

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:)	Case No. 16-53329-mlo
Evergreen Health Services, Inc., et al., ¹)	Chapter 11
)	Hon. Maria L. Oxholm
)	
Debtors.)	(Jointly Administered)

**COMBINED PLAN AND DISCLOSURE STATEMENT OF
EVERGREEN HEALTH SERVICES, INC.,
AND RICHARD KELTERBORN AND JANIS MEREDITH-KELTERBORN**

Pursuant to Chapter 11 of the Bankruptcy Code, **EVERGREEN HEALTH SERVICES, INC.** (“Evergreen”), and **RICHARD KELTERBORN** (“Richard”) and **JANIS MEREDITH-KELTERBORN** (“Janis”) (collectively, Richard and Janis shall be referred to as the “Kelterborns”) (collectively, Evergreen and the Kelterborns shall be referred to as the “Debtors”), have formulated a Plan of Reorganization, which is set forth in Article X herein (the “Plan”). This Disclosure Statement is provided to you for the purpose of disclosing information deemed by the Debtors to be material, important and necessary for you as a Creditor to arrive at a reasonable, informed decision in exercising your right to vote for acceptance of this Plan.

¹ The Debtors in these jointly administered proceedings are: Evergreen Health Services, Inc. (Case No. 16-53329) and Richard Kelterborn and Janis Meredith-Kelterborn (Case No. 16-53330).

As a Creditor, your acceptance of this Plan is extremely important to the Debtors. In order for the Plan to be accepted, a majority (i.e., more than 50%) of the Creditors holding two-thirds (2/3) in the amount of claims filed and allowed by each class member must vote to approve the Plan, unless adequate provisions are made for classes or dissenting Creditors. The Debtors believe it is in the best interest of all classes of Creditors to vote in favor of the proposed Plan.

No representations concerning the Debtors, particularly as to the value of any claims that the Debtors hold are authorized, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection, which is other than as contained in this Disclosure Statement, should not be relied upon by you in arriving at your decision to accept or reject the Debtors' proposed Plan of Reorganization. Any additional representations or inducements should be reported to counsel for Debtors who, in turn, shall deliver such information to the Bankruptcy Court for the Eastern District of Michigan to allow the Court to take such action as may be deemed appropriate.

The information contained in this Disclosure Statement has been submitted by the Debtors unless specifically stated to be from other sources. No statements as to the financial condition, future income, cash flow projection, or profitability of the Debtors are authorized except as set forth in this Disclosure Statement.

The Debtors are unable to warrant or represent that the information contained herein is accurate. However, the Debtors believe such information to be

substantially accurate and Creditors are urged to carefully read this Disclosure Statement in order to formulate an informed opinion as to the manner in which the Plan affects all claims against, or interests in the Debtors, to determine whether to accept or reject the Plan.

I. DISCLOSURE STATEMENT

A. The Plan.

The terms of the Debtors' Plan of Reorganization are contained herein as Section "X," the "Plan."

B. Summary of the Plan.

In the event of any ambiguity between the provisions of the Plan and the provisions of this Disclosure Statement, the terms and provisions of the Plan will control. The Debtors recommend that the Creditors of each class vote to approve the proposed Plan of Reorganization.

The Plan provides for reorganization of the Debtors and for the creation of four (4) groups of creditors and seven (7) classes of claims as follows:

<u>Group/Class</u>	<u>Nature of Claims</u>
Group I	Administrative claims
Group II	Priority tax claims of the Internal Revenue Service, State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency
Group III	Claims of Vibe Credit Union

Group IV	Claims of Ford Credit
Class I	Arrearage claims of executory contract holders
Class II	Secured tax claims of the Internal Revenue Service, State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency
Class III	Secured real property tax claims of Oakland County and Genesee County
Class IV	Secured claim of Huntington Bank
Class V	Trust fund tax claims against the Kelterborns
Class VI	General unsecured non-priority claims
Class VII	Claims of Janis Meredith-Kelterborn

A detailed description of each group and class and the treatment of the claims of interest within such group or class are as follows:

Group I: Group I shall consist of the claims for administrative expenses, including professional fees, incurred during the Chapter 11 proceeding and pre-confirmation fees of the U.S. Trustee, which shall be paid in full, in cash, on the Effective Date or as soon thereafter as funds become available. The Debtors believe that the unpaid administrative expense claims shall consist of the unpaid professional fees due to Debtors' counsel, potential administrative tax claims for current payroll and any United States Trustee fee accruing prior to confirmation.

During the course of this Chapter 11 proceeding, Evergreen has remained current on its obligations to its post-petition vendors and the Kelterborns have remained current on their post-petition living expenses, including their obligations to their secured creditors and their utility supplier obligations. The pre-confirmation United States Trustee fee in each of the jointly administered cases will be paid when due. All other administrative claims will be paid in full on the Effective Date or as soon thereafter as is practicable.

Group II: Group II shall consist of the pre-petition unsecured priority tax claims of the Internal Revenue Service, the State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency. The priority claims of the various taxing authorities include the portion of the under secured claims entitled to priority. The Debtors shall pay the priority tax claims in full within sixty months of the Petition Date in equal monthly payments beginning with the first full month after the Confirmation Date. The Debtors will pay the statutory interest rate applicable to each of the priority tax claims as of the Confirmation Date. The following priority claims shall be paid by the Debtors:

Evergreen Priority Tax Claims

Taxing Authority	Tax Period	Tax	Interest	Balance	Est. Monthly Payment²
IRS FICA	6/30/2011	\$10,008.43	\$11,921.35	\$21,929.78	\$444.43
IRS/FICA	3/31/2015	\$66,401.76	\$3,221.51	\$69,623.27	\$1,410.98
IRS/FICA	6/30/2015	\$64,674.66	\$2,695.99	\$67,370.65	\$1,365.33
IRS/FICA	9/30/2015	\$47,769.62	\$1,565.80	\$49,335.42	\$999.83
IRS/FICA	6/30/2015	\$2,429.86	\$15.72	\$2,445.58	\$49.56
Treas/WTH	1/30/2015	\$3,634.83	\$248.04	\$3,882.87	\$79.39
Treas/WTH	2/28/2015	\$3,315.27	\$216.00	\$3,531.67	\$72.21
Treas/USE	2/28/2015	\$38.35	\$3.00	\$41.35	\$0.85
Treas/WTH	3/31/2015	\$3,347.26	\$206.00	\$3,552.36	\$72.63
Treas/WTH	4/30/2015	\$3,527.17	\$205.00	\$3,732.17	\$76.31
Treas/USE	4/30/2015	\$22.03	\$1.57	\$23.60	\$0.57
Treas/WTH	5/31/2015	\$3,634.83	\$196.98	\$3,831.81	\$78.35
Treas/USE	5/31/2015	\$9.52	\$0.62	\$10.16	\$0.24
Treas/WTH	6/30/2015	\$3,518.18	\$225.37	\$3,743.55	\$76.54
Treas/WTH	7/31/2015	\$4,209.94	\$254.80	\$4,464.74	\$91.29
Treas/WTH	8/31/2015	\$3,643.79	\$207.27	\$3,851.06	\$78.74
Treas/USE	8/31/2015	\$43.60	\$2.48	\$46.08	\$0.94
Treas/WTH	9/30/2015	\$3,223.63	\$172.42	\$3,396.05	\$69.44
Treas/USE	9/30/2015	\$11.15	\$0.60	\$11.75	\$0.28
Treas/WTH	10/31/2015	\$4,119.57	\$205.45	\$4,325.02	\$88.43
Treas/USE	10/31/2015	\$2.66	\$0.13	\$2.79	\$0.07
Treas/WTH	11/30/2015	\$3,154.55	\$146.68	\$3,301.23	\$67.50
Treas/USE	11/30/2015	\$4.02	\$0.19	\$4.21	\$0.10
Treas/WTH	12/31/2015	\$3,287.43	\$141.43	\$3,428.86	\$70.11
Treas/USE	12/31/2015	\$28.60	\$1.23	\$29.83	\$0.61
Treas/WTH	1/31/2016	\$4,121.10	\$107.29	\$4,228.39	\$86.45
Treas/WTH	2/28/2016	\$3,546.80	\$80.40	\$3,627.20	\$74.16

² The estimated payments due to the various taxing authorities set forth in this Plan are based on the Debtors' assumption that at plan confirmation there will be 54 months remaining on the allowable repayment period pursuant to U.S.C. § 1129(a)(9)(C).

Treas/USE	2/28/2016	\$32.35	\$1.17	\$33.52	\$0.69
Treas/WTH	3/31/2016	\$3,344.86	\$108.87	\$3,453.73	\$70.62
Treas/USE	3/31/2016	\$26.19	\$0.85	\$27.04	\$0.55
Treas/WTH	4/30/2016	\$3,819.08	\$111.63	\$3,930.71	\$80.37
Treas/WTH	5/31/2016	\$3,671.69	\$94.36	\$3,766.05	\$77.00
Treas/USE	5/31/2016	\$30.98	\$0.80	\$31.78	\$0.63
Treas/WTH	6/30/2016	\$3,637.50	\$81.49	\$3,718.50	\$76.03
Treas/WTH	7/31/2016	\$3,856.54	\$73.30	\$3,929.84	\$80.35
Treas/WTH	8/31/2016	\$3,295.73	\$3.18	\$3,298.91	\$67.45
Treas/USE	8/31/2016	\$8.66	\$0.13	\$8.79	\$0.18
Treas/WTH	9/30/2016	\$3,964.10		\$3,963.10	\$81.05
UIA	3/31/2014	\$12,927.27	\$3,765.56	\$16,692.83	\$453.23
UIA	3/31/2015	\$11,458.37	\$1,955.14	\$13,413.51	\$364.20
UIA	6/30/2015	\$5,5116.98	\$702.03	\$5,837.01	\$158.48
UIA	12/31/2016	\$1830.30	\$148.02	\$1,978.32	\$53.71
UIA	3/31/2016	\$9,885.23	\$503.74	\$10,388.97	\$282.07
UIA	6/30/2016	\$2,530.25	\$53.24	\$2,583.49	\$70.15
UIA	9/30/2016	\$1,680.71	\$0.00	\$1,680.71	\$45.63
Total:					\$7,365.33

Kelterborn Priority Tax Claims

Taxing Authority	Tax Period	Tax	Interest	Balance	Est. Monthly Plan Pmt.
IRS	2013	\$11,133.00	\$779.10	\$11,912.10	\$241.41
IRS	2014	\$28,008.00	\$1,146.00	\$24,154.00	\$489.50
IRS	2015	\$55,385.00	\$1,013.91	\$56,389.91	\$1,142.79
IRS (est.)	9/28/2016	\$32,000.00		\$32,000.00	\$648.51
	Total IRS	\$126,526.00	\$2,939.01	\$129,465.01	\$2,522.21
State/MI	2012	\$35,207.00	\$1,490.25	\$36,697.25	\$750.31
State/MI	2013	\$10,266.00	\$1,073.90	\$11,339.90	\$231.84
State/MI	2014	\$6,512.00	\$417.74	\$6,929.75	\$141.69
State/MI	2015	\$7,621.00	\$165.00	\$7,786.00	\$159.19
State/MI (est.)	9/28/2016	\$5,300.00		\$5,300.00	\$108.36
	Total MI	\$64,906.00	\$3,146.89	\$68,052.89	\$1,391.39

The Debtors reserve the right to object to the priority claims of the various taxing authorities, including the claims as reflected on the Debtors' schedules. There shall be no pre-payment penalty in the event the Debtors are able to pre-pay any or all of the Group II creditor claims.

