

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

IN RE:	§	
	§	
ESTEEM HOSPICE, LLC	§	
Tax ID No. 3952	§	CASE No. 17-40069-btr-11
2459 E. Hebron Parkway, Suite 130	§	
Carrollton, TX 75010	§	CHAPTER 11
	§	
<i>Debtor and</i>	§	
<i>Debtor-in-Possession.</i>	§	

**DISCLOSURE STATEMENT WITH RESPECT TO DEBTOR'S
PLAN OF REORGANIZATION DATED DECEMBER 29, 2017**

[THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.]

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I. INTRODUCTION

The Debtor, ESTEEM HOSPICE, LLC, submits this disclosure statement (the “Disclosure Statement”) pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against and Interests in the Debtor in connection with (i) the solicitation of acceptances of the Debtor’s Plan of Reorganization dated December 27, 2017 (the “Plan”) and (ii) the hearing to consider confirmation of the Plan scheduled for _____, 2018, at __:___.m., (the “Confirmation Hearing”). Unless otherwise defined herein, all capitalized terms contained herein have the meanings ascribed to them in the Plan.

A. Background

The Debtor filed a voluntary petition for relief under chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) on January 11, 2017 in the United States Bankruptcy Court for the Eastern District of Texas, Sherman Division (the “Court”), Case No. 17-40069 (the “Chapter 11 Case”). The Debtor continues to operate its business as Debtor and Debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in any of the Chapter 11 Case.

1. Events Leading to the Chapter 11 Filing. The Debtor’s administrative offices are local, with an address of 2459 East Hebron Parkway, Suite 130, Carrollton, Denton County, Texas 75010. The Debtor is the owner of an operating in home hospice care business (the “*Business*”). The Business is the Debtor’s principal asset. The Business has been open for approximately five (5) years. The bankruptcy filing was precipitated by the garnishment of a Medicaid payment of several hundred thousand dollars by the Internal Revenue Service (“IRS”) in early December 2016, and the Debtor’s agreement to seek bankruptcy relief in order to gain release and return of those funds by the IRS. While the IRS did return the funds to the Debtor upon its bankruptcy filing, the lack of access to those funds over a one month period exacerbated existing cash flow issues of the Debtor, causing it to fall behind to a number of creditors, including its employees and third party health providers essential to the Debtor’s service business.

In response to the foregoing business conditions, Debtor’s current management decided to file bankruptcy in order to allow the Debtor’s business operations to continue and thrive, while making repayments to the Debtor’s creditors over a reasonable time-period.

B. Purpose of this Document

The Bankruptcy Code requires that the party or parties proposing a chapter 11 plan of reorganization prepare and file with the Court a document called a “disclosure statement.” THE DOCUMENT YOU ARE READING IS THAT DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) FOR THE PLAN. THIS DISCLOSURE STATEMENT INCLUDES ALL OF THE EXHIBITS TO THIS DISCLOSURE STATEMENT WHICH ARE INCORPORATED INTO THIS DISCLOSURE STATEMENT.

This Disclosure Statement summarizes the contents of the Plan and describes certain information relating to the Plan and the process the Court follows in determining whether to

confirm the Plan. This Disclosure Statement describes the Debtor, its assets, liabilities, and financial performance, and contains a summary and analysis of the Plan.

On _____, 2018, the Court signed the Order Conditionally Approving Debtor's Disclosure Statement, a copy of which is attached hereto as Exhibit __, approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

All Holders of Claims and Interests should review this Disclosure Statement and the Plan before voting to accept or reject the Plan. If there are any inconsistencies between the Plan and this Disclosure Statement, the Plan provisions will govern.

