a claim under or entitled to priority under any of the following sections of the Bankruptcy Code:
- (a) 11 U.S.C. 507(a)(1);
 - (b) 11 U.S.C. 507(a)(3);
 - (c) 11 U.S.C. 507(a)(4);
 - (d) 11 U.S.C. 507(a)(5);
 - (e) 11 U.S.C. 507(a)(6);
 - (f) 11 U.S.C. 507(a)(7), and
52. **Priority Creditor.** “Priority Creditor” means any Creditor holding a Priority Claim or Priority Tax Claim.
53. **Priority Tax Claim.** “Priority Tax Claim” means a Claim under or entitled to priority under 11 U.S.C. § 507(a)(8).
54. **Professional.** “Professional” means any professional employed in this Chapter 11 Case pursuant to Sections 327 or 1103 of the Bankruptcy Code seeking compensation or reimbursement of expenses in connection with this Chapter 11 Case pursuant to Section 503(b)(4) of the Bankruptcy Code. At the time the Debtor is proposing this Plan, Professionals specifically include:
- (a) Debtor’s Counsel, Hubbell DuVall PLLC:

- (i) Clinton J. Hubbell (P72321);
 - (ii) Dylan J. DuVall (P72307);
 - (b) Debtor's Specialty Labor Counsel, Law Offices of Jerome & McLean:
 - (i) David E. Jerome (P23543);
 - (c) Debtor's Accountant, Michigan Business Advisors:
 - (i) William H. Malek, CVA, MAFF; and
 - (d) Patient Healthcare Ombudsman, Allard & Fish, P.C.:
 - (i) Deborah L. Fish (P36580).
55. **Professional Fees.** "Professional Fees" means the fees and reimbursement for advanced expenses and other disbursements made on account of the Debtor by, and owed to, Professionals.
56. **Proof of Claim.** "Proof of Claim"⁶ means a Claim properly filed by a Holder of a Claim before the Bar Date.⁷
57. **Pro-Rata.** "Pro-Rata" means at any time, the proportion that the face amount of a Claim in a particular Class bears to the aggregate face amount of all Claims (including Disputed or Contested Claims) in such Class unless the Plan expressly provides otherwise.
58. **Real Property.** "Real Property" means fixed property, principally land, buildings, and fixtures, as defined by non-bankruptcy law.
59. **Reorganized Debtor.** "Reorganized Debtor" means the Debtor, upon the occurrence of the Effective Date.
60. **Schedules.** "Schedules" means the schedules of assets and liabilities, the list of Holders of Interests, and the Statement of Financial Affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Fed. R. Bankr. P. 1007 as such

⁶ Official Bankruptcy Form B 410, and Attachments as Required.

⁷ The Bar Date was January 3, 2017, unless an extension was duly authorized by the Bankruptcy Court.

schedules and statements have been, or may be supplemented or amended through the Confirmation Date.

61. **Secured Claim.** “Secured Claim” means a Claim secured by a Lien on property in which an Estate has an interest but only to the extent of the value of the Creditor’s interest in such Estate’s interest in the property as of the Petition Date and only if such Secured Claim is Allowed.
62. **Secured Creditor.** “Secured Creditor” means a Creditor holding a Secured Claim.
63. **Taxing Authority.** “Taxing Authority” means a governmental agency having the power and authority to levy and collect a tax against the Debtor including, without limitation:
 - (a) Internal Revenue Service ("IRS");
 - (b) Centers for Medicare and Medicaid Services (“CMS”);
 - (c) Michigan Department of Treasury;
 - (d) Michigan Department of Health and Human Services (“MDHHS”);
 - (e) Michigan Unemployment Insurance Agency (“UIA”);
 - (f) Wayne County Treasurer; and
 - (g) City of Detroit Finance Department.
64. **Unsecured Claim.** “Unsecured Claim” means a Claim that is not a Secured Claim, an Administrative Claim, a Priority Claim or a Priority Tax Claim.
65. **Unsecured Creditor.** “Unsecured Creditor” means a Creditor holding an Unsecured Claim.
66. **Voting Deadline.** “Voting Deadline” means the date set by the Bankruptcy Court for the submission of Ballots as set forth in the Order of the Bankruptcy Court granting preliminary approval of the Disclosure Statement.

C. Rules of Interpretation.

For the purposes of this Plan:

1. Any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially on such terms and conditions.
2. Any reference in the Plan or Disclosure Statement to an existing document or Exhibit filed or to be filed means such document or Exhibit as it may have been or may be amended, modified or supplemented. Except as otherwise ordered by the Bankruptcy Court, all Exhibits, as amended, modified or supplemented, shall be incorporated by reference into this Plan and Disclosure Statement for all purposes.
3. The words “herein” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan unless expressly stated otherwise.
4. Captions and headings to sections and subsections of this Plan are inserted for convenience and reference only and are not intended to be part of or affect interpretation of the Plan.
5. The Rules of Construction set forth in 11 U.S.C. § 102 and in the Bankruptcy Rules shall apply.
6. The Disclosure Statement may be used as an aid for interpretation of this Plan to the extent that any provision of this Plan is determined to be vague or ambiguous. However, to the extent any statement in the Disclosure Statement conflicts with any provision of this Plain, this Plan shall control.

D. Computation of Time.

In computing and period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall govern.

E. Governing Law.

Unless a rule of law or procedure is supplied by federal law, including the Bankruptcy Code and the Bankruptcy Rules, the laws of the State of Michigan shall govern the construction and implementation of the Plan and any agreements, documents and instruments executed in connection with the Plan.

F. Exhibits.

All Exhibits are incorporated into and are part of this Combined Plan and Disclosure Statement as if set forth in full herein and, to the extent not annexed hereto, such Exhibits shall be filed with the Bankruptcy Court. To the extent this Plan identifies or references a specific exhibit, and such exhibit is not attached hereto, then such exhibit shall be filed not later than fourteen (14) days prior to the Confirmation Hearing and served on the entire Mailing Matrix in this Case. Upon its filing, the exhibit may be inspected in the office of the clerk of the Bankruptcy Court or its designee during normal business hours or at the Bankruptcy Court's website for a fee.⁸ Exhibits may also be obtained from Debtor's Counsel by a request made in writing to Debtor's Counsel.

⁸ <https://ecf.mieb.uscourts.gov/> (Site last visited April 3, 2017.).

All exhibits may be revised prior to the Effective Date by the filing of the revised exhibits with the Bankruptcy Court as long as the exhibits substantially conform to the terms of this Plan.

The exhibits are an integral part of the Plan, and entry of the Order Confirming Plan by the Bankruptcy Court shall constitute an approval of the exhibits.

G. Estimates of Claims.

Unless expressly stated otherwise, nothing herein shall be deemed to be an admission by the Debtor or to otherwise prejudice the Debtor in any claim objection or Cause of Action. All estimates of Claim amounts and Causes of Action listed in this Plan, the Disclosure Statement and Exhibits are current estimates only. All Claim amounts and classifications remain subject to the claims objection process set forth in Section XI.

II. TREATMENT OF CLAIMANTS NOT SUBJECT TO CLASSIFICATION OR OTHERWISE NOT REQUIRED TO VOTE FOR OR AGAINST THE PLAN.

Administrative Creditors and Priority Creditors shall be paid as follows:

A. Group (1) - Administrative Expense Claims.

The claims of Group 1 shall consist of all Allowed Administrative Expense Claims, including tax Claims that qualify as Administrative Expense Claims. These Claims may include the Claims of the following:

Administrative Expense Claim	Estimated Priority Amt.
Debtor's Counsel Hubbell DuVall, PLLC	\$65,000.00

Debtor's Specialty Labor Counsel Law Offices of Jerome & McLean	\$30,000.00
Patient Care Ombudsman Allard & Fish, P.C.	\$15,000.00
Debtor's Accountant Michigan Business Advisors	\$25,000.00
United States Trustee	\$10,000.00
Claims Register no. 10-1 Gordon Food Services TII, LLC (Administrative Portion of Bifurcated Claim of Food Supply Vendor Pursuant to the 20-day Rule)	\$10,611.22
Claims Register no. 15-1 SEIU National Industry Pension Fund (Unliquidated Pre-petition Employer Contribution Liability) (Bifurcated Administrative Expense Portion)	\$152,465.76
Claims Register no. 18-1 SEIU National Industry Pension Fund (Unmet Post-petition Employer Contribution Liability)	\$30,000.00
Claims Register no. 24-1 SEIU Healthcare Michigan (Unmet Post-petition Union Dues Checkoff)	\$10,899.39

1. Claims included in Group 1 shall retain their priority notwithstanding the confirmation of this Plan, including, but not limited to:
 - a. the occurrence of the Effective Date, and

- b. the filing by the Reorganized Debtor of any subsequent or successive proceeding under any Chapter of the Bankruptcy Code. The Reorganized Debtor shall remain responsible for every claim in this Group.
- 2. After payment in full of all Claims entitled to higher priority in accordance with Section 507 of the Bankruptcy Code, each claimant in Group 1 shall be paid the full amount of its Claim on such date as may be mutually agreed upon between the Debtor or the Reorganized Debtor and the particular claimant. Or, if no such date is agreed upon, the latest of:
 - a. the Effective Date;
 - b. the date by which payment would be due in the ordinary course of business between the Debtor and such Administrative Creditor; and
 - c. the date on which the Bankruptcy Court enters its Final Order, if necessary, allowing and approving the payment of such Administrative Claim.
- 3. Payments on accounts receivable from HMOs owing to the debtor as of the date of filing shall be first applied to Group 1 on a *pro rata* basis, and if the payments on accounts receivable are sufficient to pay Group 1 claimants in full, then the remaining payments on accounts receivable shall be next applied to Group 2.
- 4. If payments on accounts receivable from HMOs owing to the debtor are insufficient to satisfy Group 1 claims in full, then Group 1 claims shall receive payment pursuant to paragraph II.A.2.
- 5. The Bar Date for asserting any Administrative Claim against the Reorganized Debtor shall be thirty (30) days after the Effective Date. Except as otherwise

provided by order of the Bankruptcy Court, any Administrative Claim first asserted after this Bar Date will not be allowed and shall not be entitled to payment as an Administrative Claim.

B. Group (2) – Priority Tax Claims.

The Claims of Group 2 shall consist of the Allowed Claims that are entitled to priority under 11 U.S.C. § 507(a)(8).

The claims of this Group may include each of the following:

Priority Creditor	Est. Priority Tax Amt.
Claims Register no. 3-1 Michigan Department of Treasury Bankruptcy Unit PO Box 30168 Lansing, MI 48909	\$2,195.47
Claims Register no. 12-1 State of Michigan Unemployment Insurance Agency Tax Office 3024 W Grand Blvd Ste 12-650 Detroit, MI 48202	\$5,071.27

(1) After payment in full of all Claims entitled to higher priority in accordance with Section 507 of the Bankruptcy Code, the Claimants of Group 2 shall first receive on account of such Priority Tax Claim any amount not paid to Group 1 from HMO receivables owing to the debtor as of the date of filing, if any, and shall receive deferred equal annual cash payments, toward the amount of each Allowed Priority Tax Claim, plus interest calculated at the applicable statutory rate, or, if no statutory rate applies, at a rate equal to the yield on a five-year United States Treasury Bill as of the Confirmation Date. The first annual payment shall be made on the

first Business Day that is one year after the applicable Petition Date and the final payment is due on the fifth anniversary of the Petition Date.