Group III: Group III shall consist of the secured claims of Vibe Credit Union ("Vibe"), formerly known as Telcom Credit Union. On October 1, 2003, Vibe issued a first mortgage in the amount of Two Hundred Fifty-Six Thousand and 00/100 Dollars (\$256,000.00) (the "First Mortgage") to the Kelterborns in connection with the St. Andrew Property. As of the Petition Date, the outstanding balance due on the First Mortgage was One Hundred Seventy-Eight Thousand Six Hundred Twenty-Three and 70/100 Dollars (\$178,623.70). On November 14, 2006, Vibe issued a second mortgage in connection a home equity loan on the St. Andrew Property (the "HELOC"). The original principal balance due on the HELOC was One Hundred Fifty Thousand and 00/100 Dollars (\$150,000.00). As of the Petition Date, the outstanding balance due on the HELOC was One Hundred Forty-Nine Thousand Two Hundred Thirty-Six and 41/100 Dollars (\$140,236.41). Since the Petition Date, the Kelterborns have continued to make timely monthly payments due to Vibe on the First Mortgage and the HELOC.

Vibe also issued a mortgage on December 14, 2001 to the Kelterborns in the original principal amount of One Hundred Sixty-Two Thousand Four Hundred and

00/100 Dollars (\$162,400.00) which was secured by the Flushing Property (the “Flushing Mortgage”) (collectively the First Mortgage, the HELOC and the Flushing Mortgage shall be referred to as “The Mortgages”). As of the Petition Date, the balance due on the Flushing Mortgage was One Hundred Nineteen Thousand Eight Hundred Twenty-Four and 43/100 Dollars (\$119,824.43). Since the Petition Date, the Kelterborns have continued to make timely monthly payments to Vibe on the Flushing Mortgage.

On the Petition Date, the Kelterborns were current on their payment obligations to Vibe in connection with The Mortgages. The Kelterborns will continue to make timely monthly payments to Vibe in connection with The Mortgages and will satisfy The Mortgages pursuant to their terms. Vibe will retain its secured claims to the extent and in the same priority as on the Petition Date until such time as each respective mortgage is paid in full.

Group IV: Group IV shall consist of the secured claim of Ford Credit. On or about August 15, 2016, Debtor Richard Kelterborn entered into a sixty (60) month installment contract (the “Ford Installment Agreement”) for the purchase of a 2017 Ford Escape (the “Escape”). Ford Credit provided financing to Debtor Richard Kelterborn for the purchase of a Ford Escape at zero percent (0.00%) interest. On December 16, 2016, the Court entered a Stipulated Interim Order authorizing Debtor Richard Kelterborn to continue to make his monthly payments pursuant to the Ford Installment Agreement. Since the Petition Date, Debtor Richard Kelterborn has

continued to make timely monthly payments to Ford Credit pursuant to the terms of the Ford Installment Agreement. Beginning in the first month after the Confirmation Date, Debtor Richard Kelterborn will continue to make timely monthly payments pursuant to the terms of the Ford Installment Agreement until the claim of Ford Credit is paid in full.

Class I: Class I shall consist of the arrearage claims of the Debtors' executory contract holders, to the extent such exist at the time of Confirmation. Evergreen has assumed the executory commercial leases with Village Town Center, LLC, Paragon Management, Inc., and Flint Retirement Homes, Inc. The Kelterborns have assumed the executory auto lease with Lincoln Automotive Financial Services (the "Lincoln Lease"). (Collectively, the executory leases with Village Town Center, LLC, Paragon Management, Inc., Flint Retirement Homes, Inc., and the Lincoln Lease shall be referred to as the "Assumed Leases"). On the Petition Date, the Debtors were current on their obligations under the Assumed Leases and therefore, the Debtors believe there are no pre-petition arrearage claims owed on the Assumed Leases. The Debtors have paid all post-petition obligations under the Assumed Leases. In the event there are any unpaid arrearage claims due to the holders of the Assumed Leases, such claims will be paid in full on the Effective Date.

Class II: Class II shall consist of the allowed secured claims of the Internal Revenue Service, the State of Michigan, Department of Treasury, and the State of Michigan, Unemployment Insurance Agency, to the extent such exist. The Debtors

shall pay the secured tax claims in full within sixty (60) months of the Petition Date in equal monthly payments beginning with the first full month after the Confirmation Date. The Debtors will pay the statutory interest rate applicable to each of the priority tax claims.

The taxing authorities have filed secured claims against Evergreen totaling One Hundred Seventy-Nine Thousand Five Hundred Sixty-Nine and 14/100 Dollars (\$179,569.14). The Internal Revenue Service has filed a secured claim against Evergreen in the amount of One Hundred Forty-Seven Thousand Five Hundred and 08/100 Dollars (\$147,500.08) in connection with unpaid employment. The Debtors have stipulated to the offset of the pre-petition accounts receivable due to Evergreen from the Center for Medicare and Medicaid Service ("CMS") in the amount of Thirty-Five Thousand and 00/100 Dollars (\$35,000.00) against the Internal Revenue Service's prepetition secured claim. Consequently, the remaining balance due on the Internal Revenue Service's secured claim for FICA taxes for the second quarter of 2011 is Forty Thousand Two Hundred Eight and 91/100 Dollars (\$40,208.91). During the course of this Chapter 11 proceeding, the Evergreen has paid Twelve Thousand and 00/100 Dollars (\$12,000.00) to the Internal Revenue Service as adequate protection payments. Therefore, the secured claim for the 2011 unpaid employment taxes is further reduced to Twenty-Eight Thousand Two Hundred Eight and 91/100 Dollars (\$28,208.91).

The State of Michigan, Department of Treasury, has filed a secured claim against Evergreen in connection with unpaid withholding taxes in the amount of Eight Thousand Four Hundred Ninety-Four and 99/100 Dollars (\$8,494.99). The State of Michigan, Unemployment Insurance Agency has filed a secured claim against Evergreen for unpaid contributions in the amount of Twenty-Three Thousand Five Hundred Seventy-Four and 07/100 Dollars (\$23,574.07).

Evergreen's assets as of the Petition Date available to secure the claims of the various taxing authorities total One Hundred Forty-Seven Thousand Five Hundred and 00/100 Dollars (\$147,500.00). Evergreen's assets are not adequate to fully secure the secured claims of the taxing authorities as filed. Pursuant to the policy agreement between the Internal Revenue Service and the State of Michigan, the relative priority of the various secured tax claims is to be determined by the assessment dates of the claims rather than the filing dates of the notices of tax liens. Based on assessment dates, the relative priority of the secured tax claims filed against Evergreen is as follows:

Taxing Authority	Tax Period	Tax	Penalty	Interest	Total	Assess. Date	Monthly Plan Pmt.
IRS/FICA	06/30/2011	\$43,614.00	\$31,594.91		\$75,208.91	09/05/11	\$505.20 ³
MI/Treas.	3/31/2012	\$6,989.73	\$1,308.96	\$124.30	\$8,494.99	06/01/12	\$230.65

³ The monthly payment due for the second quarter 2011 FICA liabilities is based on the remaining balance due of \$36,708.91 after the application of the \$38,500.00 Medicare offset. In addition, Evergreen has paid approximately \$12,000.00 in adequate protection payments to the IRS during the course of this Chapter 11 proceeding, further reducing the 2011 secured claim to \$24,708.91.

UIA	6/30/2013	\$3,190.87		\$1,216.90	\$4,407.77	07/25/13	\$119.68
UIA	9/30/2013	\$1,779.31		\$624.75	\$2,404.06	10/25/13	\$65.27
UIA	12/31/2013	\$2,103.75		\$673.66	\$2,777.41	1/27/14	\$75.41
UIA	6/30/2014	\$4,707.81		\$1,251.18	\$5,958.99	7/25/14	\$161.79
UIA	9/30/2014	\$1,977.93		\$455.84	\$2,433.77	10/27/14	\$66.08
UIA	12/31/2014	\$2,488.40		\$499.05	\$2,987.45	1/26/15	\$81.11
IRS/FICA	3/31/2015		\$20,079.86		\$20,079.86	7/6/15	\$406.94
IRS/FICA	6/30/2015		\$18,837.82		\$18,837.82	9/21/15	\$381.77
UIA	9/30/2015	2,137.00		\$236.84	\$2,373.84	10/26/15	\$64.47
IRS/FICA	9/30/2015		\$1,535.13		\$1,535.13	1/4/16	\$31.11
				Totals:	\$147,500.00		\$2,499.33

The Internal Revenue Service and the State of Michigan, Department of Treasury, have also filed tax liens against the Kelterborns. The Internal Revenue Service has filed a secured claim against the Kelterborns in the amount of \$449,501.89 for unpaid individual income taxes and civil penalties for unpaid trust fund taxes owed by Evergreen. The secured civil penalty claims reflected on the proof of claim filed against the Kelterborns in the amount of Ninety Thousand Eight Hundred Ten and 31/100 Dollars (\$90,810.31) will be paid by Evergreen.⁴ The Internal Revenue Service's secured claim in connection with the Kelterborns'

⁴ As set forth in the Plan below, in the event of a default by Evergreen such that the trust fund taxes are not paid in full, the Kelterborns shall remain liable for the unpaid balance of the trust fund taxes at the time of such potential default.

individual income taxes totals Three Hundred Fifty-Eight Thousand Six Hundred Ninety-One and 58/100 (\$358,691.58). The State of Michigan, Department of Treasury, has filed notices of tax liens against the Kelterborns for unpaid income taxes for the tax years 2012 and 2013 in the total amount of Fifty-Six Thousand One Hundred Fifty and 34/100 Dollars (\$56,150.34).

The equity in the Kelterborns' assets as of the Petition Date available to secure the income tax claims of the taxing authorities totaled approximately Three Hundred Fifty-Six Thousand Five Hundred Sixty-Eight and 86/100 Dollars (\$356,568.86). At the closing on the sale of Mr. Kelterborn's property located at 4330 Port Austin Road, Caseville, Michigan, the Internal Revenue Service will receive One Hundred Forty-Seven Thousand Two Seventy and 00/100 Dollars (\$147,270.00), to be applied to its secured claim for the Kelterborns' 2010 income tax liability. The remaining equity available to secure the Kelterborns' unpaid income tax liabilities totals approximately Two Hundred One Thousand Two Hundred Twenty-One and 69/100 Dollars (\$201,221.69). Therefore, there is inadequate equity to fully secure the secured tax claims of the Internal Revenue Service and the State of Michigan, Department of Treasury. Pursuant to the agreement between the Internal Revenue Service and the State of Michigan, the relative priority of the various secured tax claims is to be determined by the assessment dates of the claims rather than the filing dates of the notices of tax liens. Based on assessment dates, the relative priority of the secured tax claims against the Kelterborns is as follows:

Taxing Authority	Tax Period	Tax	Penalty	Interest	Total	Assess. Date	Est. Monthly Plan Pmt.
IRS	2010	\$90,789.29	\$31,199.25	\$21,297.84	\$145,286.38 ⁵	11/28/2011	
IRS	2010	\$26,756.00	\$12,135.42	\$5,059.82	\$43,951.24	7/15/13	\$511.38 ⁶
IRS	2012	\$93,051.50	\$50,343.97	\$11,628.37	\$155,023.84	12/1/14	\$3,141.70
IRS	2013	\$11,133.00	\$2,517.92	\$779.10	\$14,430.02	12/31/14	Unsecured
SOM/Treas	2012	\$35,027.00	\$8,293.19	\$1,490.25	\$44,990.44	4/24/15	Unsecured
SOM/Treas	2013	\$10,266.00		\$1,073.90	\$11,399.90	11/6/15	Unsecured

The Internal Revenue Service's claim for the unpaid 2012 income tax liability shall be treated, solely for purposes of this Plan, as fully secured. The Debtors' believe that the Internal Revenue Service's claim for the 2012 liability is partially under secured. However, to the extent such claim is under secured, it would be entitled to treatment as a priority claim and payment in full pursuant to Section 1129(a)(9) of the Bankruptcy Code.