READ THIS DISCLOSURE STATEMENT CAREFULLY TO LEARN:

- (1) WHO CAN VOTE ON OR OBJECT TO THE PLAN;
- (2) WHAT THE TREATMENT OF YOUR CLAIM OR INTEREST IS (i.e., what your claim or interest will receive if the Plan is confirmed) AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM OR INTEREST WOULD RECEIVE IN A CHAPTER 7 LIQUIDATION;
- (3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY;
- (4) WHAT THE COURT WILL LOOK AT TO DECIDE WHETHER TO CONFIRM THE PLAN;
- (5) THE EFFECT OF CONFIRMATION; AND
- (6) WHETHER THE PLAN IS FEASIBLE.

THE DISCLOSURE STATEMENT CANNOT ADVISE YOU ABOUT YOUR RIGHTS. YOU SHOULD CONSULT YOUR OWN ATTORNEY TO OBTAIN MORE SPECIFIC ADVICE ON HOW THE PLAN WILL AFFECT YOU AND YOUR BEST COURSE OF ACTION.

THE COURT HAS NOT YET CONFIRMED THE PLAN. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON ALL CREDITORS AND INTEREST HOLDERS IN THESE CASE.

C. Holders of Claims or Interests Allowed to Vote

Pursuant to the provisions of the Bankruptcy Code, only Holders of Allowed Claims or Equity Interests in Classes of Claims or Interests that are impaired and that are in a Class that will receive a distribution under the Plan are entitled to vote to accept or reject a proposed

chapter 11 plan. Classes of Claims or Equity Interests in which the Holders of Claims or Equity Interests are unimpaired under a chapter 11 plan are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan. Classes of Claims or Interests that receive no distribution on account of its Claims or Interests are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan. A listing of the Classes that are entitled to vote is contained in Section V.A of this Disclosure Statement.

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Acceptance of a plan by a class of interests requires acceptance by at least two-thirds of the number of shares in such class that cast ballots for acceptance or rejection of the plan.

Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not “discriminate unfairly” and is “fair and equitable” with respect to each non-accepting class.

D. Deadlines for Voting On and Objecting to The Plan; Date of Plan Confirmation Hearing

1. **Time and Place of the Confirmation Hearing.** The hearing at which the Court will determine whether or not to confirm the Plan will take place on _____, 2018, at ___:___m. in the Courtroom of the Honorable Brenda T. Rhoades, United States Judge for the Eastern District of Texas, Sherman Division at the United States Bankruptcy Court, 660 North Central Expressway, Suite 300, Plano, Texas 75074. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

2. **Deadline for Voting For or Against the Plan.** If you are entitled to vote, it is in your best interest to vote timely on the enclosed ballot (the “Ballot”) and return the Ballot in the enclosed envelope to:

MCGUIRE, CRADDOCK & STROTHER, P.C.
2501 N. Harwood
Suite 1800
Dallas, Texas 75201
Attn: Julia M. Appleton

Your ballot must be received by 5:00 p.m., prevailing Central Time, on _____, 2018, or it will not be counted. If you are a Holder of a Claim or Interest entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot or if you have any questions concerning the Disclosure Statement, the Plan or the procedure for voting on the Plan, please contact Julia M. Appleton, McGuire, Craddock & Strother, P.C., 2501 N. Harwood, Suite 1800, Dallas, Texas 75201, ((214) 954-6813).

If you hold Claims in more than one Class entitled to vote on the Plan, you will receive separate Ballots that must be used for each separate Class of Claims.

3. Deadline for Objecting to Confirmation of the Plan. Objections to the confirmation of the Plan must be filed with the Court and delivered to (a) Counsel for the Debtor, Marc W. Taubenfeld, Esq., McGuire, Craddock & Strother, P.C., 2501 N. Harwood, Suite 1800, Dallas, Texas 75201 on or before _____, 2018 at 5:00 p.m.

4. Administrative Claims and Bar Date. As set forth in the Confirmation Hearing Notice, all applications for allowance or payment of Administrative Claims against any Debtor, except for applications for compensation of Professionals retained pursuant to sections 327, 328, 330, 331, or 1103 of the Bankruptcy Code for services rendered and for reimbursement of expenses incurred on or after the Petition Date and on or before the date of the Confirmation Hearing, shall be filed not later than twenty (20) days after the Effective Date. ANY SUCH CLAIM NOT FILED WITHIN THIS DEADLINE SHALL BE FOREVER BARRED.