(2) To the extent that any taxing authority has a valid Lien on any of the Debtor's assets, such Lien shall be unaffected. Absent agreement by the parties, the value of any Lien shall be determined by the Bankruptcy Court in accordance with Section 506 of the Bankruptcy Code. Upon payment of such amount, the Lien shall be released and terminated and such taxing authorities shall be and hereby are, required to cooperate with the Debtor or the Reorganized Debtor to execute all documents reasonably requested by the Debtor or the Reorganized Debtor to effectuate such release and termination.

(3) **Determination of Priority Claims.** The Debtor or Reorganized Debtor shall have the right to challenge any Priority Claim through the claims objection process set forth in Section XI. of this Plan, which challenge may include, but need not be limited to, a challenge to any penalty portion of such Claim, the amount and the value of property which forms the basis for any assessment of taxes and the computation of the tax. The right to challenge these Claims shall include, without limitation, an objection to the assessment of the Debtor's real or personal property that may or may not have been made by the respective taxing authority.

III. TREATMENT OF CLASSES OF CLAIMS OR INTERESTS NOT IMPAIRED UNDER THE PLAN AND THOSE IMPAIRED UNDER THE PLAN.

A. The Plan divides Claims and Interests against the Debtor into six (6) Classes and treats them as follows:

1. Class 1.

- a. Class 1 consists of the following governmental setoff claims affecting the revenue of Law-Den Nursing Home, Inc.:

- (1) the Portion of the Setoff Claim of the Michigan Department of Health and Human Services ("MDHHS") against Law-Den Nursing Home, Inc. for Quality Assurance Assessment Program (QAAP) ("Bed Tax") in the amount of \$693,346.39 and Advance from QAAP revenue, issued on 3/2/16, in the amount of \$39,527.57; and
- (2) the Allowed Setoff Claim of the Centers for Medicare and Medicaid Services (CMS), for a civil monetary penalty (CMP) imposed on 7/13/16, in the amount of 157,550.00.

Creditor	Est. Setoff Claim Amt.
Claims Register no. 7-1 State of Michigan Department of Health and Human Services PO Box 30479 Lansing, MI 48909-7979	\$732,873.96
Claims Register no. 11-1 Centers for Medicare and Medicaid Services (CMS)	\$157,550.00

- b. The Priority portions of the recoupment claims of the State of Michigan Department of Health and Human Services (MDHHS) and the Centers for Medicare and Medicaid Services (CMS) shall be paid during this plan according to the schedule of payments in the projections attached hereto as Exhibit F, and shall be continuing in nature.
 - c. The Debtor or Reorganized Debtor expressly reserves all its rights to object to the validity, extent, priority, amount, and/or character of the Allowed Class 1 Setoff Claim.
 - d. **This Class is Impaired.**
- 2. Class 2.**
- a. Class 2 Consists of the Secured Claim of CAN Capital, Inc., which consists of a capital loan extended to Law-Den Nursing Home, Inc., secured by a Security Agreement and UCC Filing, which is collateralized by: "Security interest in and to all of Merchant's present and future accounts, chattel paper, deposit accounts, personal property, assets and fixtures, general intangibles, instruments, equipment, inventory wherever located, and proceeds not or hereafter owned or acquired by Merchant."

Creditor	Est. Secured Claim Amt.
Claims Register no. 13-1 CAN Capital, Inc.	\$192,804.11

- b. Creditors in Class 2 shall receive sixty (60) equal monthly cash payments beginning on the effective date, on their claims, until their claims are paid in full.
- c. The liens of Creditors in Class 2 upon present and future accounts, chattel paper, deposit accounts, general intangibles, and instruments, shall be extinguished, and a replacement lien with fourth priority shall be granted in the real property known as 1640 Webb St. Detroit, MI, junior to the liens of Claimants in Class 3.
- d. The Debtor or Reorganized Debtor expressly reserves all its rights to object to the validity, extent, priority, amount, and/or character of the Class 2 Claims.
- e. **This Class is Impaired.**

3. Class 3.

- a. Class 3 Consists of the following Secured Creditors whose collateral consists of the real property known as 1640 Webb St. Detroit, MI:
 - (1) The Allowed Secured Claim of the Wayne County Treasurer for unpaid *ad valorem* property tax assessments for the address 1640 Webb St. Detroit, MI for tax years ending 12/31/2013; 12/31/2014; 12/31/2015, together with statutory interest; and
 - (2) The Allowed Secured Claim of the City of Detroit Water and Sewerage Department's unpaid bills and assessments for providing water and sewerage services to Law-Den Nursing Home, Inc. together with statutory interest, and
 - (3) The Allowed Secured Claim of SEIU National Industry Pension Fund secured by a Notice of Judgment Lien recorded at the Wayne County Register of Deeds.

Creditor	Est. Secured Claim Amt.
Claims Register no. 1-1 Wayne County Treasurer 400 Monroe St 5 th Flr Detroit, MI 48226	\$102,019.53

Claims Register no. 4-1 City of Detroit Water and Sewerage Department 735 Randolph St 4 th Flr Detroit, MI 48226-2850	\$14,179.53
Claims Register no. 16-1 SEIU National Industry Pension Fund (Liquidated Pre-petition Employer Contribution Liability Judgment Secured by Real Property)	\$122,806.28

- b. Treatment. Creditors in Class 3 shall receive sixty (60) equal monthly cash payments beginning on the effective date, on their claims, until their claims are paid in full.
- c. The liens of Creditors in Class upon the real property known as 1640 Webb St. Detroit, MI, shall be undisturbed.
- d. The Debtor or Reorganized Debtor expressly reserves all its rights to object to the validity, extent, priority, amount, and/or character of the Allowed Class 3 Claims.
- e. **This Class is Impaired.**

4. Class 4.

- a. Class 4 Consists of the claims of Holders of Allowed Unsecured Claims against the Debtor, presented below in order of descending order of the value of the creditor's respective claim. The total estimated amount of the non-priority Unsecured Claims, as reported on the Schedules is \$2,693,709.98, exclusive of Deficiency Claims.

Creditor	Est. Claim Amt.
Claims Register no. 17-1 SEIU National Industry Pension Fund (Estimated Pension Withdrawal Liability Claim)	\$1,184,719.52
Claims Register no. 7-1 State of Michigan DHHS - Accounting Division Lansing	\$1,086,897.59

Claims Register no. 15-1 SEIU National Industry Pension Fund (Unliquidated Pre-petition Employer Contribution Liability) (Bifurcated Non-Priority Portion)	\$226,955.27
Claims Register no. 21-1 Todd Inniss	\$137,000.00
Claims Register no. 6-1 Towan Hampton	\$20,114.01
Claims Register no. 20-1 McKesson Medical-Surgical Minnesota Supply, Inc.	\$13,566.31
Claims Register no. 10-1 Gordon Food Services TII, LLC	\$7,686.60
Claims Register no. 9-1 Couzens, Lansky, Fealk, Ellis, Roeder & Lazar P.C.	\$5,883.40
Claims Register no. 5-1 DTE Energy	\$4,816.93
Claims Register no. 14-1 Detroit Elevator, Inc.	\$3,355.30
Claims Register no. 2-1 Direct Supply, Inc.	\$1,526.20
Claims Register no. 8-1 Wells Fargo Financial Services	\$1,188.85

- b. Neither pre-confirmation interest nor post-confirmation interest on Allowed Class 4 Claims shall be paid.
- c. **Convenience Class.** On a date that is one (1) year after the Effective Date, the Reorganized Debtor shall pay Holders of all Allowed Class 4 Claims whose Allowed Claims are individually less than three thousand dollars (\$3,000.00), or who voluntarily elect on such claimant's ballot to reduce its respective Claim to three thousand dollars (\$3,000.00), an amount equal to thirty-three percent (33%) of the Allowed amount of such Claim. Upon payment of this amount, the Reorganized Debtor shall have no further liability to such Claim Holder.
- d. **Unsecured Claim Greater Than Three Thousand Dollars (\$3,000.00).** Other than as set forth in Section III.A.4.c. above, Holders of Allowed Class 4 Claims shall receive, in full satisfaction of their Allowed Class 4 Claims, *pro rata* annual distributions equal to fifty percent (50%) of the Reorganized Debtor's Net Cashflow, commencing on the first (1st) full fiscal year after the Effective Date. Such payments shall continue to be made on the same date each year until the earlier to occur of:
 - (1) The Claims are paid in full; or
 - (2) The fifth anniversary of the Effective Date.
- e. The Debtor or Reorganized Debtor expressly reserves all its rights to object to the validity, extent, priority, amount, and/or character of the Allowed Class 4 Claims.
- f. **This Class is Impaired.**

5. Class 5.

- a. Class 5 Consists of the Interest Holders of Law-Den Nursing Home, Inc., which shall be treated in one of two alternative methods:
 - (1) If Class 4 votes to accept the Plan, then the Interest Holders with Allowed Claims shall become the sole Interest Holders of the Reorganized Debtor and retain his, her or its Interest, and **this Class shall not be Impaired.**
 - (2) If Class 4 votes to reject the Plan, and the Court determines that, as a result of such rejection, the Plan but for this paragraph does not comply with the Absolute Priority Rule, the Interests of the Debtor shall be sold at an equity auction. The successful purchaser at the equity hall be required to use all of the proceeds of the Law-Den Nursing Home, Inc. Equity Auction to satisfy the Allowed Claims set forth in the Plan in the order of their priority, and all payments shall be subject to the terms of, and

payments shall be made in accordance with, the Plan. During the interim period, if any, between the Effective Date and the consummation of a sale, Law-Den Nursing Home, Inc. shall hold the interests in Law-Den Nursing Home, Inc. **This Class shall be Impaired.**

- b. The Interest Holders or the successful purchaser(s) of such Interests at the Law-Den Nursing Home Inc. Equity Auction reserve(s) the right, in their business judgment, to transfer the assets and operations of the Reorganized Debtor to a new entity. Notwithstanding such transfer, the succeeding entity shall be responsible for and shall assume all the obligations of the Reorganized Debtor under the Plan.
- c. There are seven (7) members of Class 5. Only two of these members, however, filed a Proof of Claim to protect his/her/its Interest.
- d. **This Class is Impaired.**