Additionally, the Internal Revenue Service has filed a motion seeking authority to offset the social security payments due to the Kelterborns [Docket No. 30, filed in Case No. 16-53330]. The Kelterborns agreed not to object to the

⁵ The assessment made on November 28, 2011, for the Kelterborns' 2010 income tax liability will be paid in full, with post-petition interest, at the closing on the sale of Mr. Kelterborn's property located at 4330 Port Austin Road, Caseville, Michigan.

⁶ The estimated payment amount due in connection with the 2010 liability assessed on July 15, 2013 is based on the remaining balance after the application of the funds on hold with the Social Security Administration.

government's motion to offset their social security disbursements and to allow the Social Security Administration to forward the funds on hold to the Internal Revenue Service and to allow the Internal Revenue Service to apply the funds to its prepetition claim. The Kelterborns will satisfy their Plan payments due to the Internal Revenue Service first through a continued offset of their monthly Social Security disbursements in the current approximate amount of \$4,679.48. The Kelterborns will contribute their disposable income to fund the balance of the Plan payment due to the Internal Revenue Service and to make the Plan payments due to other creditors.

The Debtors reserve the right to object to the secured claims of the various taxing authorities, including the claims as reflected on the Debtors' schedules. The Internal Revenue Service, State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency shall retain their liens, to the same extent and in the same priority as on the Petition Date, until their respective claims have been paid in full. There shall be no pre-payment penalty in the event the Debtors are able to pre-pay any or all of the Class II secured claims.

Class III: Class III shall consist of the secured claims of the Oakland County Treasurer ("Oakland County") and the Genesee County Treasurer ("Genesee County") (collectively, Oakland County and Genesee County shall be referred to as the "Treasurers") in connection with real property taxes on properties owned by the

Kelterborns.⁷ Genesee County has filed a claim for unpaid property taxes in connection with the property located at 2304 West Frances Road, Mount Morris, Michigan (the “Mt. Morris Property”) and the property located at 7055 Stanley Road, Flushing, Michigan (the “Flushing Property”). Oakland County has filed a claim for unpaid property taxes associated with the property located at 5573 Saint Andrew Drive, Clarkston, Michigan (the “St. Andrew Property”). The Class III claims total approximately Forty-Five Thousand Five Hundred Sixty-Eight and 88/100 Dollars (\$45,568.88). The Treasurers’ claims shall be paid in full with statutory interest as follows:

County	Property	Period	Amount	Rate	Est. Monthly Pmt.
Genesee	Flushing	2014	\$6,717.38	18%	\$198.93
Genesee	Flushing	2015	\$5,474.55	12%	\$139.19
Genesee	Flushing	Summer 2016	\$3,097.72	12%	\$74.52
Genesee	Mt. Morris	2014	\$7,528.92	18%	\$220.00
Genesee	Mt. Morris	2015	\$6,110.28	12%	\$155.35
Genesee	Mt. Morris	Summer 2016	\$1,250.55	12%	\$20.09
Total Genesee County:			\$30,109.40		\$808.08

⁷ On the Petition Date, the Huron County Treasurer had a claim against Mr. Kelterborn in connection with real property located at 4330 Port Austin Rd., Caseville, Michigan. The claim of the Huron County Treasurer will be paid in full at the closing on the sale of the Caseville property.

Oakland	St. Andrew	2014	\$6,691.84	18%	\$181.70
Oakland	St. Andrew	2015	\$5,515.42	12%	\$132.68
Oakland	St. Andrew	Summer 2016	\$3,252.22	12%	\$78.24
Total Oakland County:			\$15,459.48		\$392.62

The Debtors reserve the right to object to the Treasurers' secured claims, including the claims as reflected on the Debtors' schedules. The Treasurers shall retain their secured position with respect to the Mt. Morris, Flushing and St. Andrew properties, to the same extent and in the same priority as on the Petition Date, until their respective claims have been paid in full. There shall be no pre-payment penalty in the event the Debtors are able to pre-pay any or all of the Class III secured property tax claims.

Class IV: Class IV shall consist of the secured claim of Huntington Bank, as the successor in interest to FirstMerit Bank as successor in interest to Citizens Bank (now known as Huntington Bank). On May 15, 2009, Evergreen entered into an unsecured credit agreement with Citizens Bank in connection with a loan in the amount of One Hundred Thousand and 00/100 Dollars (\$100,000.00) (the "Huntington Loan"). The Kelterborns executed personal guarantees and granted to Citizens Bank a mortgage along with an assignment of rents on the Mt. Morris Property in connection with the Huntington Loan. On April 12, 2016, Evergreen

and FirstMerit entered into a Forbearance Agreement extending the maturity date on the Huntington Loan to March 30, 2017.

On the Petition Date, the balance due on the Huntington Loan was Seventy-Two Thousand Five Hundred Eighty-Nine and 11/100 Dollars (\$72,589.11). Since the Petition Date, Evergreen has continued to make timely monthly payments to Huntington pursuant to the terms of the Interim Order: (A) Authorizing Use of Operating Cash; (B) Granting Adequate Protection; and (C) Scheduling Final Hearing [Docket No. 41] entered on October 5, 2016 which became a final order on October 31, 2016 (see minute entry, October 31, 2016). Evergreen will continue to make monthly payments pursuant to the terms of the Forbearance Agreement beginning the first month after the Confirmation Date and will continue to make timely monthly payments for a period of forty-seven (47) months. Evergreen will satisfy the outstanding balance on the Huntington Loan in the forty-eighth (48th) month after the Confirmation Date. Huntington shall receive interest at the rate set forth in the Forbearance Agreement and shall retain its lien in the same priority and to the same extent as on the Petition Date until the Huntington Loan is paid in full.

Class V: Class V shall consist of the pre-petition civil penalties representing the unpaid trust paid taxes owed by Evergreen that have been assessed against the Kelterborns (the “Trust Fund Taxes”). The Trust Fund Taxes shall be paid by Evergreen through its plan payments in connection with the secured and priority claims of the Internal Revenue Service. In the event of an uncured default

by Evergreen on its obligations under this Plan such that the Trust Fund Taxes have not been paid in full, the Kelterborns shall pay the remaining balance owed on the Trust Fund Taxes (the “Default Balance of Trust Fund Taxes”) in full. The Default Balance of Trust Fund Taxes, in the event one should arise, shall be paid in equal monthly payments in order to retire the amount due within sixty (60) months of the Petition Date. The Trust Fund Taxes shall accrue interest at the applicable statutory interest rate.

Class VI: Class VI shall consist of the pre-petition general unsecured non-priority claims against the Debtors, including the trade vendor claims against Evergreen, the Kelterborns’ credit card debt and the under secured claims of the taxing authorities. The Debtors have estimated that the Class VI general unsecured non-tax creditor claims against Evergreen total approximately Two Hundred Thirty-Three Thousand Fifty-Five and 68/100 Dollars (\$233,055.68). The Internal Revenue Service has a Class VI unsecured claim for the under secured penalties associated with the third quarter 2015 employment taxes and the 2013 Federal Unemployment Tax Act obligations in the total amount of Thirty-One Thousand Eight Hundred Thirty-Eight and 76/100 Dollars (\$31,838.76). The State of Michigan, Department of Treasury has a Class VI claim against Evergreen in the amount of Twenty Thousand Two Hundred Seventy and 52/100 Dollars (\$20,270.52). The State of Michigan, Unemployment Insurance Agency has a Class VI claim in the amount of Twenty-Eight Thousand One and 67/100 Dollars

(\$28,001.67). The Class VI claims against Evergreen total Three Hundred Thirteen Thousand One Hundred Sixty-Six and 63/100 Dollars (\$313,166.63). Evergreen shall make a ten percent (10%) distribution to its Class VI creditors on a pro rata basis in eight (8) equal quarterly distributions beginning on the last business day of the first calendar quarter of 2018 and continuing on the last business day of each consecutive calendar quarter until paid in full.

The Debtors have estimated that the non-tax Class VI claims against the Kelterborns total Two Hundred Twenty-Seven Thousand Five Hundred Thirty-Nine and 09/100 Dollars (\$227,539.09). The Class VI claim of the Internal Revenue Service against the Kelterborns totals approximately Fifteen Thousand Three Hundred Ninety-Four and 45/100 Dollars (\$15,394.45), including the under secured portion of the penalties assessed in connection with the Kelterborns' 2012 income tax liabilities. The Class VI claim of the State of Michigan, Department of Treasury against the Kelterborns totals approximately Eight Thousand Two Hundred Ninety-Three and 19/100 Dollars (\$8,293.19). The Class VI claims against the Kelterborns total approximately Two Hundred Fifty-One Thousand Two Hundred Twenty-Six and 73/100 Dollars (\$251,226.73). The Kelterborns shall distribute ten percent (10%) distribution to its Class VI creditors on a pro rata basis in eight (8) equal quarterly distributions beginning on the last business day of the first calendar quarter of 2018 and continuing on the last business day of each consecutive calendar quarter until paid in full.

Class VII: Class VII shall consist of the claims of Evergreen's principal, Debtor Janis Meredith-Kelterborn. On or before the Effective Date, Debtor Janis Meredith-Kelterborn shall transfer Ten Thousand and 00/100 Dollars (\$10,000.00) (the "Class VII Capital Infusion") to Evergreen in exchange for the retention of her shareholder interest in Evergreen. The Class VII Capital Infusion shall be used to meet the Debtors' administrative claims, operating expenses and plan payments.

Other than the Class VII capital infusion, payments to be made pursuant to this Plan shall be from funds derived from the Evergreen's business operations and the Kelterborns' income derived from their related businesses.

Under the terms of the Plan, the Debtors intend to assume all leases and executory contracts to the extent any such leases or executory contracts exist. The Debtors will not make any payments or incur any debts out of the ordinary course of business unless the debts and the payments comply with the terms and conditions of this Plan. As provided in the Plan, the Debtors have the right to prepay any payments scheduled under the Plan without incurring a penalty.

II. THE DEBTORS

A. Description of the Debtors.

1. Evergreen Health Services, Inc.

Evergreen is a Michigan corporation that provides home healthcare services to patients in the Southeast Michigan area. Evergreen was incorporated by Khalid Rana under the name Beach Home Health Care, Inc., in 2005. Effective January 18,

2008, Debtor Janis Meredith-Kelterborn acquired 100% of the stock of Beach Home Health Care, Inc. On April 23, 2008, she changed the name of the corporation to Evergreen Health Services, Inc.