5. Professional Fee Bar Date. As set forth in the Confirmation Hearing Notice, all applications for allowance or payment of Professional Fee Claims pursuant to section 327, 328, 330, 331, or 1103 of the Bankruptcy Code for services rendered to the Debtor prior to the Effective Date shall file and serve on the Reorganized Debtor an application for final allowance of compensation and reimbursement of expenses no later than ninety (90) days after the Confirmation Date, unless otherwise ordered by the Court (the "Professional Fee Bar Date"). ANY SUCH CLAIM NOT FILED WITHIN THIS DEADLINE SHALL BE FOREVER BARRED.

6. Identity of Persons to Contact for More Information Regarding the Plan. Any Person desiring further information about the Plan should contact Debtor's counsel: Marc W. Taubenfeld, Esq., McGuire, Craddock & Strother, P.C., 2501 N. Harwood, Suite 1800, Dallas, Texas 75201; Telephone (214) 954-6800; Telecopy (214) 954-6850.

E. Disclaimer.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT IS OR SHALL BE DEEMED TO BE AN ADMISSION OR STATEMENT AGAINST INTEREST BY THE DEBTOR FOR PURPOSES OF ANY PENDING OR FUTURE MATTER OR PROCEEDING.

ALTHOUGH THE ATTORNEYS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTOR HAVE ASSISTED IN THE PREPARATION OF THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS PROVIDED BY THE DEBTOR AND OTHERS, IT HAVE NOT INDEPENDENTLY VERIFIED SUCH INFORMATION AND MAKE NO REPRESENTATIONS AS TO THE ACCURACY THEREOF. THE ATTORNEYS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTOR SHALL HAVE NO LIABILITY FOR THE INFORMATION IN THE DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. PERSONS HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (“SEC”), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

THE DEBTOR HAS NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT AND ANY ACCOMPANYING RECOMMENDATION LETTER, REGARDING THE PLAN OR THE SOLICITATION OF ITS ACCEPTANCE.

The financial data relied upon in formulating the Plan is based entirely on the Debtor’s books and records. The liquidation analyses, estimates, and other financial information referenced in this Disclosure Statement and attached hereto as Exhibits have been developed with the assistance of the professional advisors employed by the Debtor. Although these professional advisors assisted in the preparation of this Disclosure Statement, in doing so such professionals relied upon factual information and assumptions regarding financial, business and accounting data provided by the Debtor and third parties, much of which information has not been audited. *The professional advisors of the Debtor have not independently verified such information and, accordingly, make no representations or warranties as to its accuracy.* Moreover, although reasonable efforts have been made to provide accurate information, the Debtor cannot warrant or represent that the information in this Disclosure Statement, including any and all financial information, is without inaccuracy or omissions, or that actual values or distributions will comport with the estimates set forth herein. No entity may rely upon the Plan or the Disclosure Statement or any of the accompanying Exhibits for any purpose other than to determine whether to vote in favor of or against the Plan. The Debtor represents that everything stated in this Disclosure Statement is true to the best of its knowledge.

The discussion in this Disclosure Statement may contain “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as “may,” “expect,” “anticipate,” “estimate,” or “continue,” or the negative thereof, or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analyses, distribution projections, and other information are estimates only, and the timing and amount of actual distributions to Holders of Claims or Interests may be affected by many factors that cannot be predicted.

F. Plan Overview.

THE FOLLOWING IS A SUMMARY OF CERTAIN INFORMATION CONTAINED ELSEWHERE IN THIS DISCLOSURE STATEMENT. REFERENCE IS MADE TO, AND THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, THE MORE DETAILED INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND IN THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS SUMMARY AND THE PLAN, THE PLAN WILL CONTROL. FOR A MORE DETAILED SUMMARY OF THE PLAN, SEE ARTICLE IV OF THIS DISCLOSURE STATEMENT.