6. Class 6.

- a. Class 6 Consists of the Amended Claim of the National Relations Labor Board ("NLRB"), which based on its "police power," is asserting duplicative claims on behalf of other persons and entities, some of which filed a Proof of Claim, but is nonetheless attempting to enforce the rights of certain Claim Holders because of the United States' alleged interest in enforcing such claims on behalf of third-party Claim Holders.
- b. The Claim of the NLRB is filed in the Claims Register at no. 19-2, and lists, in the aggregate, \$80,898.41 of various enumerated items. In its Statement in Support of its Proof of Claim, the NLRB says:
 - (1) "6. The first part of the Board's claim is based on the amount of dues deducted from employee's paychecks but not remitted to its collective bargaining representative. The amount entitled to priority is \$7,630.35. The total includes interest of \$150.50, which was calculated pursuant to Board Policy as prescribed in *New Horizons for the Retarded*, 283 NLRB 1173 (1987), and compounded daily as prescribed in *Kentucky River Medical Center*, 356 NLRB No. 8 (2010)."⁹
 - (2) "8. The second part of the Board's claim is based on the amount of contractually mandated pension fund contributions due by Debtor for employees' from December 2014. The unsecured portion of this liability totals \$56,385.77. The portion entitled to priority totals \$16,357.20. Those totals include interest of \$2,351.00 within the unsecured portion and \$227.00 within

⁹ See Case 16-52058-pjs Claim 19-2 Part 2 Filed 12/30/16 Page 3 of 5.

the priority portion, which was calculated pursuant to Board Policy. *See New Horizons for the Retarded and Kentucky River Medical Center, supra*. A copy of these calculations is attached as Exhibit D.¹⁰

(3) "9. The third part of the Board's claim is for backpay, based on wages due to employee Deborah Smith, who was allegedly suspended by the Debtor in retaliation for her activities on behalf of the union and other protected concerted activities. The entire amount of backpay is entitled to priority and totals \$525.09. That total includes interest of \$3.09, which was calculated pursuant to Board Policy. *See New Horizons for the Retarded and Kentucky River Medical Center, supra*. A copy of these calculations is attached as Exhibit E.¹¹

- c. **Reservation of Right to Object to Claim(s).** The Debtor or Reorganized Debtor expressly reserves all its rights to object to the validity, extent, priority, amount, and/or character of the Allowed Class 6 Claims. If the NLRB asserts that the right of the Debtor or the Reorganized Debtor is waived or deemed waived, then without regard to anything to the contrary, this Section shall control and the Debtor or Reorganized Debtor may avail itself of the Claims objection process provided for in the Bankruptcy Code and the Bankruptcy Rules.
- d. **No Direct Payment to the NLRB.** No Cash or other payments shall be made directly to the NLRB under the Plan because the NLRB is neither a Claim Holder nor a direct payee of the amounts listed in its Proof of Claim or Statement in Support of Proof of Claim. Any amounts payable to a Person on whose behalf the NLRB is asserting a Claim, but who has not filed his, her or its own Proof of Claim, shall be paid to the Claim Holder in cash payments with the same priority as the class of creditors into which the Claim Holder would have been treated if he, she or it had filed his, her or its own Proof of Claim.
- e. **Credit Against Claim.** Payments made to Holders of Claims which are asserted by the NLRB, shall be simultaneously credited toward the Claim of the NLRB and the Claim of the Claim Holder, until the amount due to such Claim Holder on whose behalf the NLRB filed a Claim, is paid according to this Plan. Upon completion of payments to the Claim Holder on whose behalf the NLRB asserted a Claim under this Plan, the Reorganized Debtor shall have no further liability to the NLRB or the Claim Holder.
- f. **This Class is Impaired.**

B. Presumed Acceptance of the Plan.

¹⁰ *See Id.*

¹¹ *See Id.*

Except as provided in Section III.A.5.a.(1), as applicable, there are no Classes that are unimpaired under the Plan. If section Section III.A.5.a.(1) is applicable, then Class 5 shall be conclusively presumed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code.

C. Presumed Rejection of the Plan.

There are no Classes that are conclusively presumed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code.

D. Voting Classes; Deemed Acceptance if No Votes as Cast.

Classes 1 through 6, except Class 5.a.(1), of the Plan are Impaired under the Plan, and Holders of Claims or Interests in such Classes shall be entitled to vote to accept or reject the Plan.

E. Elimination of Vacant Classes.

Any Class of Claims that does not have a Holder of an Allowed Claim or a Claim temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

IV. EXECUTION AND IMPLEMENTATION OF THE PLAN.

A. Avoidance Actions.

Upon the Effective Date, the Reorganized Debtor shall have standing to pursue any and all Avoidance Actions. The Debtor has not yet investigated any Avoidance Actions. Potential Avoidance Actions are described in the Disclosure Statement, and may include avoidance of pre-petition payments to Insiders within one year of the Petition Date, avoidance of other pre-petition payments within 90 days of the Petition Date, avoidance or challenge to any Liens asserted against property of the Debtor or Reorganized Debtor, avoidance of any unauthorized payment made after the Petition Date, and avoidance of any fraudulent conveyance that may have been made within six years of the Petition Date. All causes of action, including Avoidance Actions, are specifically reserved, whether specifically listed in the Plan or Disclosure Statement. Unless any cause of action against a Person is expressly waived, released, compromised, or settled in the Plan or a Final Order, the Reorganized Debtor specifically reserves all causes of action for later adjudication, and, therefore, no preclusion doctrine, res judicata, estoppel (judicial, equitable, or otherwise) or laches shall apply to any of the causes of action upon, after or as a consequence of the confirmation of the Plan, entry of the Confirmation Order, the Effective Date or consummation of the Plan.

B. Post-Effective Date Professional Fees.

All services performed or expenses incurred by any Professional on behalf of the Debtor or Reorganized Debtor with respect to this Chapter 11 Case after the Effective Date, shall be Administrative Claims and shall not be subject to the prior review and approval of the Bankruptcy Court. Notwithstanding any provision of the Bankruptcy Code or Rules, including, but not limited to, Fed. R. Bankr. P. 2016, after the Effective Date, no Professional shall be required to disclose payments from the Debtor or Reorganized Debtor to the Bankruptcy Court or United States Trustee. All fees and expenses of the Debtor and Reorganized Debtor arising after the Effective Date shall be billed directly to the Reorganized Debtor and the Bankruptcy Court shall only review that portion to which the Reorganized Debtor objects. The Reorganized Debtor shall pay the portion not objected to in accordance with the terms of the applicable fee agreement or invoice.

C. Change of Address.

In order to ensure that it receives its distribution, each Creditor holding a Claim treated under Sections II or III above, must keep the Reorganized Debtor upraised of any change of address or accounts receivable information. Absent such information, the Reorganized Debtor shall send payments to the address listed on the most recent Mailing Matrix in the records of the Bankruptcy Court. If the payment is not negotiated within 90 days after mailing, it shall be void and the Reorganized Debtor shall have no further obligation to such Creditor.

V. EFFECT OF CONFIRMATION

A. Conditions Precedent to the Effective Date.

Except as otherwise set forth in the Confirmation Order or as expressly waived by the Debtor in writing the following conditions must be met before the occurrence of the Effective Date:

1. The Bankruptcy Court shall have entered the Order Confirming Plan in the Debtor's case without any material modifications of or additions to the terms, conditions and Debtor's liabilities as set forth in this Plan, and no request for revocation of the Order Confirming Plan under Section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending.
2. There shall be no pending appeal of the Order Confirming Plan.
3. There shall be no pending motion to dismiss or convert the applicable Debtor's Case or to appoint a Chapter 11 Trustee or Examiner.
4. The Debtors have sufficient Cash, in the Debtor's reasonable discretion, to pay all allowed Administrative Claims and Allowed Priority Claims required to be paid by this Plan as of the Effective Date.

B. Failure of a Condition Precedent.

1. If the Conditions Precedent are neither met nor waived within one hundred eighty (180) days after the entry of the Order Confirming Plan, then the Order Confirming Plan and this Plan shall be null and void, unless the Debtor files a motion before such date requesting that the court extend the 180-day period.

2. The Debtor may seek to withdraw this Plan at any time prior to the Effective Date by filing a motion with the Bankruptcy Court. If the Debtor's withdraw this Plan, it shall be null and void for all purposes.

C. Relinquishment of Claims.

Except as provided in this Plan, the occurrence of the Effective Date shall also act as a merger and relinquishment of any and all claims that Creditors have, or may have, against the Debtor and the Reorganized Debtor as provided in the treatment of the Creditors in Sections II and III above. The foregoing notwithstanding, this paragraph shall not affect the right of any Taxing Authority against any other entity or Person who may be liable or responsible for the taxes of the Debtor or Reorganized Debtor.

D. Waiver of Claims.

Except as to any taxing authority, on the Effective Date, confirmation shall also constitute a waiver by Creditors of any right that they may have (i) regarding the Exculpated Claims and (ii) unless supported by a written guarantee (or similar document), to seek to enforce their Claims against the Interest Holders, whether pursuant to an "alter ego" claim, a claim for "piercing" the corporate veil of the Debtor or Reorganized Debtor, or similar claim.

E. Subordinated Claims.

Pursuant to Section 510 of the Bankruptcy Code, the Reorganized Debtor reserves the right to re-classify (or request that the Bankruptcy Court re-classify) any Allowed Claim or

Allowed Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

F. Exculpation.

Except as otherwise provided in the Plan, no Person that is acting or has acted for or on behalf of the Debtors or Reorganized Debtor shall have or incur, and is hereby released and exculpated from, any Claim, obligation, Cause of Action, or liability for any Exculpated Claim, except for gross negligence or willful misconduct. The Debtor and Reorganized Debtor (and each of their respective affiliates, agents, directors, members, managers, partners, officers, employees, advisors, and attorneys) have, and on the Confirmation Date shall be deemed to have, participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the distributions made pursuant to the Plan, and therefore are not, and on account of such distributions, shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

G. Protections Against Discriminatory Treatment.

Consistent with Section 525 of the Bankruptcy Code and the Supremacy Clause of the United States Constitution, all Persons, including governmental units, shall not discriminate against the Reorganized Debtor or deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, discriminate with respect to such a grant against, the Reorganized Debtor or other Person with whom such Reorganized Debtor has been associated, solely because the Debtor has been a debtor under Chapter 11 of the

Bankruptcy Code, has been insolvent before the commencement of the Chapter 11 Case, or has not paid a debt that is dischargeable in the Chapter 11 Case.

H. Post-Effective Date Operations.

On and after the Effective Date the Reorganized Debtor shall operate its business under the terms of this Plan, a Sale Order and applicable non-bankruptcy law. The rules, restrictions, reports and other requirements of the Bankruptcy Code, Bankruptcy Rules and orders entered by the Bankruptcy Court (specifically including, but not limited to, the requirements of 11 U.S.C. § 333 and any order directing appointment of a patient care ombudsman) shall continue to apply pending entry of a Final Decree only to the extent such rules, restrictions, reports and other requirements expressly apply, by their terms, after confirmation of the Plan and the occurrence of the Effective Date.