Evergreen operates its business office in Clarkston, Michigan in leased office space. In addition, Evergreen maintains two on site marketing offices in senior living housing in Flint, Michigan. Evergreen currently employs a labor force of approximately 32 employees inclusive of its office staff, medical employees and visiting medical personnel. Care is provided and available twenty-four (24) hours, seven (7) days a week depending on the needs of the patient.

Evergreen provides a number of services to its patient/client base including in-home skilled nursing care, home aide services, physical therapy, occupational therapy, speech therapy and medical social services. Evergreen's patients include individuals who have suffered from a recent illness, had a stroke, are recovering from surgery, have been discharged from the hospital or nursing home and require ongoing care, or are suffering from a chronic condition that limits the ability to perform daily activities. Evergreen receives referrals from physicians, hospitals, nursing homes and private individuals. Services are generally covered by Medicare, Medicaid, many Medicare Advantage plans and private insurance carriers. Evergreen has very few patients who pay directly for their services.

2. Richard Kelterborn and Janis Meredith-Kelterborn

Debtor Janis Meredith-Kelterborn is the sole shareholder, officer and director of Debtor Evergreen. She has been married to Debtor Richard Kelterborn since June 15, 1989. They reside together in the St. Andrew Property. Both provide services to Evergreen and both receive a salary. Janis' annual salary, as the sole officer of the company and its chief marketing agent is One Hundred Four Thousand and 00/100 Dollars (\$104,000.00). Richard provides bookkeeping, accounting and financial services to Evergreen. He does not own any equity in Evergreen and is not an officer or director. His annual salary is Eighty-Four Thousand and 00/100 Dollars (\$84,000.00).

Janis is a registered nurse. She received her nursing certification from Henry Ford Junior College and her Bachelor of Science degree from Sienna Heights College. She has been a registered nurse since 1965. In 1998, Janis formed Evergreen Personal Services, LLC ("Personal Services"), in order to provide direct care to residents in the Genesee County region. Although it continues in good standing with the Michigan Department of Licensing and Regulatory Affairs, Personal Services is no longer actively operating.

A year later, in December 1999, Janis formed Birchwood Meadows, LLC ("Birchwood"), as an adult foster care facility. Later that month, Janis and Richard purchased the Mt. Morris Property which was converted into a foster care facility. One year later, in December 2001, the Kelterborns purchased the Flushing Property

and converted it into a second adult foster care facility. In addition to providing housing, Birchwood provides many nursing and ancillary services to its residents such as dietary and nutritional services, behavioral services and the administration of medication. Birchwood residents are frequently serviced by Evergreen.

Janis has broad experience in home healthcare administration and marketing. From 1994 through 2000, Janis served as the Regional Director of Marketing for Prime Care Services, Inc. (“Prime Care”), a Michigan home healthcare provider with its principal location in Southfield, Michigan. From 2001 through 2002, she served as a consultant and administrator for Home Care of America, Inc., a Michigan corporation that also provided home health services to patients in the southeastern Michigan region.

Richard Kelterborn has extensive experience in both financial analysis and planning as well as home healthcare. In 1997, he retired from Ford Motor Company where he had worked as a financial analyst for product planning in the plastics division. After retiring from FMC, Richard ventured into home healthcare administration. In 1998, he began working in the finance department at Prime Care where he learned the basics of healthcare finance and accounting.

In 2003, Richard left Prime Care and along with a partner, formed Evergreen Home Health Care, LLC (“Home Health Care”), a Michigan limited liability company formed for the purposes of providing home healthcare services to residents in the broader southeastern Michigan region. Shortly after its formation, Janis

became the administrator and director of marketing for Home Health Care. Richard served as the administrator of finance for Home Health Care until its assets were sold in 2008. In 2009, Home Health Care was dissolved.

In January 2008, Janis purchased the stock of Beach Home Health Care, Inc. from Khalid Rana and changed the name to Evergreen Health Services, Inc. In an effort to fully service her patients, in 2014, Janis formed Evergreen Hospice, LLC (“Hospice”), to provide the final care needed by many of Evergreen’s and Birchwood’s clients. Hospice received its final credentialing and licensing in March 2016 and has only recently begun servicing patients.

Collectively, Evergreen, Birchwood and Hospice form a well-integrated health care delivery system for the residents of southeastern Michigan.

B. Debtors’ Source of Income.

Evergreen’s sole source of income is its stream of revenue generated from its business operations. Evergreen receives payments in connection with services provided to patients from Medicare and several private insurance carriers. Evergreen receives very little or no revenue from private patients.

The Kelterborns receive wages from Evergreen and from Hospice. In addition, Birchwood pays rent to the Kelterborns in connection with leases of the Mt. Morris Property and the Flushing Property out of which it operates adult foster care facilities. It is anticipated that Birchwood will be able to provide wages to the

Kelterborns for the services they provide as the resident census at the homes improves.

C. Events Leading to the Debtors' Bankruptcy.

Two key factors have led to the Debtors' need to seek relief under Chapter 11 of the Bankruptcy Code. Shortly after Janis Meredith-Kelterborn acquired the Evergreen's provider number, the Company significantly increased its Medicare billings. As a result, in 2008 and 2009, Evergreen was faced with multiple audits from CMS. In order to defend the audits, Evergreen incurred increased operating expenses associated with an outside consultant that had been hired to assist with the audits. During this time, Medicare reimbursements were delayed pending the outcome of the audits. Eventually, Janis Meredith-Kelterborn assumed the responsibility for the audits which saved the Company the expense of an outside consultant and ultimately resulted in greater recovery for the Company.

The delayed Medicare reimbursements and distraction of the audits created cash shortages at Evergreen. As a result, the Company fell behind in the payment of its employment related taxes owed to various taxing authorities. In 2011, Evergreen was able to negotiate an installment agreement with the IRS to cure the arrearages on federal employment taxes with payments in the amount of \$10,000.00 per month. Evergreen was also able to reach an agreement with the State of Michigan, Department of Treasury, with respect to its past due withholding and use taxes. Despite substantial monthly installment payments to the Internal Revenue

Service and the State of Michigan, Evergreen was able to make its installments payments and meet its ongoing federal employment tax obligations through the fourth quarter of 2014. In order to ensure available cash flow to meet its federal obligations, Evergreen began to fall behind on its current obligations to the State of Michigan, Department of Treasury for withholding and use taxes and on its contributions to the Unemployment Insurance Agency. By the first quarter of 2015, the burdens of the installment payments coupled with changes in Medicare reimbursements caused Evergreen to again fall behind on its current state and federal employment taxes.

Due to the defaults in connection with past due taxes and failure to make timely payments on the property tax obligations related to the Mt. Morris Property, Huntington issued a notice of default to the Kelterborns, along with a notice under its assignment of rents. Under pressure to resolve Evergreen's default on its installment agreement with the IRS along with the accrual of additional past due liabilities and the Kelterborns' substantial tax debt, Evergreen's management team and the Kelterborns, individually, determined it was necessary to file for protection under Chapter 11 to restructure the business operations and to address the tax liabilities. The Chapter 11 process will afford Evergreen and the Kelterborns the breathing space necessary to continue operations while extensively reviewing all aspects of its business for opportunities to improve its cash flow and to ensure that all obligations are brought and remain current.

Ultimately, the overwhelming tax liabilities left the Kelterborns and Evergreen with no option but to seek relief from the Bankruptcy Court. Since the Petition Date, Evergreen and the Kelterborns have operated in the ordinary course of business and have successfully generated substantial new business. As a result of new business opportunities, Evergreen's viability has improved significantly since the Petition Date. Moreover, the Kelterborns have reduced their monthly expenses and have reduced their outstanding tax liabilities through the lump sum payment to the Internal Revenue Service of the proceeds from the sale of the Caseville Property.

III. POST-PETITION EVENTS OF SIGNIFICANCE

A. Transfers Outside the Ordinary Course of Business.

Other than the sale of the Caseville Property by Debtor Richard Kelterborn, as set forth in paragraph E below, there have been no transfers outside the ordinary course of business during the course of the Debtors' Chapter 11 proceedings.

B. Cash Collateral and Post-Petition Financing.

In order for Evergreen to continue to operate its business and preserve its goodwill and going concern value, it was necessary for it to utilize its cash collateral during the pendency of the Chapter 11 proceeding. On October 5, 2016, the Court entered an Interim Order (A) Authorizing Use of Operating Cash; (B) Granting Adequate Protection; and (C) Scheduling a Final Hearing on the Cash Collateral Motion (the "Interim Cash Collateral Order"). [Docket No. 39]. No objections were filed and the Interim Cash Collateral Order was entered by the Court on

October 31, 2016. Pursuant to the Final Order, the Debtors, specifically Evergreen, were authorized to use cash collateral when needed in the ordinary course of business. As adequate protection for the secured claims of the Internal Revenue Service, the State of Michigan, Department of Treasury and Huntington Bank (collectively the “Secured Creditors”), in the Debtors’ cash collateral, monthly payments were made to the Secured Creditors. In addition, replacement liens in the same priority and to the same extent as existed on the Petition Date were granted to the Secured Creditors.

C. Litigation.

There was no pending litigation against the Debtors on the Petition Date.

D. Assumption of Leases.

The Debtors plan to assume all executory leases and contracts not previously assumed.

E. Sale of the Caseville Property.

On the Petition Date, Debtor Richard Kelterborn owned the property located at 4330 Port Austin Road, Caseville, Michigan (the Caseville Property”). The Caseville Property was maintained by the Kelterborns as a second home. The only secured claims against the Caseville Property on the Petition Date were the real property tax claims of the Huron County Treasurer and the income tax claims of the Internal Revenue Service for 2010 income taxes assessed on November 28, 2011.

In October 2014, Debtor Richard Kelterborn entered into a Residential Real Estate Listing Agreement with Osentoski Realty with Dale Ignash as the Broker, a reputable broker in the Caseville, Michigan area and listed the Property for sale with a listing price of \$325,000.00. The Property was continuously listed with Osentoski Realty through October 2015. On December 15, 2015, the Debtor Richard Kelterborn entered into a marketing agreement with David L. Kraft Realty Co., LLC and the Property was again listed for sale with a listing price of \$299,900.00. The asking price was subsequently reduced to \$289,000.00. The listing agreements expired prior to the Petition Date. Despite active marketing efforts and multiple showings, due to market conditions and the unique nature of the Property, the brokers and Debtor Richard Kelterborn were unsuccessful in selling the Property.

Subsequent to the expiration of the listing period and after the Petition Date, the Debtor Richard Kelterborn received a proposed Purchase Agreement for the Property from the Debtor Janis Meredith-Kelterborn's son's wife Cynthia Hecht ("Hecht") in the amount of One Hundred and Twenty Five Thousand and 00/100 Dollars (\$125,000.00) (the "Hecht Offer"). The Debtors filed a motion seeking authority to conduct a sale through an auction process relying on the Hecht Offer as the Stalking Horse Bid (the "Original Sale Motion") [Docket No. 86]. The Internal Revenue Service, informally indicated it would object to the Original Sale Motion.