ALL HOLDERS OF CLAIMS AND INTERESTS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN ITS ENTIRETY BEFORE DECIDING WHETHER TO OBJECT TO CONFIRMATION OF THE PLAN AND WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. ALL SUMMARIES CONTAINED IN AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH DOCUMENTS, OTHER EXHIBITS HERETO, AND OTHER DOCUMENTS REFERENCED AS FILED WITH THE COURT. THIS DISCLOSURE STATEMENT WILL NOT BE UPDATED AFTER COURT APPROVAL AND, SUBSEQUENT TO THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN ARE MATERIALLY ACCURATE; OR (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

1. Plan Summary. The Debtor's Plan is a Chapter 11 Plan of Reorganization. Under the Plan, the Reorganized Debtor will continue in business in a form and manner substantially similar to Debtor's pre-petition business practice.

Under the terms of the Plan, the Claim of the Debtor's sole secured creditor, the IRS, will be fully satisfied by the payment of the obligation to the IRS as set forth in the treatment outlined in this Plan for the secured claim of the IRS. There shall be applied against the IRS's secured claims all "adequate protection" payments made by the Debtor to the IRS during the pendency of the Chapter 11 Case to the Effective Date of the Plan. The IRS's secured claim will continue to be secured by the collateral which secured its secured liens as of the bankruptcy filing date. Priority creditors will receive the treatment called for under the Bankruptcy Code for repayment of their claims under 11 U.S.C. §1129(a)(9). Unsecured creditors will be paid [the allowed amount] of their claims, without interest, in [twenty (20)] equal [quarterly] installments commencing on the first day of the first month following the Effective Date, and continuing quarterly thereafter. Equity Interest Holders shall retain their membership interests in the Reorganized Debtor, provided, however, that no distribution shall be made on account of such interests until all payments are made as provided in the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Secured Ad Valorem Tax Claims are not classified. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Confirmation Date.

II. BACKGROUND

A. Description of the Debtor and the Debtor's Business.

1. The Debtor. The Debtor is the owner of an operating in home hospice care business, with a local administrative offices, with an address of 2459 East Hebron Parkway, Suite 130, Carrollton, Denton County, Texas 75010 (the "Business"). The Business is the Debtor's principal asset. The Business has been open for approximately five (5) years. Esteem was founded in April of 2012 through an acquisition of a very small hospice program, Alamo Area Hospice, DFW. At the time of acquisition the program had only a small census of 5 active patients. Because Esteem's founder believed and had capitalized the company with sufficient funds to operate for at least 12 to 18 months before achieving a break even operating cash flow, he was confident that the company would be successful based on his history of successfully operating and growing hospice programs in Texas since the late 1990s.

What was not adequately forecast was how drastic the Dallas market had changed in the previous five years since operating in the Dallas market. In addition to a greatly increased competitive market place two other factors made growth and development equally more difficult than in prior years.

One factor was the increase of facility-owned hospices that significantly decreased available hospice market opportunities due to these facilities self-referring their hospice patients instead of making referrals to outside stand-alone hospice programs. This greatly reduced the market potential by as much as 50% from what was a key source of referrals for local areas hospices.

A second more serious consequence was that fierce competition began to force some hospice marketing programs to begin the practice of operating outside the legal limits of marketing by offering unfair and illegal inducements for hospice referrals violating anti-kickback rules and offering "pay to play" inducements. This is well documented though the Office of the Inspector General investigation in the Dallas/North Texas Market. These factors play significant roles in making it difficult to operate within the confines of compliance and good financial managements required for Esteem to grow and to become financially stable before it had exhausted its capital investments and start-up funding.