I. Setoffs.

Except as otherwise provided for in this Plan, the Reorganized Debtor pursuant to the Bankruptcy Code (including Section 553 of the Bankruptcy Code), applicable to non-bankruptcy law, or as may be agreed by the Holder of a Claim, may setoff against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), any Claims, rights, and Causes of Action of any nature that the Debtor or Reorganized Debtor may hold against the Holder of such Allowed Claim (or against the predecessor in interest to the Holder to the Extent that the Holder takes such Allowed Claim subject to setoffs and defenses that may be asserted against the predecessor in interest), to the extent such Claims, rights or Causes of Action against such

Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to the Plan shall constitute waiver or release by the Reorganized Debtor of any Claims, rights setoff rights and Causes of Action that the Reorganized Debtor may have or possess against such Holder. The Reorganized Debtor shall not be required to make any distributions to the Holder of any Allowed Claim to the extent that the Reorganized Debtor asserts setoff rights against such Holder until after entry of a Final Order resolving such setoff rights. Except as provided in Section III of the Plan, in no event shall any Holder of Claims be entitled to setoff any Claim against and Claim, right, or Cause of Action of the Debtor or Reorganized Debtor unless such Holder has filed a Motion with the Bankruptcy Court requesting the Authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to Section 553 of the Bankruptcy Code or otherwise.

J. Recoupment.

Except as otherwise permitted under this Plan, in no event shall any Holder of a Claim or Interest be entitled to recoup and Claim or Interest against any Claim or Interest against any Claim, right, or Cause of Action of the Debtor or the Reorganized Debtor unless such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtor on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

K. Release of Liens.

Except as provided in this Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan on the Effective Date and concurrently with the applicable distributions made pursuant to Sections II and III of the Plan, all mortgages, deeds of trust, Liens, pledges, or other security interest(s) against any property of the Estate shall be fully released and discharged, and all of the right, title, and interest of any Holder of such Mortgages, deeds of trust, Liens, pledges, or other security interests shall be null and void.

VI. MODIFICATION OF THE PLAN.

A. Amendments to Plan.

The Debtor may, from time to time, propose amendments or modifications of this Plan prior to its confirmation, without leave of the Bankruptcy Court. After confirmation, the Reorganized Debtor may, with leave of the Bankruptcy Court, and upon notice and opportunity for hearing to the affected Creditor(s) only, remedy and defect or omission, reconcile and inconsistencies in the Plan or in the Order Confirming Plan or otherwise modify the Plan.

B. Revocation or Withdrawal of the Plan.

The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date and to file subsequent Chapter 11 Plans. If the Debtor revokes or withdraws the Plan, or if Confirmation or consummation does not occur, then:

1. The Plan shall be null and void in all respects;
2. Any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or

Interests), assumption, assignment, or rejection of executory contracts or unexpired leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and

3. Nothing contained in the Plan shall:
 - a. Constitute a waiver or release of any Claims, Interests, or Causes of Action;
 - b. Prejudice in any manner the right of the Debtor or any other Person; or
 - c. Constitute an admission, acknowledgement, offer or undertaking of any sort by the Debtor or any other Person.

VII. JURISDICTION OF THE COURT.

A. Jurisdiction Retained.

The Bankruptcy Court shall retain jurisdiction in this matter until the Plan has been consummated including, but not limited to, the following reasons and purposes:

1. The classification of the Claim of any Creditor, including, without limitation, assessment of Claims under Section 506 of the Bankruptcy Code, and the re-examination of Claims that have been Allowed for purposes of voting, and the determination of such objections as may be filed to Claims of Creditors. The failure by the Debtor or the Reorganized Debtor to object to, or to examine, any Claim for the purposes of voting, shall not be deemed to be a waiver of any right to object to, or re-examine, the Claim in whole or in part. Furthermore, the fact that this Plan has provided a treatment for the benefit of a particular Creditor shall not in any way be deemed to be a waiver of any

- right to object to or re-examine the Claim or any secured interest whether by mortgage or otherwise which secures such Claim, in whole or in part.
2. The determination of all questions and disputes regarding title to the assets of the Estate, and all Causes of Action, controversies, disputes, or conflicts, whether or not subject to action pending as of the Confirmation Date, between the Debtor or the Reorganized Debtor or any other party.
 3. The correction of any defect, the curing of any omission or the reconciliation of any inconsistency in this Plan or the Order Confirming Plan as may be necessary to carry out the purposes and intent of this Plan.
 4. The modification of this Plan post-confirmation pursuant to the Bankruptcy Rules and the Bankruptcy Code and as provided in Section VII of the Plan.
 5. The enforcement and interpretation of the terms and conditions of this Plan and the entry of orders in aid of confirmation of this Plan.
 6. The entry of any order, including injunctions, necessary to enforce the title, rights, and powers of the Debtor and Reorganized Debtor, or any party-in-interest, and to impose such limitations, restrictions, terms and conditions of such title, rights, and powers as this Court may deem necessary, to accomplish its obligations under the Plan.
 7. The review and approval of all Professional fee applications for services rendered prior to the Effective Date and the review of any Professional Fees for services rendered in connection with the Plan after the Effective Date, but only to the extent that the Debtor or Reorganized Debtor disputes all or a portion thereof.

8. The assumption or rejection of executory contracts under Section X of this Plan, including without limitation, labor contracts with collective bargaining units under Section 1113 of the Bankruptcy Code.
9. The litigation of any Avoidance Actions or Causes of Action.
10. The entry of an order determining the extent and/or validity of any Lien.
11. The entry of an order concluding and terminating the Chapter 11 Case.

VIII. TITLE TO PROPERTY; VESTING.

Except as provided in Sections III and IV, title to any property of the Debtor (including all Causes of Action and Avoidance Actions) existing on the Effective Date shall vest in the Reorganized Debtor upon the Effective Date of the Plan. The Reorganized Debtor shall be discharged from its status as Debtor-in-Possession. As of and following the Effective Date, the Reorganized Debtor may operate its business, if any, and use, acquire, and dispose of property and settle and compromise Claims or Interests without the supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by this Plan and the Order Confirming Plan.

IX. UNITED STATES TRUSTEE FEES.

After the Effective Date, the Reorganized Debtor shall pay to the United States Trustee the appropriate sums required by 28 U.S.C. § 1930(a)(6) and shall provide the relevant information as required by the Office of the United States Trustee until the Chapter 11 Case is administratively closed.

X. EXECUTORY CONTRACTS.

A. Rejection of Executory Contracts and Unexpired Leases.

Upon the occurrence of the Effective Date, all executory contracts and unexpired leases shall be rejected, except for executory contracts and unexpired leases that are specifically assumed by the Reorganized Debtor.

B. Assumption and Cure Payments.

All assumed contracts and leases shall be Cured by the Reorganized Debtor pursuant to Section X.A., unless other provisions have been agreed to by the counter-party. As long as the Reorganized Debtor complies with this provision, all contract and lease counterparties must fulfill all contract and lease obligations and are enjoined from declaring a default for non-performance due to the bankruptcy or pre-assumption default.

C. Resolution of Cure Claim Disputes.

For each executory contract or unexpired lease to be assumed under this Section X, within thirty (30) days after the Confirmation Date, the Reorganized Debtor shall deliver a written proposal to the contract counter-party describing the method, timing and amount of any proposed Cure. The Reorganized Debtor's proposal shall be binding unless the contract counter-party delivers to the Reorganized Debtor's counsel, within fifteen (15) days after receipt of the proposal, a written objection detailing all reasons for the counter-party's objections and setting forth a counter-proposal. In the event that the dispute cannot be resolved, either party may petition the Bankruptcy Court to resolve the dispute through filing of a properly noticed motion under the Bankruptcy Rules. In the event that the Bankruptcy Court sets a Cure amount greater

than the Cure amount proposed by the Reorganized Debtor, the Reorganized Debtor shall have ten (10) Business Days to Cure or reject the contract or lease.

D. Rejection Claims.

Any Creditor who has a Claim as a result of the rejection of an executory contract or unexpired lease shall have thirty (30) days after the later of

1. The Confirmation Date; or
2. Receipt of the notice of rejection of its contract or lease to file a Proof of Claim, failing which such Claim shall be disallowed in its entirety.

E. Objections to Rejection Claims.

The Reorganized Debtor may file an objection to any Proof of Claim filed in accordance with Section XI.D. on or before the later of:

1. Sixty (60) days after the filing of the Proof of Claim; or
2. The time set for the filing of objections in Section XI.A. (including any extensions).

The Objection will be resolved in accordance with Section XI.

XI. OBJECTIONS TO CLAIMS.

A. Timing of Objections.

The Debtors and/or Reorganized Debtor may object to the allowance and priority of any Claim, or the extent, validity and enforcement of any security interest, whether listed on the Schedules or filed by any Creditor, on or before the later of (a) sixty (60) days from the date of

filing of any Proof of Claim or (b) eight (8) months after the Effective Date. The Reorganized Debtor may petition the Bankruptcy Court for an extension of this time by filing an appropriate motion. The service of the motion through the Court's electronic court filing system shall be sufficient notice of any such request. Any Claim not the subject of a timely objection shall be an Allowed Claim.

B. Extent of Objections.

As part of the claims objection process set forth in Section XI.A. above, and without limiting the process, the Debtor and Reorganized Debtor shall have the right to object to any Lien asserted against property of the Debtor.

C. Claim Dispute Resolution Procedures.

The Reorganized Debtor shall be authorized to resolve all Disputed Claims by withdrawing or settling objections thereto, or by litigating to judgment in the Bankruptcy Court, or such other court of competent jurisdiction, the validity, nature, and/or amount thereof. If the Reorganized Debtor agrees with the Holder of a Disputed Claim to compromise, settle and/or resolve a Disputed Claim by granting such Holder an Allowed Claim, then the Reorganized Debtor may compromise, settle and/or resolve such Disputed Claim without Bankruptcy Court approval.

D. Claims Bar Date.

Except as provided herein or otherwise agreed, any and all Proofs of Claim filed after the applicable Bar Date shall be deemed to be a Disallowed Claim and expunged as of the Effective

Date without any further notice to or action, order, or approval of the Bankruptcy Court, and Holders of such Claims may not receive any distributions on account of such Claims, unless on or before the Confirmation Date such late Claim has been deemed timely filed by a Final Order.

XII. PROVISIONS GOVERNING DISTRIBUTIONS.

A. Disputed Payments.

Notwithstanding anything in this Plan to the contrary, the Debtor or Reorganized Debtor, as applicable, shall not be obligated to make any payments toward the Disputed portion of any Disputed Claim. The Reorganized Debtor shall withhold any such payments, and, if the dispute is resolved in favor of the Claim Holder, the Reorganized Debtor shall make any missed distributions within fourteen (14) days after entry of a Final Order determining the Claim.

B. Effect of Assumption and Cure.

These distribution procedures shall not apply to any Claim resulting from an executory contract or unexpired lease assumed by the Debtors. The Cure provisions of Section X. and any agreement with the counter-party shall exclusively apply to distributions on such Claims.