Subsequent to the filing of the Original Sale Motion, Debtor Richard Kelterborn received a Buy and Sell Agreement from Daniel and Kelli Rankin, husband and wife (collectively the “Rankins”), for the purchase of the Property at a purchase price of Two Hundred Five Thousand and 00/100 Dollars (\$205,000.00). The Debtors filed a withdrawal of the Original Sale Motion [Docket No. 95] and a second motion seeking the approval of a private sale of the Caseville Property to the Rankins (the “Second Sale Motion”) [Docket No. 96]. No objections were filed to the Second Sale Motion. On January 4, 2017, the Court entered an Order Granting the Second Sale Motion [Docket No. 117]. The closing on the sale of the Caseville Property is scheduled to occur on or before January 31, 2017.

At the closing, the Internal Revenue Service will receive a disbursement in the amount of One Hundred Forty-Seven Thousand Three Hundred Sixty-Five and 17/100 Dollars (\$147,365.17) in connection with its secured claim for the Kelterborns’ 2010 individual income tax liabilities. In addition, the Huron County Treasurer will receive a distribution in full satisfaction of all unpaid property taxes owed in connection with the Caseville Property. Any excess proceeds will be held in the Debtors’ counsel’s client trust account and will be disbursed pursuant to this Plan.

F. New Business.

Since the Petition Date, Evergreen has successfully hired a number of new well qualified nurses in the Genesee County area along with rehiring a skilled

scheduler and biller. The addition of the new nurses broadens Evergreen's geographic range and significantly expands the number of billable patient visits per week. The new office staff adds efficiencies to scheduling and billing and will facilitate increased patient visits and allow for further expansion in the future.

Additionally, Debtor Janis Meredith-Kelterborn has successfully marketed the services provided by Hospice and Birchwood which has led to increased revenue to both entities. As a result of its increased revenue, Birchwood has resumed its payment of rent to the Kelterborns for the use of the Mt. Morris Property and the Flushing Property. In addition, the increased revenue has allowed Hospice and Birchwood to repay Evergreen.

The Debtors anticipate that as a result of the stability Evergreen has achieved through the bankruptcy process and the increased revenue streams that have developed since the Petition Date, Evergreen, Birchwood and Hospice will continue to expand their referral business and will continue to grow their revenue.

IV. ASSETS AND LIABILITIES

A. Liquidation Analysis.

In order to evaluate the Plan, Creditors must consider the liquidation analysis of the Debtors.

Evergreen does not own any hard assets of significant value. The bulk of Evergreen's assets, consist of the accounts receivables due to Evergreen from CMS and other insurance carriers. Evergreen has determined that its collectable accounts

receivable totaled approximately One Hundred Thirty-Eight Thousand Four Hundred Eighty-Three and 00/100 Dollars (\$138,483.00) on the Petition Date. A schedule of the liquidation analysis of Evergreen's assets is attached as **Exhibit E-1**.

The Kelterborns' assets can be classified into two categories. First, the Kelterborns own several pieces of residential property. On the Petition Date, the Kelterborns jointly owned three pieces of residential property: (1) their personal residence, the St. Andrew Property; and (2) two properties used as adult foster care facilities in the operation of Birchwood Meadows, LLC, the Mt. Morris Property and the Flushing Property. In addition, Mr. Kelterborn owned a separate piece of property, the Caseville Property, which has been sold through this Chapter 11 proceeding. Due to mortgages and federal tax liens, the Kelterborns believe there is no equity available for unsecured creditors in their real property assets. Additionally, Janis Meredith-Kelterborn owns the equity in the Debtor Evergreen, Evergreen Hospice, LLC ("Hospice"), and Birchwood Meadows, LLC. Birchwood Meadows is an adult foster care facility that operates out of the Mt. Morris Property and the Flushing Property. The membership interest in Birchwood has no value without the interests in the real property used in its operation. Hospice is a startup entity that is currently servicing the Evergreen patient base and relies heavily on Janis' contacts for referrals. At this early stage of its operations, the Debtors have estimated the value of Hospice at Thirty-Thousand and 00/100 Dollars (\$30,000.00)

based on the startup costs needed. A schedule of the liquidation analysis of the Kelterborns' assets is attached as **Exhibit E-2**.

B. Risks.

The Debtors have made certain assumptions regarding the value of their collateral and the potential stream of cash to be generated through operations. Evergreen's value is based chiefly on the value of its collectable accounts receivable.

C. Potential Claims and Causes of Actions.

The Debtors are not aware of any potential claims or causes of action, including claims against insiders and avoidance actions, for which they should be pursuing recovery on behalf of the estate post confirmation. The Debtors have determined that on the Petition Date, Hospice owed Evergreen approximately Thirty-One Thousand Four Hundred Two and 00/100 Dollars (\$31,402.00) and that Birchwood owed Evergreen approximately Three Thousand Four Hundred Fifty-Six and 00/100 Dollars (\$3,456.00) in connection with potential preferential transfers made during the one year prior to the Petition Date. Since the Petition Date, Hospice and Birchwood have paid Evergreen the amounts that could have been construed to be potential insider preferential transfers in full. The Debtors believe that all other payments made to Creditors in the 90 days prior to the Petition Date were ordinary course payments.

D. Priority Claims and Administrative Expenses.

1. Priority Tax Claims.

The Debtors' priority tax claims due to the Internal Revenue Service, the State of Michigan, Department of Treasury, and the State of Michigan, Unemployment Insurance Agency, arose as a result of cash flow shortages Evergreen experienced as a result of delays in Medicare reimbursements during 2008 and 2009. Despite entering into and remaining compliant on an installment agreement with the Internal Revenue Service for several years, Evergreen again began experiencing cash flow shortages in early 2015. Consequently, Evergreen incurred substantial unpaid priority tax obligations to the Internal Revenue Service, the State of Michigan, Department of Treasury, and the State of Michigan, Unemployment Insurance Agency.

Unfortunately, the Debtors have significant pre-petition unpaid priority tax liabilities due to the IRS and the State of Michigan. The Debtors have estimated that the priority tax claims are as follows:

DEBTOR	TAXING AUTHORITY	PRIORITY CLAIM
Evergreen	Internal Revenue Service	\$210,704.73
Evergreen	State of MI, Treasury	\$81,117.32
Evergreen	State of MI, UIA	\$52,574.84
Kelterborns	Internal Revenue Service	\$126,526.00
Kelterborns	State of MI, Treasury	\$64,906.00

The Debtors have filed all tax returns due to date and do not expect to receive any tax refunds. Moreover, the Kelterborns have elected short year tax treatment

under the provisions of Internal Revenue Code Section 1398 for the tax period January 1, 2016 through September 27, 2016 and have prepared and filed the return for that period (the “Short Year Tax Return”).

2. Administrative Claims, including Professional Fees.

The Debtors do not anticipate any unpaid administrative tax claims. Due to the filing of the Short Year Tax Return and the payment by the Kelterborns of an estimated income tax liability for the potential administrative income tax liabilities, the Debtors believe that all post-petition, pre-confirmation tax liabilities have been paid in full. The Debtors anticipate unpaid professional fees due to Debtors’ counsel in the approximate amount of Fifty Thousand and 00/100 Dollars (\$50,000.00). The Debtors’ counsel was not holding any funds on the Petition Date. Since the Petition Date, the amount of Thirty-Three Thousand One Hundred Nineteen and 55/100 Dollars (\$33,119.55) has been deposited into the Strobl & Sharp, P.C., client trust account for application against its post-petition fees.

The Debtors do not anticipate any other administrative claims.

E. Non-Priority Unsecured Claims.

The non-priority unsecured claims of the Debtors are comprised primarily of general trade debts, credit card debt and the non-priority tax liabilities owed to the Internal Revenue Service, the State of Michigan Department of Treasury, and the State of Michigan, Unemployment Insurance Agency. The Evergreen non-priority unsecured claims due to both trade vendors and taxing authorities total

approximately Three Hundred Thirteen Thousand One Hundred Sixty-Six and 63/100 Dollars (\$313,166.63). The non-priority unsecured claims, including those of the tax authorities, against the Kelterborns total Two Hundred Fifty-One Thousand Two Hundred Twenty-Six and 73/100 Dollars (\$251,226.73). The non-priority unsecured creditors shall receive a ten percent (10%) distribution.

F. Guaranteed Debt.

The Debtors have not guaranteed the debt of any third parties. Moreover, no third parties have guaranteed any of the Debtors' debt. However, the Kelterborns have guaranteed a substantial portion of the Evergreen unsecured debt and are personally liable for Evergreen's unpaid trust fund taxes. The Kelterborns personally guaranteed Evergreen's debt owed to Huntington Bank and in connection with their personal guarantees, the Kelterborns granted a mortgage on the property located at 2304 W. Frances Road, Mt. Morris, Michigan (the "Mt. Morris Property"), along with an assignment of rents from that property to Huntington. Additionally, the unsecured debt owed by Evergreen to Pamela Ventures, LLC was personally guaranteed by the Kelterborns.

V. IMPLEMENTATION OF THE PLAN

A. Financial Information.

The financial records of the Debtors are assumed to be reliable. The Debtors have filed monthly operating reports during the pendency of this bankruptcy. The Debtors propose to fund the Chapter 11 Plan of Reorganization from the cash derived

from the operation of Evergreen's business, the wages paid to the Kelterborns, and from revenue paid to the Kelterborns from Hospice and Birchwood. The Kelterborns are funding their obligations under the Plan with all of their disposable income. Projections have been prepared that illustrate and estimate the Debtors' income through year 2020. Evergreen's financial information for the three (3) years pre-petition is attached as **Exhibit A-1**. The Kelterborns' financial information for the three (3) pre-petition years is attached as **Exhibit A-2**. Evergreen's projections are attached as **Exhibit B-1**. The Kelterborns' projections are attached as **Exhibit B-2**.

Since the Petition Date, Evergreen has grown its skilled nursing staff and retained new office personnel in order to expand its weekly patient visits, increase office efficiencies and ultimately increase its revenue stream. Evergreen's Operating Statements for each month post-petition are attached as **Exhibit C-1**. The Kelterborns' Operating Statements for each month post-petition are attached as **Exhibit C-2**. A summary of Evergreen's and the Kelterborns' Post-Petition Income and Expenses as reported on the post-petition operating reports are attached as **Exhibits D-1 and D-2**, respectively.

B. Description of Post-Confirmation Management and Salaries.

Janis Meredith-Kelterborn has been and will continue to serve as Evergreen's sole office and director. She will continue to provide direct patient services when needed and will remain responsible for the marketing of Evergreen's services to

institutional parties. Richard Kelterborn will continue to maintain the books and records of Evergreen and continue to oversee its financial affairs. As discussed in Section II.A of this Disclosure Statement, post-confirmation, Evergreen propose to compensate the Kelterborns on the same terms and conditions as they have been compensated during the course of this Chapter 11 proceeding.

C. Tax Consequences.

Debtors are unable at this time to fully determine the effect that the proposed Plan of Reorganization will have upon its tax attributes. Due to the bankruptcy, the Debtors do not anticipate any income tax consequences from the discharge of any of its debt. The Kelterborns have taken advantage of the provisions of Section 1398 of the Internal Revenue Code which allows for the filing of a short year tax return which they believe will afford them the opportunity to become compliant with respect to future tax years. Debtors recommend that the Creditors consult their tax specialist relative to the tax consequences of the Plan to the Creditors.

No ruling has been sought or obtained from the Internal Revenue Service with respect to any of the tax aspects of the proposed Plan and no opinion of counsel has been obtained by the Debtors with respect thereto.