These above issues and the under-anticipated other challenges made growth and development of Esteem's Hospice very difficult, greatly impacted the company's cash flow management, and resulted in the company falling behind on many of its obligations eventually leading to the necessity for the "chapter eleven" filing in January of 2017. The company errors in under-estimating the challenges that the market place had developed and its failure to have a better financial controls in place resulted in the need for bankruptcy protection.

Since this filing the company has made significant improvements in the company operations that the Debtor believes will allow it to adequately complete a restructuring plan to pay down the company's debts and ultimately achieve its overall success as a strong healthcare business.

Corrective steps the company has made to better position itself for success include the following:

1. The Debtor has and continues to establish an effective financial accounting system with a qualified accounting person to oversee Esteem's financial accounting and management;
2. The Debtor has established strong referral sources through its own visiting physician program that has dramatically increased its hospice referral potential through its own house call program. This has also greatly increased the Debtor's inroads to home healthcare programs that refer hospice patients who are no longer appropriate for home healthcare programs;
3. Due to the success of the Office of the Inspector General office and the increase in enforcement actions on hospice programs for lack of compliance and rules of marketing, the playing field of competition is much improved, giving Esteem a fair chance in today's competitive markets;
4. Esteem now has established itself as one of the stronger hospice programs, increasing its name recognition due to amount of its time in business, making marketing and obtaining referrals more effective;
5. Esteem's growth has now placed the company in a much better position of strength and financial stability. The company has a 20% growth from the previous year of operations and a near 50 % growth when compared to 2015; and
6. Debtor created a complimentary operation providing patient in-home "house calls" to the service area of the Debtor on May 17, 2015. While start-up costs were significant, House Calls is currently operating at break-even or slightly profitable on an incremental cost basis monthly. Recently, telemonitoring was added to the services available through House Calls. In the near term this service is adding \$15,000-20,000 to House Calls' gross income. The Debtor believes that the potential referrals to the Debtor from those serviced by House Calls will become significant over time.

Esteem's bankruptcy filing was ultimately precipitated by the garnishment of a Medicaid payment of several hundred thousand dollars by the IRS in early December 2016, and the Debtor's agreement to seek bankruptcy relief in order to gain release and return of those funds by the IRS. While the IRS did return the funds to the Debtor upon its bankruptcy filing, the lack of access to those funds over a one month period prepetition exacerbated existing cash flow issues of the Debtor, causing it to fall behind to a number of creditors, including its employees and third party health providers essential to the Debtor's service business.

B. Significant IRS Indebtedness. As of the Petition Date, according to the proof of claim filed in the case by the IRS, the Debtor was indebted to the IRS in the amount of approximately \$1,706,683.73, of which \$699,181.03 is asserted as secured, \$745,865.93 is asserted as priority, and \$261,636.77 is asserted as a general unsecured claim. Virtually all of the amounts asserted arise from outstanding FICA and FUTA liability of the Debtor. In connection with the filing of the Chapter 11 Petition, the Debtor sought and obtained approval of

use of IRS's cash collateral in order to continue its operations. In connection with same, the Debtor commenced monthly adequate protection payments to the IRS.

III. SIGNIFICANT EVENTS DURING THE DEBTOR'S CHAPTER 11 CASE

On the Petition Date, the Debtor filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code. At that point, all actions and proceedings against the Debtor and all acts to obtain property from the Debtor were stayed under section 362 of the Bankruptcy Code. The Debtor continues to operate its business and manage its property as a Debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the bankruptcy case.

A. Advisors to the Debtor. The Debtor have retained McGuire Craddock & Strother, P.C. as its bankruptcy counsel.

B. Significant Court Orders. Although the Debtor is authorized to operate its business as Debtor-in-possession, it may not engage in transactions outside the ordinary course of business without approval of the Court after notice and opportunity for a hearing as provided for in the Code and Bankruptcy Rules. On and after the Petition Date, the Debtor sought and obtained from the Court certain orders that are of particular importance in the operation of the Debtor's business during the pendency of the Chapter 11 Case, including orders:

- authorizing the retention of bankruptcy-related professionals and establishing payment procedures for such professionals;
- authorizing the use of cash collateral with the agreement of Debtor's primary secured lender, IRS, and extensions of same;
- authorizing the payment of outstanding prepetition wages to the Debtor's employees and third party healthcare providers, and authorizing the payment of certain prepetition amounts to critical vendors of the Debtor;
- waiving appointment of a patient care ombudsman; and
- setting deadlines for filing of Debtor's Plan of Reorganization and for confirmation of same.