C. Delivery of Distribution in General.

Except as otherwise provided in the Plan, and notwithstanding any authority to the contrary, distributions to Holders of Allowed Claims and Allowed Interests shall be made by the Reorganized Debtor, in order of preference,

1. At the address set forth in any written notices of address changes delivered to the Reorganized Debtor, after the date of any related Proof of Claim;

2. At the address set forth on the Proofs of Claim filed by such Holders of Claims.
3. At the address reflected in the Schedules if not Proof of Claim has been filed and the Reorganized Debtor has not received a written notice of a change of address; or
4. On any counsel that has appeared in the Chapter 11 Case on the Holder's behalf. Except as set forth herein, distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishments, attachment, or like legal process, so that each Holder of an Allowed Claim shall and receive the benefit of the distributions in the manner set forth in the Plan. The Reorganized Debtor shall not incur any liability whatever on account of any distributions under the Plan except for gross negligence or willful misconduct.

D. Allocation of Payments.

All distributions shall be allocated first to principle until the principle amount of the Claim is paid in full, next to interest if interest is Allowed in relation to the Claim and finally, to fees, costs and expenses if such are Allowed.

E. Compliance With Tax Requirements and Allocations.

In connection with the Plan, to the extent applicable, the Reorganized Debtor shall be authorized to take all actions necessary or appropriate to comply with all tax withholding and reporting requirements imposed on them by any governmental unit, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay

applicable withholding taxes withholding distributions pending receipt off information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtor reserves the right, in its sole discretion, to allocate all distributions made under the Plan in compliance with all applicable wage, garnishments, domestic support, Liens and encumbrances.

F. Undeliverable Distributions and Non-Negotiated Checks.

If any distribution to a Holder of a Claim is returned as undeliverable, no further distributions to such Holder of such Claim shall be made unless and until the Reorganized Debtor is notified of the then-current address of such Holder of the Claim, after which time future distributions shall be made to such Holder of the Claim without interest at such address. If checks issued by the Reorganized Debtor on account of Claims are not negotiated within ninety (90) days after the issuance of such check, the check shall be null and void. Amounts in respect to undeliverable distributions and non-negotiated checks shall be held by the Reorganized Debtor until:

1. Such distributions are claimed by a request in writing to the Reorganized Debtor, or
2. Ninety (90) days after the check is returned or voided due to non-negotiation, after which date all such undistributed and non-negotiated amounts shall revert to the Reorganized Debtor free of any restrictions thereon and the Claim of any Holder or successor to such Holder with respect to such distribution shall be discharged and forever barred, notwithstanding federal or

state escheat laws to the contrary. Nothing contained herein shall require the Reorganized Debtor to attempt to locate any Holder of an Allowed Claim.

G. Fractional Payments.

Notwithstanding any other provision of the Plan to the contrary, payments of fractions of dollar amounts shall not be required. Payment of fractions of dollars that would otherwise be distributed under the Plan shall be rounded to the lower whole number of dollars.

XIII. MISCELLANEOUS PROVISIONS.

A. Further Assurances.

The Debtor, Reorganized Debtor, and all parties-in-interest, including without limitation any Creditor, shall be required to execute any and all documents reasonably requested by the other to memorialize and effectuate the terms and conditions of this Plan. This shall include without limitation any execution by the Debtors and/or Reorganized Debtor of Uniform Commercial Code ("UCC") financing statements and the execution by Creditors of any UCC or mortgage discharges, releases or terminations. The party requesting a security instrument called for this provision shall bear the cost of perfecting such security interest.

B. Setoffs and Counterclaims.

Except as provided in Section III above, no Creditor (including without limitation a Person or entity that becomes a Creditor as a result of rejection of a contract) shall be allowed to setoff a Claim against an obligation to the Debtor or the Reorganized Debtor arising in connection with a different contract. Unless expressly asserted in the Chapter 11 Case through

the filing of a motion with the Bankruptcy Court or otherwise provided under Section III above, all setoffs and counterclaims are waived pursuant to Section V of this Plan notwithstanding any assertion in any Proof of Claim. The terms of this paragraph shall not apply to any taxing authority.

C. Compromise of Litigation.

The Reorganized Debtor shall have the right to commence, continue, amend or compromise all Causes of Action, including without limitation, any Avoidance Action and any action described in the Debtor's Disclosure Statement, available to the Debtor, its Estate, the Debtor-in-Possession or the Reorganized Debtor, whether those Causes of Action were the subject of a suit as of the Confirmation Date.

D. Notices.

Any notice to the Debtor or Reorganized Debtor required under this Plan shall be addressed to the Debtor and delivered by:

1. Certified U.S. Mail, return receipt requested;
2. Reputable overnight courier service with tracking; or
3. Hand delivery, to

Todd Johnson
1640 Webb St.
Detroit, MI 48206-1350

4. With a copy by the same methods listed in subparagraphs 1-3 of this Subsection, to counsel for the Reorganized Debtor at Clinton J. Hubbell Hubbell DuVall PLLC, at his then-current address as published in the public

access portion of the attorney directory maintained by the State Bar of Michigan.¹²

E. Successors and Assigns.

This Plan and the Order Confirming Plan shall inure to the benefit of, and be binding upon, all parties-in-interest and their respective successors and assigns.

¹² The directory can be found at: <http://www.michbar.org/memberdirectory/home> (Site last visited April 3, 2017.).

DISCLOSURE STATEMENT

I. INTRODUCTION, PURPOSE, INFORMATION, AND OVERVIEW OF CHAPTER 11.

A. Purpose of the Disclosure Statement.

The Purpose of this Disclosure Statement (“Disclosure Statement”) is to provide and disclose to Creditors of the Debtor material and necessary information for Creditors to make a reasonably informed decision in exercising their right to vote for acceptance of the Plan.

The Debtor submits this Disclosure Statement pursuant to 11 U.S.C. § 1125, one part of Chapter 11 of the Bankruptcy Code (11 U.S.C. § 101, *et seq.*), to all known Holders of a Claim against it. The debtor filed a Plan of Reorganization (“Plan”) with the United States Bankruptcy Court for the Eastern District of Michigan Southern Division—Detroit, a copy of which is combined with and attached to this Disclosure Statement.

Some of the terms in this Disclosure Statement are intentionally capitalized and those capitalized terms shall have the same meaning ascribed to them in the Debtor’s attached Plan of Reorganization, unless the context indicates a different meaning.

B. Sources of Information.

The Disclosure Statement and the Plan have been prepared using information supplied primarily by the Debtor, and to a lesser extent, information supplied by Creditors and Creditors’ counsel. Debtor’s counsel has not conducted an independent investigation to verify the information.

Certain materials contained in this Disclosure Statement are taken directly from other readily accessible documents or are summaries of other documents. While every effort has been

made to retain the meaning of such documents or portions of documents that have been summarized, the Debtor urges that any reliance on the contents of such documents be dependent upon a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of the document shall control.

The Statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified. Neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it, shall, under any circumstances, create an implication that there has been no change of the facts set forth herein since the date of this Disclosure Statement.

NO PERSON OR ENTITY HAS BEEN AUTHORIZED BY THE DEBTORS OR THE COURT TO GIVE ANY INSTRUCTIONS OR MAKE ANY REPRESENTATIONS CONCERNING THE DEBTORS, THEIR FINANCIAL AFFAIRS, OR THE VALUE OF THEIR PROPERTY, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS, PROMISES OR INDUCEMENTS, PARTICULARLY REGARDING THE DEBTORS' PROPERTY OR FUTURE INCOME, MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN, WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. SUCH REPRESENTATIONS, INDUCEMENTS AND/OR PROMISES, IF ANY, SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR WHO, IN TURN, SHALL DELIVER SUCH INFORMATION FOR SUCH ACTION AS THE COURT MAY DEEM APPROPRIATE.

C. Brief Overview of Chapter 11.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize or liquidate its business for the benefit of itself, its creditors, and its equity interest holders. In addition to permitting a rehabilitation or liquidation of a debtor, another goal of Chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a Chapter 11 case creates a legal estate that is comprised of all the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as debtor-in-possession.

The consummation of a plan of reorganization is the principal objective in a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against the and interests in the debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of the debtor. Subject to certain limited exceptions, the order confirming a Chapter 11 plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes the obligations specified under the confirmed plan.

After a plan of reorganization has been filed, the holders of claims against or interests in the debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, Section 1125 of the Bankruptcy Code requires a debtor to prepare a

disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical, reasonable investor to make an informed judgment about the plan.

The debtor is submitting this Disclosure Statement to holders of Claims against, and equity interests in, the Debtor to satisfy the requirements of Section 1125 of the Bankruptcy Code.

II. DESCRIPTION OF THE DEBTOR

A. The Debtor.

The debtor is Law-Den Nursing Home, Inc.¹³, (“Law-Den” or “Debtor”), a Michigan Corporation, which operates a 100-bed, long-term, skilled nursing home at 1640 Webb St. in Detroit, Michigan. Law-Den provides around-the-clock nursing care for its residents, which includes, but is not limited to: administering prescribed medications, providing nutritional services, providing resident laundry services, ensuring resident safety, and providing enrichment activities. Pursuant to the attached Chapter 11 Plan of Reorganization, Law-Den is reorganizing its business to continue operating due to the extreme need in the geographic area for skilled nursing facilities that operate primarily on Medicaid income.

B. The principals of the Debtor.

1. The debtor is closely held, and there are seven (7) shareholders¹⁴ of the Corporation. They are:

¹³ Law-Den Nursing Home, Inc. was organized on November 30, 1967, by Rhoda J. Jones under the Laws of the State of Michigan, by executing Articles of Organization. In November of 2017, Law-Den will have continuously operated as a skilled nursing facility in the City of Detroit for 50 years.

¹⁴ Without evidence of any kind to the contrary, the Debtor has at all times operated under the assumption that there is only one (1) class of shares, which it refers to as “common shares.”

- a. Dawn Murray, an individual, owns 14% of the outstanding shares of the Corporation.
 - b. Dorothy Holloway, an individual, owns 22.9% of the outstanding shares of the Corporation.
 - c. The Estate of Rhoda Jackson (Jones), a decedent estate, owns 11.7% of the outstanding shares of the Corporation.
 - d. Jacqueline Sulton, an individual, owns 11.7% of the outstanding shares of the Corporation.
 - e. Kurt Johnson, an individual, owns 11.7% of the outstanding shares of the Corporation.
 - f. Nicolena Inniss-Stubbs, an individual, owns 14% of the outstanding shares of the Corporation. And
 - g. Todd Johnson, an individual, owns 14% of the outstanding shares of the Corporation.
2. Of these seven shareholders, only three are Directors constituting the Law-Den Board of Directors. They are:
 - a. Dorothy Holloway;
 - b. Kurt Johnson; and
 - c. Todd Johnson.
 3. Of the three Directors, only one takes any hand in managing the affairs of Law-Den, Todd Johnson.¹⁵

¹⁵ Law-Den is managed by an Interest Holder, Todd Johnson ("Mr. Johnson"), who uses the title "Administrator," as opposed to being managed by a third-party management company. Management by a third-party management company is common for area nursing homes. Mr. Johnson was the person authorized by the Board of Directors to file this Bankruptcy Case, and is the only person who derives income from managing Law-Den, maintaining a permanent office at the facility. None of the other six Interest Holders derives compensation from the operation of the Debtor, with passive ownership of shares being their only Interest in Law-Den.