No representations or assurances are being made with respect to the federal income tax consequences as described herein. Certain types of claimants and interest holders may be subject to special rules not addressed in this summary of

federal income tax consequences. Further, state, local, or foreign tax considerations may apply to a holder of a claim or interest which is not addressed herein.

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 that: (a) are listed on the Debtors' Schedule 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 Debtors' 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' 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 reserve 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 Debtors, all Creditors, shareholders and other parties in interest, regardless of whether they have accepted the Plan.
- 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 their 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 interest in the debtor or its assets.

(c) In the case of an individual or husband and wife:

- (1) Claims will be discharged, except as provided in 11 U.S.C. §§523 and 727(a).
- (2) Creditors will be prohibited from asserting their claims except as to those debts which are not discharged or dischargeable under 11 U.S.C. §§ 523 and 727(a).

See Part II-A of this Disclosure Statement to determine which of the above-paragraphs apply in this case.

VII. CONSEQUENCES OF DENIAL OF CONFIRMATION OF PLAN

If the Court fails to confirm the Plan, this Chapter 11 proceeding may continue and the Debtors may seek confirmation of an amended or modified Plan. Alternatively, the Debtors' Chapter 11 case may be converted to a Chapter 7 liquidation case or this proceeding may be dismissed.

VIII. RIGHT OF WITHDRAWAL

Debtors reserve the right to withdraw or otherwise amend or modify this Plan prior to confirmation.

IX. SUMMARY

The materials provided in this Disclosure Statement are intended to assist you in voting on the Plan of Reorganization in an informed fashion. If the Plan is confirmed, you will be bound by its terms. Kindly review these materials and make such inquiries as you may deem appropriate with your attorneys; then cast an informed vote on the Plan.

**X. PLAN OF REORGANIZATION OF
EVERGREEN HEALTH SERVICES, INC., AND
RICHARD KELTERBORN AND JANIS MEREDITH-KELTERBORN**

Debtors, EVERGREEN HEALTH SERVICES, INC. ("Evergreen"), and RICHARD KELTERBORN AND JANIS MEREDITH-KELTERBORN (the "Kelterborns") (collectively Evergreen and the Kelterborns shall be referred to as the "Debtors"), propose the following Plan of Reorganization pursuant to §§1121 and 1123 of the Bankruptcy Code.

**SECTION I
DEFINITIONS**

As used in this Plan, the following terms shall have the meanings specified below, unless the context requires otherwise:

1.1 "Administrative Claim" means costs and expenses of administration of the Case allowed under §§503(b) and 507(a) (1) of the Bankruptcy Code, and the fees of the United States Trustee under 28 U.S.C. §1930(a)(6).

1.2 "Administrative Creditor" shall mean any Creditor entitled to payment of an Administrative Expense.

1.3 "Allowed Claim" or "Allowed Interest" means a Claim against or Interest in the Debtor to the extent that:

A. A Proof of Claim or Interest was:

1. Timely filed;
2. Deemed filed pursuant to §1111(a) of the Code; or

3. Filed late with leave of the Bankruptcy Court after notice and an opportunity for hearing given to Debtor, and counsel for Debtor; and

B. The Claim is not a Contested Claim or a Contested Interest; or

C. The Claim is allowed (and only to the extent allowed) by a Final Order of the Bankruptcy Court.

1.4 "Avoidance Actions" means all claims granted the Debtor-in-Possession or a Trustee under Sections 544-553 of the Code.

1.5 "Ballot" shall mean the official Bankruptcy Form No. 14 or a document prepared to substantially conform to same being sent to all Creditors and parties-in-interest entitled to vote for or against the Plan.

1.6 "Bankruptcy Code" or "Code" means the Bankruptcy Reform Act of 1978, as amended (11 U.S.C. §§101, et seq.).

1.7 "Bankruptcy Court" means the United States Bankruptcy Court for the Eastern District of Michigan and any court having jurisdiction over any appeals.

1.8 "Bankruptcy Rules" or "Rules" means the Federal Rules of Bankruptcy Procedure, as promulgated by the Supreme Court that became effective on August 1, 1991, and any amendments thereto. To the extent applicable, Bankruptcy Rules also refers to the Local Rules of the U.S. District Court for the Eastern District of Michigan, as amended and the Local Bankruptcy Rules for the Eastern District of Michigan, as amended.

1.9 “Birchwood” shall refer to Birchwood Meadows, LLC, a Michigan limited liability company. The sole member of Birchwood is Janis Meredith-Kelterborn.

1.10 "Business Day" means any day, other than a Saturday, Sunday or "Legal Holiday," as that term is defined in Bankruptcy Rule 9006(a).

1.11 "Case" or “Cases” mean the cases currently pending before the Bankruptcy Court styled "In re: Evergreen Health Services, Inc. (Case No. 16-53329-mlo)” and “In re: Richard Kelterborn and Janis Meredith-Kelterborn (Case No. 16-53330)”.

1.12 “Caseville Property” shall mean the property owned solely by Richard Kelterborn and located 4330 Port Austin Road, Caseville, Michigan.

1.13 "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 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, contested, disputed, undisputed, secured or unsecured.

1.14 "Class" means a class of holders of Claims or Interests described in Article II and III of this Plan.

1.15 "Closing Date" shall refer to the date on which a closing with respect to the Caseville Property occurs or has occurred.

1.16 "Committee" means any official committee formed by the office of the U.S. Trustee as may be amended from time to time.

1.17 "Confirmation Date" means the date upon which the Bankruptcy Court shall enter the Confirmation Order.

1.18 "Confirmation Hearing" means the hearing conducted by the Bankruptcy Court with respect to the confirmation of the Plan.

1.19 "Confirmation Order" means the order of the Bankruptcy Court, which confirms this Plan in accordance with the provisions of Chapter 11 of the Bankruptcy Code.

1.20 "Contested Claim" means any Claim as to which 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 has not been determined by a Final Order.

1.21 "Creditor" means any holder of a Claim against the Debtor.

1.22 "Debtor" and "Debtors" mean Evergreen Health Services, LLC and Richard Kelterborn and Janis Meredith-Kelterborn.

1.23 "Disbursing Agent" shall mean Richard Kelterborn. In the event Mr. Kelterborn is unable to serve as the Disbursing Agent, then the Disbursing Agent shall be an individual selected by him from the current panel of Chapter 7 Trustees

maintained by the office of the United States Trustee, or an appropriate individual acceptable to the Debtors.

1.24 "Effective Date" shall mean the sixtieth (60th) Business Day after the Confirmation Order becomes a Final Order.

1.25 "Evergreen" means Evergreen Health Services, Inc., a Michigan corporation. The sole shareholder of Evergreen is Janis Meredith-Kelterborn.

1.26 "Final Order" means an Order of the Bankruptcy Court as to which (i) the time for appeal has expired and no appeal has been timely taken; or (ii) any timely appeal has been finally determined or dismissed; or (iii) an appeal has been timely taken but such order has not been stayed within ten (10) days after the filing of such appeal.

1.27 "Flushing Property" shall refer to the property owned by Richard Kelterborn and Janis Meredith-Kelterborn located at 7055 Stanley Road, Flushing, Michigan 48433.

1.28 "Hospice" shall refer to Evergreen Hospice, LLC, a Michigan limited liability company. The sole member of Hospice is Janis Meredith-Kelterborn.

1.29 "Impaired" means a Claim treated under this Plan, unless the Plan:

- (a) leaves unaltered the legal, equitable, and contractual rights to which such Claim or Interest entitles the holder of such Claim or Interest; or
- (b) notwithstanding any contractual provision or applicable law that entitles the holder of such Claim or Interest to demand or receive

accelerated payment of such Claim or Interest after the occurrence of a default—

- (1) cures any such default (other than defaults relating to (i) any penalty interest rate or provision arising from a non-monetary default by the Debtor; (ii) the solvency or financial condition of the Debtor or (iii) the commencement of this Case) that occurred before or after the commencement of the Case;
- (2) reinstates the maturity of such Claim or Interest as such maturity existed before such default;
- (3) compensates the holder of such Claim or Interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and
- (4) does not otherwise alter the legal, equitable or contractual rights to which such Claim or Interest entitles its holder.

1.30 "Interest" means the interests of Debtor(s) as defined in the Code.

Interest shall refer to the Debtors' rights to Non-Exempt Assets.

1.31 "Interest Rate" means (a) with respect to Claims entitled to interest under §506 of the Bankruptcy Code and this Plan and having an applicable contractual rate of interest, the lowest rate of interest provided in such contract, without regard to any default by Debtors, (b) with respect to all other Claims entitled to interest under the Bankruptcy Code and this Plan, the Prime Rate of Interest as of the Confirmation Date, or (c) with respect to (a) or (b) such other interest rate as may be determined by a Final Order of the Bankruptcy Court.

1.32 "Kelterborns" means Richard Kelterborn and Janis Meredith-Kelterborn, collectively.

1.33 "Mt. Morris Property" shall refer to the property owned by Richard Kelterborn and Janis Meredith-Kelterborn located at 2304 West Frances Road, Mount Morris, Michigan 48458.

1.34 "Non-Exempt Assets" shall refer to any property of the Debtors, which is not exempt pursuant to the Code. Any property which is subject to an allowed lien or encumbrance shall not be considered a Non-Exempt Asset except to the extent that Debtors have any equity in such property.

1.35 "Petition Date" means the date Evergreen and the Kelterborns filed their voluntary Chapter 11 petitions with the Court, which date is September 28, 2016.

1.36 "Plan" means this Plan of Reorganization, as it may be altered, amended, modified or supplemented from time to time.

1.37 "Priority Claim" means a Claim entitled to priority under any section of the Bankruptcy Code except claims specified in §507(a)(1) of the Code.

1.38 "Professional Fees" means the fees and reimbursement for disbursements owed to attorneys, accountants, or other professionals of the Debtors whose employment has been approved by the Bankruptcy Court.

1.39 "St. Andrew Property" shall refer to the property owned by Richard Kelterborn and Janis Meredith-Kelterborn and is located at 5573 Saint Andrew Drive, Clarkston, Michigan 48348. The St. Andrew Property is the Kelterborns' personal residence.

1.40 "Unsecured Claim" means a Claim that is not a Secured Claim and is not an Administrative Claim or a Priority Claim.

1.41 "Unsecured Creditor" shall mean any Creditor that holds an Unsecured Claim.

**SECTION II: TREATMENT OF CLAIMANTS NOT SUBJECT TO
CLASSIFICATION OR OTHERWISE NOT ENTITLED
TO VOTE FOR OR AGAINST THE PLAN**

Administrative Creditors, Priority Creditors and unimpaired creditors shall be paid as follows:

2.1 **Group I:** All allowed Administrative Claims, other than Administrative Claims described in §2.2, shall be paid in cash, in full, without interest, by the Disbursing Agent, on or as soon as funds are available after the Effective Date, or when such Claims are due and payable in the normal course, whichever is later. Debtor do not anticipate any claims in this Group.

2.1.2 All Professional Fees that are, or become, the subject of pending fee applications before the Bankruptcy Court or that have already been allowed by the Bankruptcy Court, but which remain unpaid, shall be paid in full, by the Disbursing Agent, in cash, without interest, on or as soon as funds are available after the Effective Date. The Professional Fees due to the Debtors' counsel shall be paid from the excess proceeds from the sale of the Caseville Property, the capital infusion from Janis Meredith-Kelterborn and from any funds on deposit on the Confirmation

Date. In the event such sources of funds are not sufficient to fully satisfy the Professional Fees, the remaining balance shall be paid by the Debtors no later than four (4) months after the Confirmation Date.

2.1.3 The allowed unpaid administrative tax claim due to the State of Michigan, Department of Treasury, to the extent such exists, shall be paid on or before the Effective Date from the excess proceeds from the sale of the Caseville Property and the capital infusion from Janis Meredith-Kelterborn.

2.2 **Group II:** Group II shall consist of the tax claims of the Internal Revenue Service, the State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency, which are entitled to priority. The Group II claims will be paid in equal monthly payments beginning on the twenty-eighth (28th) day of the first full month after the Confirmation Date and continuing on the twenty-eighth (28th) day of each consecutive month thereafter until such time as the Claims are paid in full.

2.2.1 The priority tax claims of the Internal Revenue Service, State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency, shall be paid in full within sixty (60) months of confirmation.

2.2.2 Interest on the priority tax claims shall be paid at the applicable statutory rate due to the respective priority tax claims.

2.2.3 Evergreen shall pay from its operating capital the payments due in connection with the Group II priority tax claims assessed against Evergreen. The

Kelterborns shall pay from their income the payments due on the Group II priority Tax claims assessed against the Kelterborns for individual income taxes.

2.2.4 The Kelterborns agree to the continued offset of their Social Security disbursements to be applied first to their Class II secured income tax liabilities and then to their Group II priority income tax liabilities due to the Internal Revenue Service until such liabilities are paid in full. To the extent the social security distributions are not adequate to satisfy the Plan payment due to the Internal Revenue Service, the Kelterborns will use their current income to satisfy the required payment due to the Internal Revenue Service as well as the Plan payments due to the other Group II creditors.

2.2.5 The Debtors shall have the right to challenge any Group II priority tax claim through the claims objection process set forth in Article XI of this Plan, which challenge may include, but is not be limited to, a challenge to any penalty or interest portion of such Claim, the amount and the value of the property which forms the basis for any assessment of taxes and the computation of the tax.

2.2.6 The Debtors shall have the right to pre-pay any Group II claim without incurring a penalty.

2.3 **Group III:** Group III shall consist of the secured claims of Vibe Credit Union as the successor in interest to Telcom Credit Union. Vibe has a secured claim in connection with a first mortgage on the St. Andrew Property with an unpaid balance on the Petition Date in the amount of One Hundred Seventy-Eight Thousand

Six Hundred Twenty-Three and 78/100 Dollars (\$178,623.78) as well as a second mortgage on the St. Andrew Property in connection with a HELOC loan with an unpaid balance on the Petition Date in the amount of One Hundred Forty Thousand Two Hundred Thirty-Six and 41/100 Dollars (\$140,236.41). Additionally, Vibe has a secured mortgage claim on the Flushing Property with an unpaid balance due on the Petition Date in the amount of One Hundred Nineteen Thousand Eight Hundred Twenty-Four and 43/100 Dollars (\$119,824.43).

2.3.1 Vibe shall be paid its claims pursuant to the terms of The Mortgages.

2.3.2 Vibe shall receive interest at the rates set forth in The Mortgages.

2.3.3 Vibe shall retain its secured mortgage claims against the St. Andrew Property and the Flushing Property with the same priority and to the same extent as such existed on the Petition Date.

2.3.4 The Debtors shall have the right to pre-pay any Group III claim without incurring a penalty.

2.4 **Group IV:** Group IV shall consist of the secured claim of Ford Credit with respect to the 2017 Ford Escape purchased by Richard Kelterborn on August 15, 2016.

2.4.1 Debtor Richard Kelterborn shall continue to make the required monthly payments to Ford Credit pursuant to the terms of the Installment Agreement

dated August 15, 2016 beginning the first full month after the Confirmation Date and continuing until the claim of Ford Credit is paid in full.

2.4.2 Ford Credit shall retain its security interest in the Ford Escape in the same priority and to the same extent such existed on the Petition Date.

2.4.3 The Debtors shall have the right to pre-pay any Group IV claim without incurring a penalty.

SECTION III: SPECIFICATION OF TREATMENT OF CLASSES OF CLAIMS OR INTERESTS IMPAIRED UNDER PLAN

The Plan divides Claims and Interests into seven (7) classes. Each Class will be, upon confirmation of the Plan, afforded the treatment either set forth above or set forth below:

3.1 **Class I:** Class I shall consist of Executory Contract Arrearage Claims.

3.1.1 Class I shall consist of the arrearage claims of the executory contract holders of the Debtors. The Debtors do not believe that there are any executory contract arrearage claims.

3.1.2 To the extent there are any unpaid executory contract arrearage claims on the Confirmation Date, such Class I claims will be paid in full on the Effective Date.

3.1.3 The Class I claims shall not receive interest.

3.1.4 The Class I claims shall be deemed impaired.

3.2 **Class II:** This Class shall consist of the allowed secured tax claims of Internal Revenue Service, the State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency, to the extent such claims exist.

3.2.1 The allowed secured tax claims of the Internal Revenue Service, the State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency, shall be paid in equal monthly payments beginning on the twenty-eighth (28th) day of the first full month after the Confirmation Date and continuing on the twenty-eighth (28th) day of each consecutive month thereafter until such time as the secured claims of the taxing authorities are paid in full.

3.2.2 The Internal Revenue Service received One Hundred Forty-Seven Thousand Two Hundred Seventy and 00/100 Dollars (\$147,270.00) at the closing on the Caseville Property on January 27, 2017 which was to be applied to its secured claim for the Kelterborns' 2010 income tax liabilities.

3.2.3 The secured tax claims of the Internal Revenue Service, the State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency shall be paid within sixty (60) months of the Petition Date.

3.2.4 The Kelterborns agree to the continued offset of their Social Security disbursements to be applied first to their Class II secured income tax

liabilities due to the Internal Revenue Service and to their Group II priority income tax liabilities due to the Internal Revenue Service until such liabilities are paid in full.

3.2.5 To the extent the social security disbursements are not sufficient to satisfy the Class II and Group II Plan payments due to the Internal Revenue Service the Kelterborns will use their disposable income to make their Group II and Class II Plan payments.

3.2.6 To the extent that the Internal Revenue Service, the State of Michigan, Department of Treasury, and the State of Michigan, Unemployment Insurance Agency, have valid liens on any of the assets of the Debtors, such liens shall remain in full force and effect to the same extent and with the same priority as such existed on the Petition Date until such time as the respective lien is paid in full. The taxing authorities shall release the notices of lien within thirty (30) days of the satisfaction of each respective notice of tax lien.

3.2.7 The secured claims of the Internal Revenue Service, the State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency, shall accrue interest at the statutory interest rate as of the Petition Date.

3.2.8 The Debtors shall have the right to pre-pay any Class II claim without incurring a penalty.

3.2.9 The Class II claims of the Internal Revenue Service, the State of Michigan, Department of Treasury and the State of Michigan, Unemployment Insurance Agency, shall be impaired.

3.3 **Class III:** Class III shall consist of the secured claims of the Oakland County Treasurer (“Oakland County”) and the Genesee County Treasurer (“Genesee County”) (collectively the “Treasurers”) for unpaid real property taxes on the real property owned by the Kelterborns.

3.3.1 The allowed secured tax claim of the Treasurers shall be paid in equal monthly payments beginning on the twenty-eighth (28th) day of the first full month after the Confirmation Date and continuing on the twenty-eighth (28th) day of each consecutive month thereafter until such time as the secured claims of the Treasurers are paid in full.

3.3.2 The secured tax claim of the Treasurers shall be paid within sixty (60) months of the Petition Date.

3.3.3 To the extent that the Treasurers have valid liens on any of the real property owned by the Debtors, such liens shall remain in full force and effect to the same extent and with the same priority as such existed on the Petition Date until such time as such liens are paid in full. The Treasurers shall release the notices of lien within thirty (30) days of the satisfaction of each respective notice of tax lien.

3.3.4 The secured claims of the Treasurers shall accrue interest at the statutory interest rate as of the Petition Date.

3.3.5 The Debtors shall have the right to pre-pay any Class III claim without incurring a penalty.

3.3.6 The Class III claims shall be impaired.

3.4 **Class IV:** The Class IV claims shall consist of the secured claim of Huntington Bank as the successor in interest to First Merit Bank as the successor in interest to Citizens Bank. Huntington has a secured mortgage claim against the Mt. Morris Property in connection with an unsecured loan made to Evergreen and guaranteed by the Kelterborns. On the Petition Date, there was a balance due on the Huntington mortgage claim in the amount of Seventy-Two Thousand Five Hundred Eighty-Nine and 11/100 Dollars (\$72,589.11).

3.4.1 Evergreen shall continue to make monthly payments to Huntington on its secured mortgage claim pursuant to the terms of the Forbearance Agreement executed by the parties on October 31, 2016 beginning on the fifteenth (15th) day of the first month after the Confirmation Date and continuing on the fifteenth (15th) day of each consecutive month for forty-seven (47) months. Evergreen shall pay the full balance due on the Huntington secured mortgage claim in the forty-eighth (48th) month after the Confirmation Date.

3.4.2 Huntington shall retain its secured mortgage lien on the Mt. Morris Property in the same priority and to the same extent as such existed on the Petition Date until such time as its claim is paid in full. Huntington shall release its mortgage lien as soon as practicable after the satisfaction of its claim.

3.4.3 The Debtors shall have the right to pre-pay any Group II claim without incurring a penalty.

3.4.4 The Class IV claim shall be impaired.

3.5 **Class V:** Class V shall consist of the civil penalties for Evergreen's unpaid trust fund taxes that have been assessed against the Kelterborns. The unpaid trust fund taxes are all paid through this Plan directly by Evergreen as either priority or secured tax claims.

3.5.1 In the event of a default on its Plan obligations, as defined in Section XII, with respect to the trust fund taxes, the Kelterborns will remain liable for any unpaid trust fund taxes that have been assessed against them.

3.5.2 The Kelterborns will make no distribution on the Class V claims unless there has been an uncured default on the Evergreen plan payments due to the Internal Revenue Service.

3.5.2 The unpaid trust fund taxes will accrue interest at the applicable statutory interest rate as of the Confirmation Date until such time as they are paid in full.

3.5.3 In the event of a default by Evergreen with respect to the trust fund taxes that have been assessed against the Kelterborns, the Kelterborns will pay the then existing unpaid balance in equal monthly payments within sixty (60) months of the Petition Date.

3.5.4 The Kelterborns have insufficient collateral to secure the civil penalties that have been assessed against them.

3.5.5 The Class V claims shall be impaired.

3.6 **Class VI:** Class VI shall consist of the pre-petition non-general unsecured claims against the Debtors, including the trade vendor claims against Evergreen, the Kelterborns' credit card debt and the under secured claims of the taxing authorities. The Debtors have estimated that the Class VI general unsecured non-priority claims against Evergreen total approximately Three Hundred Thirteen Thousand One Hundred Sixty-Six and 63/100 Dollars (\$313,166.63). The Debtors have estimated that the non-priority Class VI claims against the Kelterborns total approximately Two Hundred Fifty-One Thousand Two Hundred Twenty-Six and 73/100 Dollars (\$251,226.73).