- a. Mr. Johnson's annual base salary is currently neither set, nor payable on a predictable basis. Mr. Johnson receives nominal gross compensation, with Law-Den non-periodically paying Johnson money and fringe benefits, including payment for mandatory continuing education in the amount of approximately \$400 annually, and a company-provided cell phone costing about \$400 per month.
 - b. Mr. Johnson has been working at Law-Den continually, full time, since March of 1975. Mr. Johnson took over full charge as Administrator in 1997, and has occupied the post for more than 20 years. Mr. Johnson is a graduate of Cass Tech High School, attended the University of Michigan, and Completed required courses for his Nursing Home Administrator license at Michigan State University.
4. Mr. Johnson's relationship with the Debtor is:
 - a. **Licensed Administrator.**¹⁶ Mr. Johnson is the Licensed Administrator of Law-Den, managing all day-to-day affairs of the facility; each and every employee and contractor reports, either directly or ultimately, to him.
 - b. **Interest Holder.** Mr. Johnson owns 14% of the outstanding shares of Law-Den.
 - c. **Creditor.**¹⁷ Mr. Johnson has made personal loans to Law-Den over time, as well as being owed back-pay.
 - d. **Insider.**¹⁸ Mr. Johnson is an insider of the Debtor.
5. Mr. Johnson is related to the Interest Holders of the Debtor: Mr. Johnson is related to Dawn Murray; Dorothy Holloway; Rhoda Jackson (Jones); Jacqueline Sulton; Kurt Johnson, and Nicolena Inniss-Stubbs.

¹⁶ Todd Johnson is a Licensed Nursing Home Administrator under the Michigan Public Health Code, MCL 333.17301, *et seq.*, as well as regulations promulgated under the Michigan Public Health Code, Permanent ID# 4801004025, license issued on 01/29/1997 and expires 10/31/2018.

¹⁷ See, Bankruptcy Court Claims Register, claim no. 23-1.

¹⁸ See, 11 U.S.C. § 101(31)(B)(i),(iii), and (vi).

C. The debtor's business, its industry group and the causes for the Chapter 11 filing.

1. Law-Den operates a privately-owned, fully licensed, long-term skilled nursing home facility in Detroit, Michigan¹⁹. Law-Den's management touts the home's operational longevity and the fact that it is Detroit's largest 'Medicaid-only' nursing facility (as opposed to also receiving funds from Medicare). Law-Den has 100 licensed beds, of which typically between 80 and 85 are occupied. Law-Den employs approximately 67 people, including a full-time licensed Administrator, Todd Johnson; Nursing Director and staff (Medical Attendants, Licensed Practical Nurses (LPNs), and Registered Nurses(RNs)); Social Services Director and staff; Activities and Enrichment Director and staff; Food Service and Nutrition Staff; Physical Plant staff; Housekeeping staff; and other clerical and support staff.

2. Of Law-Den's employees, approximately 2/3 are represented by The Nursing and Convalescent Home Employees Division of Service Employees International Union Healthcare Michigan, CTW (the "Union" or "SEIU Healthcare Michigan"). Law-Den is operating under the continuing provisions of an expired Collective Bargaining Agreement with the Union, and during the term of this case, Law-Den has bargained with the Union for a new Collective Bargaining Agreement.

3. Law-Den offers long term resident care; skilled nursing care; hospice care; Alzheimers and Dementia Care; and short-term respite and convalescent care. Law-Den is especially well known for taking residents who have been removed from other nursing and long-term care facilities, making itself indispensable as a community resource in its geographic area.

¹⁹ Nursing homes are a heavily regulated industry in the State of Michigan, and there are numerous licensure and regulatory requirements on the facility itself, its administrator, caregivers and other persons employed by nursing homes under the Michigan Health and Occupational Codes.

4. Law-Den gives six (6) principal reasons for its financial difficulties leading to filing the Chapter 11 Petition, which are:

- a. Labor Disputes with the Union, including Strikes and Dues Checkoff disputes,
- b. Unfair Labor Practices Charges brought by the National Labor Relations Board,
- c. Alleged Unfunded Pension Liabilities to the SEIU National Industry Pension Fund (the “Pension”),
- d. Large Money Recoupments by The Michigan Department of Health and Human Services (“MDHHS”),
- e. Falling Medicaid Bed Rates as calculated by the MDHHS, and
- f. Aging HMO Receivables.

III. POST-PETITION EVENTS OF SIGNIFICANCE.

A. Disclose all post-petition transfers outside the ordinary course of business.

There have been no post-petition transfers outside the ordinary course of business during this case, except to the extent that the Court has authorized Law-Den to make payments on pre-petition debt or in exchange for transfers for goods or services pursuant to certain of Law-Den’s motions and the following orders of the Bankruptcy Court:

1. [ECF no. 8] Order Directing Appointment of Patient Care Ombudsman (“patient care ombudsman order”);
2. [ECF no. 52] Order Granting Debtors Application For Authority To Hire Hubbell Duvall, PLLC (“debtor’s counsel employment order”);

3. [ECF no. 54] Order Granting First Day Motion For Entry of an Order Authorizing the Debtor to Pay Employee Obligations (the “Employee Obligations Order”);
4. [ECF no. 58] Order Authorizing Debtor to Use Cash Collateral (the “Cash Collateral Order”);
5. [ECF no. 83] Order Granting Debtor's Application For Authority To Hire David E. Jerome (“Special Labor Counsel employment Order”);
6. [ECF no. 93] Order Granting Stipulation to Allow Administrative Expense Claim (“Gordon Food Service Order”);
7. [ECF no. 109] Order Granting Debtor's Application to Employ Michigan Business Advisors (“accountant employment Order”).
8. [ECF no. 111] Order Authorizing Debtor In Possession To Enter Into Insurance Premium Finance Agreement (the “FIFC Order”).

B. Provide summaries of the important details of cash collateral, post-petition financing and adequate protection orders.

1. Pursuant to the Interim Cash Collateral Order, which became a final order on October 17, 2016, Law-Den is authorized to use cash collateral pursuant to the budget (“Budget”).
2. As adequate protection and pursuant to the Cash Collateral Order, the Debtor was authorized and directed to pay \$3,867.64 per month per month to the MDHHS on MDHHS’s asserted debt, which shall be applied to interest accruing on such debt, and \$6,000.00 per month to the Wayne County Treasurer. To the extent that MDHHS or Wayne County Treasurer are determined to be less than fully secured under Section 506(b), the Debtor may seek to have some or all payments recharacterized as principal payments. To the extent that the Wayne County Treasurer debt is determined to be less than the amount asserted by the Wayne County Treasurer, the excess interest payments shall be recharacterized as

principal payments reducing the amount owed to the Wayne County Treasurer.

3. The Cash Collateral Order also addressed Quality Assessment & Assurance Payments Due to MDHHS ("DHHS" in the Cash Collateral Order). Notwithstanding anything else in the Order, upon any default of the Debtor, and failure to cure such default within twenty (20) days of receipt of such notice from Michigan Department of Health and Human Services ("DHHS"), then DHHS may take any such actions against the Debtor allowable under applicable nonbankruptcy law, rules, and regulations, to enforce its rights against the Debtor under such laws, rules and regulations, and notwithstanding any automatic stay or plan injunction that would be otherwise applicable, relief from any such stay or injunction shall be deemed granted to DHHS upon the occurrence of a default in the payment of the current bed tax and the failure to cure such default within twenty (20) days; however, such rights are limited to (i) DHHS's right to recoup any Quality Assessment & Assurance ("QAA") payments that the Debtor currently owes or may incur for current bed taxes from any outgoing Medicaid reimbursement payments otherwise owing to the Debtor in the event of a default by the Debtor that is not cured within twenty (20) days from the Debtor receipt of notice of such default from DHHS and (ii) DHHS's rights to setoff and recoupment under applicable non-bankruptcy law shall not be impaired by this Order, except as otherwise set forth herein.
4. On September 20, 2016, the Court entered the Employee Obligations Order, subject to the terms of the Cash Collateral Order. The Employee Obligations Order allows the debtor to continue to pay principals, employees, contractors, workers compensation insurance premiums, and to continue, change, or discontinue employee benefit plans and programs.
5. On December 14, 2016, the Court entered the Gordon Food Service Order, which gave a portion of the Claim of Gordon Food Service ("GFS") Administrative Expense Priority because of the 20-day priority rule contained in 11 U.S.C. § 503(b)(9). The debtor will satisfy this claim with cash disbursements prior to confirmation, in addition to continuing to purchase food stuffs, consumables, and perishables on a regular basis from GFS pre and post-confirmation.

6. On January 18, 2017, the Court entered the FIFC Order, which Granted the Debtor Authority to Enter into Insurance Premium Finance Agreement and to Provide Adequate Protection to FIRST Insurance Funding Corp. ("FIFC"), in exchange for FIFC financing a policy of general liability insurance to the Debtor. The Debtor will make adequate protection installment payments, pre-confirmation, to FIFC, in order to keep the policy in full force and effect.

C. Explain any litigation arising or continuing during the case, or which may be pending in any court.

There is litigation is pending outside the Bankruptcy Court with respect the debtor, as follows:

1. ***Svc. Empl. Intn't Union Natn'l Ind. Pens. Fund, v. Law-Den Nursing Home, Inc., No. 2:15-cv-11006-SJM-SDD (E.D. Mich.). (the "2014 lawsuit")***²⁰.
 - a. On November 11, 2014, , Service Employees International Union National Industry Pension Fund, and the Service Employees International Union National Industry Pension Fund Board of Trustees ("SEIU Pension Plan"), as plaintiffs, sued Law-Den Nursing Home, Inc., for alleged failure to collect and remit required pension contributions to the pension fund.
 - b. The Claim is liquidated by a Judgment entered by the United States District Court for the Eastern District of Michigan on January 13, 2015.
 - c. The amount of the Judgment as of May 5, 2015 is \$122,806.28.
 - d. John R. Canzano (P30417), McKnight Canzano Smith Radtke & Brault PC, 423 N Main St Ste 200, Royal Oak, MI 48067-1884, and David M. Miller (P36601) 19785 W 12 Mile Rd # 618 Southfield, MI 48076-2584, represent the SEIU Pension Plan in the 2014 Lawsuit.

²⁰ See, Bankruptcy Court Claims Register, claim no. 16-1.

2. *Svc. Empl. Intn't Union Natn'l Ind. Pens. Fund, v. Law-Den Nursing Home, Inc.*, No. 2:15-cv-11006-SJM-SDD (E.D. Mich.). (the "2015 lawsuit")²¹.