3.6.1 Evergreen shall make a ten percent (10%) distribution to its Class VI creditors on a pro rata basis in eight (8) equal quarterly distributions beginning on the last business day of the first calendar quarter of 2018 and continuing on the last business day of each consecutive calendar quarter until paid in full.

3.6.2 The Kelterborns shall distribute ten percent (10%) distribution to its Class VI creditors on a pro rata basis in eight (8) equal quarterly distributions beginning on the last business day of the first calendar quarter of 2018 and continuing on the last business day of each consecutive calendar quarter until paid in full.

3.6.3 Interest shall not accrue on the Class VI claims.

3.6.4 The Debtors shall have the right to pre-pay any Group VI claim without incurring a penalty.

3.6.5 Class VI shall be impaired.

3.7 **Class VII:** Class VII shall consist of the claims of Evergreen's principal, Debtor Janis Meredith-Kelterborn.

3.7.1 On or before the Effective Date, Debtor Janis Meredith-Kelterborn shall transfer Ten Thousand and 00/100 Dollars (\$10,000.00) (the "Class VII Capital Infusion") to Evergreen in exchange for the retention of her shareholder interest in Evergreen.

3.7.2 The Class VII Capital Infusion shall be used to meet the Debtors' administrative claims, operating expenses and plan payments.

3.7.3 Other than her compensation for services to Evergreen as set forth in the Disclosure Statement, the Class VII creditor shall receive no cash distributions under this Plan.

The Debtors reserve the right to prepay any payments scheduled under the Plan without incurring a penalty.

SECTION IV: MEANS OF IMPLEMENTATION OF THE PLAN

4.1 If all Classes of Unsecured Creditors vote to accept the Plan of Reorganization, the Debtors shall fund the obligations of the Plan pursuant to its terms. The Plan shall be funded from the income derived from Evergreen's business operations, the Kelterborns' wages and the revenue generated by Evergreen Hospice, LLC and Birchwood Meadow, LLC. (See Exhibit B: Projections). If a Class of Unsecured Creditors does not vote to accept the Plan, the Debtors reserve the right to amend the Plan.

4.2 If Class VII has voted to accept this Plan, payments to Creditors shall be achieved in accordance with Article II and III.

4.3 Other sources of cash may be explored and utilized to the extent that such cash infusions are necessary or helpful to meet the obligations of the Plan. If necessary, the Debtors may, in their sole discretion, seek to obtain refinancing from a lending institution or from another source in an effort to satisfy the cash payments described in Section II and III of the Plan.

SECTION V: EFFECT OF CONFIRMATION

5.1 Confirmation of the Plan shall modify and alter the rights of all Creditors and holders of an interest as provided herein. Creditors or holders of an interest shall be prohibited from asserting any further claims against the property of

the Debtors based upon any act, transaction or indebtedness which is the subject matter of any Claim or Interest, or based upon any guarantee of collection, payment or otherwise made by the Debtors as to any obligation of any persons, firm or entity, unless the Plan provides, or the Court specifically orders otherwise. Upon confirmation, the assets of the Debtors and Debtors-in-Possession shall vest in the Reorganized Debtor.

5.3 In the event the Debtors fail to cure a default within sixty (60) days of notice thereof, the Internal Revenue Service, State of Michigan, Unemployment Insurance Agency, and State of Michigan, Department of Treasury, shall have their administrative non-bankruptcy rights and remedies to pursue their claims against the Debtors.

SECTION VI: MODIFICATION OF THE PLAN

6.1 After confirmation, the Debtors may, with leave of the Bankruptcy Court, and upon notice and opportunity for hearing to the affected Creditor(s) only, remedy any defect or omission, reconcile any inconsistencies in the Plan or in the Confirmation Order or otherwise modify the Plan.

6.2 Only if the Bankruptcy Court determines that the modification affects all the Creditors, or if the Debtors propose a material modification affecting all Creditors, then such modification shall be governed by §1127 of the Bankruptcy Code.

6.3 In the event the Debtors' financial condition is significantly changed after confirmation, the Debtors reserve the right to seek Court approval to modify the payments due to creditors.

SECTION VII: JURISDICTION OF THE COURT

7.1 Notwithstanding confirmation of the Plan, the Bankruptcy Court shall retain jurisdiction for the following purposes:

- A. To determine all objections to the allowance of Claims;
- B. To approve or disapprove any compromise by the Debtor of any Claim;
- C. To determine all disputes arising under the Plan, including any dispute over any action taken by the Disbursing Agent, and to enforce, interpret and administer the terms and conditions of the Plan;
- D. To determine any applications for allowance of compensation and reimbursement of expenses as may be required for pre-confirmation services;
- E. To determine any applications for rejection, assumption, or assignment of executory contracts and the allowance of any claims resulting from the rejection thereof or from the rejection of executory contracts pursuant to the Plan;
- F. To determine any applications, adversary proceedings, and contested and litigation matters pending in the Case at the Confirmation Date or thereafter filed;
- G. To determine any applications on file for approval of settlement agreements and entering and enforcing all appropriate orders in connection therewith;
- H. To modify any provisions of the Plan pursuant to the Rules, the Code and provisions of the Plan;

- I. To correct any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan;
- J. To determine such other matters provided in the Confirmation Order as may, from time to time, be authorized under the provisions of the Code or any applicable law;
- K. To enforce all orders, judgments, injunctions, and rulings in connection with this proceeding; and
- L. To enter such orders that may be necessary or appropriate to aid in confirmation and to facilitate implementation of the Plan.

SECTION VIII: TITLE TO PROPERTY

8.1 Except for title to the Non-Exempt Assets, all property of the Debtors and Debtors-in-Possession shall vest in the respective Reorganized Debtor or Debtors upon the Effective Date of the Plan. The Debtors shall be discharged from their status as a Debtors and Debtors-in-Possession and the affairs and Evergreen's business and the daily affairs of the Kelterborns shall thereafter be conducted without Court involvement except as may be governed by Articles IV and VII of the Plan.

8.2 In the event of conversion of this case to a proceeding under Chapter 7 of the Bankruptcy Code, the assets of the Debtors and Debtors-in-Possession which have vested in the Reorganized Debtors shall be assets of the Debtors' Chapter 7 bankruptcy estate.

SECTION IX: UNITED STATES TRUSTEE FEES

9.1 Debtors shall pay to the United States Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for any pre-confirmation periods when due. Debtors will continue to pay the requisite fees due to the U.S. Trustee through the date of the Final Decree or closing of the case, whichever occurs first.

SECTION X: EXECUTORY CONTRACTS

10.1 Unless otherwise assumed or rejected by Final Order of the Bankruptcy Court, all executory contracts of the Debtors either (i) expressly assumed or (ii) which are not as of the Confirmation Date the subject of pending applications to reject shall be deemed assumed.

10.2 Any Creditor who has a Claim as a result of any rejected executory contract shall have thirty (30) days after such rejection to file a Proof of Claim, failing which such Claim shall be disallowed in its entirety.

10.3 The Debtors may file an objection to any Proof of Claim filed pursuant to paragraph 10.2 in accordance with Article XI.

SECTION XI: PROOFS OF CLAIMS/OBJECTIONS TO CLAIMS

11.1. The Court set a deadline of February 6, 2017 as the bar date for non-governmental proofs of claim to be filed with the Court. Governmental units are to file proofs of claim 180 days from the Petition Date. Except as otherwise set forth in this Plan as an allowed claim, the Debtor may object to the allowance of any

Claim, whether listed on the schedules filed by Debtors or filed by any Creditor, on or before the later of (a) sixty (60) days from the date of service of any Proof of Claim upon the Debtors, or, (b) sixty (60) days after the Effective Date.

ARTICLE XII: DEFAULT

12.1 Upon the failure of the Debtors to make any payment due to the Internal Revenue Service, or the State of Michigan, Department of Treasury, or the State of Michigan, Unemployment Insurance Agency which is not cured within sixty (60) days of the mailing of a written notice of default by the tax creditor, such tax creditor may exercise all rights and remedies available under non-bankruptcy law for the collection of its entire claim and/or seek appropriate relief from this Court.

12.3 In the event of the Debtors to make any payment due to Vibe Credit Union or Huntington Bank which is not cured within sixty (60) days of the mailing of a written notice of default, Vibe Credit Union or Huntington Bank make exercise their respective rights pursuant to their mortgage documents.

12.3 In the event of a conversion of this case to a Chapter 7 proceeding, all property of the Debtors, Debtors-in-Possession, or Reorganized Debtors, including all property which will re-vest in the Reorganized Debtors pursuant to Confirmation

of the Plan of Reorganization and all property acquired by the Reorganized Debtors subsequent to Plan confirmation shall be property of the Chapter 7 Estate.

SECTION XIII: MISCELLANEOUS PROVISIONS

13.1 Except as otherwise set forth in this Plan, all Avoidance Actions shall be, and hereby are, released, extinguished and waived.

13.2 Any Professional Fees incurred by any professional whose employment required the approval of the Bankruptcy Court during the pendency of the Case, shall from and after the Confirmation Date be paid by the Debtors without the prior review and approval of the Bankruptcy Court. Notwithstanding any provision of the Bankruptcy Code or Rules, including without limitation Fed.R.Bank.Pro. 2016, after the Confirmation Date no professional shall be required to disclose payments received from the Debtor after the Confirmation Date. All fees and expenses arising after the Confirmation Date shall be billed directly to the Debtors and the Bankruptcy Court shall only review that portion to which the Debtors object. The Debtors shall pay, in accordance with the terms of any invoice with respect to such fees, the portion as to which there is no objection.

13.3 Notwithstanding anything in this Plan to the contrary, the Debtors shall not be obligated to make any payments towards any Contested Claim. Further, the Debtors shall not be required to make any payments for an Allowed Claim to any Creditor if the Debtors have filed a motion, objection, adversary proceeding, state court proceeding or other similar notice against such Creditor alleging an objection,

claim, cause of action, offset or counter-claim, such that if sustained and not paid by such Creditor would result in a disallowance of such Allowed Claim in accordance with §502(d) of the Code.

13.4. All parties-in-interest, including without limitation any Creditor, shall be required to execute any document reasonably requested by the other to memorialize and effectuate the terms and conditions of this Plan. This shall include without limitation any execution by Creditors of any UCC or mortgage terminations and releases.

13.5. When the Debtors or the Disbursing Agent have made all payments and met all obligations required under this Plan all restrictions, negative covenants and other limitations on the Debtors' operations or rights to property as provided herein or in the Confirmation Order shall terminate.

13.6. Any lien or encumbrance of any Creditor, which is not specifically preserved within this Plan, shall, and hereby is extinguished, released and terminated. Any Creditor holding such a lien or encumbrance shall be required to execute any document reasonably requested by the Debtors to memorialize said termination. If a Creditor fails to cooperate with the Debtors, the Debtors may seek to enforce this provision within the Bankruptcy Court or, at the Debtors' option, the Debtors may file a certified copy of the Confirmation Order and a copy of this Plan with the appropriate register of deeds or Secretary of State's office and the filing of

the certified Confirmation Order and this Plan shall serve to terminate such lien or encumbrance.

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

**EVERGREEN HEALTH SERVICES,
INC.**

/s/ Janis Meredith-Kelterborn

By: Janis Meredith-Kelterborn

Its: President

/s/ Janis Meredith-Kelterborn

JANIS MEREDITH-KELTERBORN

/s/ Richard Kelterborn

RICHARD KELTERBORN

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