- a. On March 17, 2015, Service Employees International Union National Industry Pension Fund, and the Service Employees International Union National Industry Pension Fund Board of Trustees ("SEIU Pension Plan"), as plaintiffs, sued Law-Den Nursing Home, Inc., for alleged failure to collect and remit required pension contributions to the pension fund.
- b. On October 5, 2016, the Bankruptcy Court entered an Order Modifying the Automatic Stay for the Purpose of Liquidating the Claims Against the Debtor of Service Employees International Union National Industry Pension Fund and Service Employees International Union National Industry Pension Fund Board of Trustees (the "Stay Modification Order").
- c. A settlement agreement of this lawsuit is pending. The settlement agreement will liquidate the damages against the Debtor..
- d. The Creditor claims that as of August 30, 2016 the value of its claim for the 2015 Lawsuit is \$379,421.03.
- e. John R. Canzano (P30417), McKnight Canzano Smith Radtke & Brault PC, 423 N Main St Ste 200, Royal Oak, MI 48067-1884, and David M. Miller (P36601) 19785 W 12 Mile Rd # 618 Southfield, MI 48076-2584, represent the SEIU Pension Plan in the 2015 Lawsuit.

3. *In the Matter of Law-Den Nursing Home, Inc.*, Case Nos. 07-CA-146757; 07-CA-154736; 07-CA-173200; 07-CA-173750; 07-CA-178228; 07-CA-185878 (N.L.R.B.)²² ("Legacy NLRB Cases")

- a. In the Legacy NLRB Cases, the NLRB is asserting (1) unfair labor practices against the Debtor that were originally instituted in 2007, and are continuing against the Debtor post-petition pursuant to its "police power," and (2) assertion of Claims for payment of what the NLRB believes are liquidated claims against the debtor.

²¹ See, Bankruptcy Court Claims Register, claim no. 15-1.

²² See, Bankruptcy Court Claims Register, claim no. 19-1.

- b. In summary, the Legacy NLRB Cases encompass (1) Dues Deducted from employees' paychecks but not remitted to the Charging Party²³, in the aggregate amount of \$10,682.49; (2) Contractual pension fund contributions due from Charged Party through 1/31/17, in the aggregate amount of \$101,742.97; and (3) back pay owed to employee Deborah Smith in the amount of \$525.09.
- c. The Legacy NLRB Cases are presented in this Disclosure Statement together because they are frequently captioned together as one action. The Debtor treats the six Legacy NLRB Cases as consolidated cases because they are frequently presented together.
- d. The Debtor is in direct contact with the NLRB in pre-petition attempts to resolve the Legacy NLRB Cases. A settlement agreement in the Legacy NLRB cases is pending.
- e. Dynn Nick (P60497), National Labor Relations Board, 477 Michigan Ave Rm 300 Detroit, MI 48226-2543 is representing the NLRB in the Legacy NLRB Cases.

4. *Natn'l Labor Relations Bd. v. Law-Den Nursing Home, Inc.*, No. 14-2404 (6th Cir.). (the "Petition for Civil Contempt").

- a. After the Chapter 11 Petition Date, on February 1, 2017, The National Labor Relations Board ("NLRB") petitioned the U.S. Court of Appeals for the Sixth Circuit to adjudge Law-Den Nursing Home, Inc. in civil contempt for violating a Judgment of this Court entered on March 17, 2015, by failing to provide SEIU Healthcare Michigan ("the Union") with the information specifically required by the Judgment, and further violating the Judgment by: repeatedly ignoring subsequent requests by the Union for relevant information which is necessary for bargaining; unilaterally instituting a wage increase; failing to meet for bargaining

²³ The NLRB terms include "Charging Party or Parties" and "Charged Party or Parties." In relation to the ongoing charges, the Charged Party is always Law-Den Nursing Home, Inc. unless otherwise indicated, and the Charging Parties are or can be: Service Employees International Union National Industry Pension Fund; the Service Employees International Union National Industry Pension Fund Board of Trustees (collectively the "SEIU Pension"); the Nursing and Convalescent Home Employees Division of Service Employees International Union Healthcare Michigan, CTW ("SEIU Healthcare Michigan"); and the National Labor Relations Board itself under its authority to bring charges and assert claims on behalf of third parties.

with the Union for extended periods of time; and by unlawfully setting conditions for its return to the bargaining table.

b. The petition requests the following relief:

1. That this Court forthwith issue an Order requiring Law-Den to serve and file sworn answers to the allegations of this petition in which it shall admit or deny or meet by affirmative defense each allegation of said petition, and show cause, if any there be, why it should not be adjudged in civil contempt for disobeying and failing and refusing to comply with the Judgment issued by this Court on March 17, 2015.

2. That following appropriate proceedings, Law-Den be adjudged in civil contempt.

3. That upon such adjudication, the Court enter an Order requiring the Law-Den, its officers, agents, successors and assigns, to purge themselves of such contempt by: (a) Fully complying with the Judgment entered by this Court on March 17, 2015, and each of the provisions of the Board's Order thereby enforced, and not in any way, by action or inaction, engage in, induce, encourage, permit or condone any violation of said Judgment; (b) Continuing to recognize and meet and bargain with the Union at reasonable times unless and until an agreement is reached with the Union or a legitimate impasse is reached, consistent with established provisions of federal labor law; (c) Refraining from failing to provide, failing to completely provide, and/or failing to timely provide requested information which is relevant and/or necessary to the Union's performance of its functions as exclusive bargaining representative of Respondent's employees, or from in any like or related manner failing or refusing to bargain in good faith with the Union; (d) Refraining from unilaterally changing existing terms and conditions of employment without first providing notice to and bargaining with the Union; (e) Refraining from in any other manner interfering with, restraining, or coercing employees in the exercise of the rights guaranteed them by Section 7 of the Act; (f) Within ten (10) days after receipt of a notice drafted by the Board for Respondent ("Notice"), posting in conspicuous places where notices to employees are customarily posted for a period of sixty (60)

consecutive days, copies of the contempt order and the Notice. Within thirty (30) days after receipt of the notice drafted by the Board, reading said notice at an employee meeting called for that purpose, on working time. Respondent shall give the Regional Director at least two weeks' notice to permit a Board agent to attend the meeting, at the option of the Regional Director. The Notice shall be signed by an appropriate representative on behalf of Respondent, and shall be maintained in clearly legible condition throughout the 60-day period. Respondent shall further insure that the Notice and contempt order are not altered, defaced or covered by any other material. Respondent shall also provide the Board's Region 7 with a signed copy of the Notice and a certification of the dates and locations of the postings, and shall give the Board reasonable access to check the postings; (g) Within ten (10) days after receipt of the Notice, mailing the Notice and contempt order to each bargaining-unit employee who is employed by Respondent at the time of mailing, and to all former employees who were employed by Respondent since entry of the March 17, 2015 Judgment. Respondent shall provide the Board's Region 7 with a list of those persons to whom the Notice and contempt order were mailed, together with proof of the mailing, within fourteen (14) days of the mailing; (h) In addition to the posting and mailing of paper Notices and contempt order, the Notice and contempt order shall be distributed electronically, such as by email, posting on an intranet or an internet site, and/or other electronic means, if Respondent customarily communicates with their employees by such means; (i) Paying to the Board all costs and expenses, including reasonable attorneys' fees calculated at the prevailing market rate in the District of Columbia, incurred by the Board in the investigation, preparation, presentation and final disposition of this proceeding, including any costs relative to a special master should the Court appoint one; said amount, unless agreed to by the parties, to be fixed by further order of the Court upon submission by the Board of a certified statement of such costs and expenses. Should any dispute arise respecting the Board's submission as to which the Court may determine that a hearing is desirable, the Court, in its discretion, may refer such dispute to a special master, upon such terms as the Court shall determine, for a report and recommendation; (j) Filing a sworn statement with the Clerk of this Court, and a copy thereof with the Director of the Board's Region 7

office, within fifteen (15) days after the Order of adjudication and again upon termination of the posting period, showing what steps have been taken to comply with the Court's directives.

4. That in order to assure against violations of this Court's Judgment and contempt adjudication, the Court impose against Law-Den a prospective fine of \$20,000 for each and every future violation of this Order, and a further fine of up to \$200 per day for each day the Court finds the violation(s) have continued. The Order shall also impose a fine against Law-Den's officers, agents, representatives and attorneys, who, in active concert and participation with Law-Den and with notice and knowledge of the court's contempt adjudication and/or Judgment, violates the contempt adjudication and/or Judgment, of \$1,000 for each and every future violation and a further \$100 per day for each day the Court finds the violation(s) to have continued. Fines may only be imposed as a result of the Board instituting a new civil contempt proceeding in this Court, in which the Board shall be required to establish its allegations by clear and convincing evidence.

5. That upon the failure of Law-Den to purge itself of further civil contempt, the Court issue attachment against any representative or agent of Respondent responsible for non-compliance, and take such other and further action and grant such other relief as may be just, reasonable and proper to assure compliance with this Court's Judgment and as this contempt proceeding may require.

- c. Special Labor Counsel for the Debtor, David Jerome, has responded to the Sixth Circuit Contempt Petition, but with limited information given that the contempt alleged by the NLRB is for violations of a judgment entered approximately 17 months prior to the Petition Date.
- d. A hearing or other proceeding has not yet been held on this petition. A settlement agreement on the Civil Contempt Petition is pending.
- e. Sarah Posner, Trial Attorney, Contempt, Compliance, & Special Litigation Branch, National Labor Relations Board, 1015 Half Street SE, Washington, DC 20570 is representing the NLRB in the Petition for Civil Contempt.

IV. LIQUIDATION ANALYSIS:

A. Provide a Liquidation Analysis.

The debtor's liquidation analysis is attached hereto and incorporated as **Exhibit A**. Based upon the Liquidation Analysis, the Debtor believes that a liquidation would result in a substantially smaller distribution to every class of its creditors (other than Class 5) than the proposed treatment set forth in the Plan.

B. State the risks, conditions and assumptions regarding the stated values. If appraisals have been done, disclose appraised values and the dates of the appraisals; otherwise, state the basis of the valuation (e.g., "SEV valuation").

1. All values stated in the Liquidation Analysis for assets, liabilities, costs, expenses and potential recoveries or based on good faith estimates using information currently available to the Debtor. The estimates have not been subject to audit, and, the Debtor's assets have not been appraised. The estimates shall in no way be construed or constitute binding guaranties, representations or warranties and are subject to revision at any time.
2. Except as otherwise noted in this Disclosure Statement or in the Plan the values for the Debtor's assets, as set forth in the Bankruptcy Schedules filed in connection with its Bankruptcy Petition, reflect the Debtor's best estimate of the market value of the asset, except where noted to the contrary. In establishing the values, the Debtor has considered the size, age, physical condition, and location of the assets, in addition to the need for certain additional capital requirements.

C. Identify all potential claims and causes of action, including claims against insiders and avoidance actions. For each such cause of action, estimate the value of any expected recovery and the expected costs of such litigation. (The anticipated net value of any litigation that the debtor intends to pursue should be included in the required liquidation analysis.) If the debtor does not intend to pursue any such claims, state the reasons.

1. The Debtor is not aware of any Causes of Action for claims against Insiders or Avoidance Actions.
2. Among other preserved Causes of Action, to the extent not released in the Plan, the Debtor reserves:
 - a. All Causes of Action under Section 547 of the Bankruptcy Code against any and all Persons that received any transfer of property from the Debtor within 90 days before the Petition Date, and any and all Insiders that received any transfer of property from the Debtor within one year before the Petition Date, including, but not limited to, those Persons listed on the Debtor's Statement of Financial Affairs and/or Schedules as having received such transfers, and all subsequent transferees (the "Preference Actions");
 - b. All Causes of Action under Section 549 of the Bankruptcy Code against any and all Persons that received unauthorized transfers of property from the Debtor's Estate after the Petition Date;
 - c. All Causes of Action under Section 548 and/or 544 of the Bankruptcy Code and any applicable non-bankruptcy law against any and all Persons that received property from the Debtor's Estate for less than reasonably equivalent value within six years of the applicable Petition Date and while the Debtor was insolvent; and
 - d. All Causes of Arising before or after the Petition Date in the ordinary course against any and all Persons with which a Debtor has contractual, trade or account relations, including all Causes of Action relating to breaches of contract or other relations, including all Causes of Action relating to breaches of contract, collection of accounts receivable and other actions against the Debtor's residents, guarantors, and other payor(s), that may owe money or other obligations to the Debtor, including, without limitation, breach of warranties or representations, supply of non-conforming or deficient goods or services, overpayments, credits, setoffs, demands for

turnover of property, and any other Causes of Action that the Debtor may have arising under non-bankruptcy law against the Debtor's residents, trade suppliers, business partners, or state actors, of any nature whatever. All such claims and Causes of Action, along with all rights, interests and defenses related thereto, shall vest with and in the Reorganized Debtor.

3. The Debtor will reserve and retain the right to abandon a Cause of Action if the Debtor believes, in its best business judgment, that the fees and costs of litigation will be greater than the potential recovery in such action, resulting in no net value to the Debtor. Furthermore, the Debtor will retain and reserve the rights to litigate, settle, or compromise Causes of Action against Insiders, including Avoidance Actions.

D. If any debt is guaranteed by anyone or if anyone is liable with the debtor on any debt, identify: (1) the guarantor or codebtor; (2) the nature and amount of debt involved and the balance due, (3) the collateral securing the debt or the guaranty, and (4) the value of such collateral.

1. The following table presents the creditor and Claims Register number, as well as: (1) the guarantor or co-debtor; (2) the nature and amount of debt involved and the balance due, (3) the collateral securing the debt or the guaranty, and (4) the value of such collateral. The table below is for description purposes only, and not an admission of any information by any party. The Debtor specifically reserves and retains the right to contest or object to any Secured or Unsecured Claim, and, if applicable, any asserted security interest or Lien, or the priority or extent thereof.

Creditor	(1) Guarantor or Co-Debtor	(2) Nature and Amount of Debt	(3) Collateral	(4) Value of Collateral
Claims Register no. 13-1 CAN Capital, Inc.	Personal Guaranty of Todd Johnson	Principal balance of pre-petition Operating Capital Loan \$192,804.11	List Collateral ²⁴	\$192,804.11
Claims Register no. 1-1 Wayne County Treasurer	1640 Webb, Inc., Co-Debtor	<i>Ad valorem</i> Property Tax Arrearage \$102,019.53 ²⁵	Real Property 1640 Webb, Inc.	\$451,700.00
Claims Register no. 4-1 City of Detroit Water and Sewerage Department	1640 Webb, Inc., Co-Debtor	Unpaid liability to Detroit Water and Sewerage Department \$14,179.53 ²⁶	Real Property 1640 Webb, Inc.	\$451,700.00

V. DETAILS REGARDING IMPLEMENTATION OF THE PLAN.

A. Provide meaningful summaries of financial information in a consistent format for at least the following periods:

1. *Three years pre-petition, if possible.*

The following Exhibits are provided as summaries of financial information pertaining to the Debtor for the three years immediately preceding the year of bankruptcy filing.

- a. 2013 Medicaid Cost Report. **Exhibit B**
- b. 2014 Medicaid Cost Report. **Exhibit C**
- c. 2015 Medicaid Cost Report. **Exhibit D**

²⁴ The list of collateral securing the Claim of CAN Capital is fully listed in the UCC Financing Statement filed by the Creditor with its Proof of Claim.

²⁵ Balance as of Filing Date.

²⁶ Balance as of Filing Date.

2. *Post-petition to latest date possible.*

The following Exhibit is provided as a summary of financial information pertaining to the Debtor post-petition.

a. Balance Sheets. **Exhibit E**

3. If the plan proposes that the debtor will continue in business, projections for the period of the plan, together with assumptions underlying those projections; and including, by class, payments required to be made under the plan during the projected periods.

A financial "look-back," post-petition financial information, and 'plan projection' for the period of the Plan, together with assumptions underlying those projections, and including, by class, payment required to be made under the Plan during the projected period, are attached hereto as **Exhibit F**.

B. If the plan proposes that the business will continue, state who will be in charge and the annual compensation to be paid to each, including fringe benefits.

1. **Todd Johnson as Licensed Administrator.** The Plan proposes that the business will continue. Because a Licensed Administrator is required by the Michigan Health Code to be in charge of the Nursing Home, and Todd Johnson is such a licensed Administrator, and since no search for a Replacement Administrator has been conducted by the Debtor, and since Todd Johnson is qualified based on his experience and licensure to operate Law-Den, Todd Johnson will continue to be in charge of the Reorganized Debtor.
2. **Annual Cash Compensation of Licensed Administrator.** Cash compensation of the Administrator should reflect the *average base salary* of a Nursing Home Administrator in this geographic area based on the best

statistics and data available to the Debtor. A "Job Valuation Report" prepared by Salary.com[®] for Business, which gives a detailed breakdown of assumptions and available data for similar positions in the same geographic area is attached hereto as **Exhibit G. The annual compensation of the Administrator of Law-Den shall be fixed at: \$106,252.00.**

3. **Standard Benefits of Licensed Administrator.** The cash value range of benefits, including: Social Security / FICA Contributions, 401(k) or 403(b) Match, Disability Insurance, Healthcare Insurance, Pension Contributions, and Paid Time Off (PTO), based on the Job Valuation Report is \$28,976 to \$43,886. This represents 26.1% to 39.6% of median predicted total cash compensation. **The estimated value of the benefits payable to Todd Johnson is the average of these amounts, to-wit: \$36,431.**
4. **Fringe Benefits of Licensed Administrator.** Comparable Administrators may be entitled to some or all of the following fringe benefits: Company car, automobile allowance, or transportation subsidy, Dues for professional associations, Scholarships and matching gifts, Dues for club memberships (sports clubs, hospitality/travel clubs), Discounts provided to employees for company products or surplus, Supplemental health, welfare, or retirement benefits, Dependent care allowance or provided on site, Flexible work hours and/or the option to bank flexible leave time, Paid telecommuting expenses and equipment, Subsidized meals or refreshments, Services (concierges or errand-runners, retirement planning, outplacement, adoption assistance, and tax or financial counseling).

Todd Johnson has never received any of these benefits in his position as Administrator, and the Debtor does not believe it will be able to adequately budget for the above-listed fringe benefits.

The Debtor will, however, pay Todd Johnson's mandatory continuing education tuition, which it estimates at \$400 annually, and provide him a cell phone at an estimated cost of \$400 monthly because the Administrator is required to be "on-call" 24 hours/day. **The estimated cost, therefore, of fringe benefits payable to or on behalf of the Licensed Administrator is \$5,200 annually.**

5. Based on V.B.1.-4. above, **the total annual cost associated with the Licensed Administrator to the Reorganized Debtor will be \$147,883.**

C. State the tax ramifications for the continuing entity if the plan is confirmed.

1. **As to the Debtor.** The Debtor believes that forgiveness of debt resulting from the discharge after Confirmation of the Plan will not result in a significant tax consequence to the Debtor. The forgiveness of indebtedness, pursuant to the Internal Revenue Code, can be applied either to the Debtor's bases in their assets or to the net operating loss carry-forward. The Debtor cannot accurately determine the amount and extent of any forgiveness of indebtedness. First, the Debtor must determine if all of the Claims that have been filed, or deemed filed within this Case, are accurate. Also, depending on whether the Debtor achieves or exceeds the projection in the current fiscal year, the Debtor may elect to apply any forgiveness of a debt to its basis. Despite the fact that the Debtor believes that it can either (a) apply such forgiveness of indebtedness to its net operating loss carry-forward or (b) to their basis, it is not expected that the amount of forgiveness of debt will be totally offset by the foregoing. However, once these net operating losses are used by the Debtor to offset forgiveness of indebtedness, they cannot be used again. Taxes paid by the Debtor in future years would, therefore, be impacted as a result of confirmation of the Plan.
2. **As to Creditors:** The tax consequences to each Creditor resulting from confirmation of the Plan may vary depending upon each Creditor's particular circumstances. The Debtor recommends, but in no way purports to advise, that Creditors and Holders of Claims obtain independent tax counsel to advise them as to the tax consequences of confirmation of the Plan.

VI. LEGAL REQUIREMENTS.

A. 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 interests, 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 debtor's attorney 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 debtor's attorney.

B. 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.

C. 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 these:

1. Each class of impaired creditors and interest must accept the plan, as described in paragraph VI.B., 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.

D. Modification.

The debtor reserves the right to modify or withdraw the plan at any time before confirmation.

E. 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.

VII. OTHER INFORMATION

On January 5, 2017, SEIU National Pension Plan requested the following be included in the Disclosure Statement. The debtor neither endorses, nor agrees with any provision hereof, and to the extent that any information herein is contested, the debtor is reserving any and all rights and remedies involved in contesting the information below. Any assertions made herein are subject to additional bargaining, as well as the confirmation and claims objection processes.

“1) The SEIU National Pension Plan (the ”Plan”) has a Judgment Lien claim in the amount of \$122,806.28, plus statutory interest from January 13, 2015, which the Plan asserts is subject not only to secured status, but administrative priority as well. The judgment lien is against property that the Debtor asserts belongs to another entity, but that the Plan intends to file proceedings about to bring it into the instant chapter 11 proceeding, if the Debtor does not do so voluntarily. 2) The Debtor has failed to file any reports to the Plan during the pendency of these chapter 11 proceedings. The Plan estimates that the Debtor owes the Plan, post-petition, in excess of \$23,000, which amount continues to grow daily as contributions have not been made during the pendency of these chapter 11 proceedings. 3) The Plan asserts a claim for unpaid contributions and fees, in the amount of \$379,421.03 which accrued pre-petition. The Plan asserts this sum is entitled to administrative priority under the Debtor’s proposed plan. 4) The Plan estimates that, in the event the Debtor withdraws, for any reason, from the multi-employer pension plan to which the Debtor currently is required to contribute, the Plan will have a claim for withdrawal liability, which the Plan asserts is entitled to administrative priority, in an amount of approximately \$1,200,000.”

SIGNATURES

**RESPECTFULLY SUBMITTED BY
THE DEBTOR-IN-POSSESSION**

Date: April 3, 2017

/s/ Todd Johnson
Todd Johnson, Administrator
Law-Den Nursing Home, Inc.

COUNSEL FOR DEBTOR

Date: April 3, 2017

/s/ Clinton J. Hubbell
Clinton J. Hubbell (P72321)
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