C. Creditor-Related Activities. On or shortly after the Petition Date, the Debtor mailed a Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, and Deadlines and Proof of Claim Form to all known and potential creditors of the Debtor.

On February 3, 2017, the Debtor held a meeting with its creditors as required by section 341 of the Bankruptcy Code.

On May 26, 2017 Palmetto GBA, the Debtor's Medicare servicer, sent a letter to the Debtor demanding repayment of an alleged Medicare CAP overpayment for the year ended October 31, 2016. Palmetto claimed an alleged overpayment totalling \$821,399.00.

While the Debtor disputes this claim, it was determined to be in the Debtor's best interest to submit a request for an Extended Repayment Schedule (ERS), as worst case resolution of this claim. It is important to note that there were no billing errors or intentional submission of inaccurate data on the Debtor's part when billing Medicare for insured patient services. Rather, the timing of the calculation had a substantial negative effect on Debtor's CAP status. Had the calculation been performed at the end of the 2016 CAP year, as has been traditionally done, there would have been no alleged overpayment.

Medicare regulations state that the "Best information available" be used when performing the CAP analysis. Therefore, 2017 activity included in the calculation resulted in the equivalent of a 34 percent movement of Cap allowance from CAP year 2016 to CAP year 2017. Given the \$27,820.75 total per patient allowance, the 2017 activity reduced the total 2016 Allowance by approximately \$ 945,905.

There have been numerous attempts to change the Medicare CAP requirements, or remove them completely and related lawsuits. As a result, in the interim, the ERS was determined to be a potential "least cost" alternative, which does not prevent Debtor disputing the claim. On July 24, 2017, the ERS was approved.

When the ERS request was submitted, the first payment in the amount of \$17,141.43 was included as required by CMS. Upon approval, the Debtor was notified that future payments, including the August, 2017 remittance, would be net of the required monthly ERS payment. Thus, while the Debtor is pursuing an administrative appeal of the audit result, the parties agreed that a certain set amount will be deducted from each successive monthly Medicare amount to be paid/reimbursed to the Debtor for a sixty month period (unless the Debtor is successful in its appeal of the audit results).

D. Filing of Schedules and Statements of Financial Affairs. On January 31, 2017, the Debtor filed its Statements of Financial Affairs with the Court, on February 1, 2017 the Debtor filed its Schedules, and on February 7, 2017, the Debtor filed an Amended Summary of Schedules a Supplemental Schedule F, and an Amended 20 Largest Creditors list in the case, describing the Debtor's assets, liabilities, and executory contracts.

E. Claims Process.

1. Claims Bar Date and Proofs of Claim. The Court established the general deadline for filing proofs of claim against the Debtor (the "Bar Date") as May 4, 2017 for prepetition claims not listed on the Debtor's Schedules or that were listed as contingent, unliquidated, or disputed. Additionally, the Court established the deadline for governmental units to file proofs of claim against the Debtor (the "Government Bar Date") as July 10, 2017. As of December 29, 2017, the Debtor estimates the total of Unsecured Claims will be approximately \$380,000.00, though this estimate is subject to change given that the Government Bar Date is still a month away and certain claims may be subject to objection by the Debtor. This estimate takes into account claims listed as contingent, unliquidated, or disputed, but each creditor with such a claim must file a proof of claim in order to receive any distribution under the Plan.

2. Claims Objections and Claims Resolution. The Debtor is reviewing plans with respect to possible objections to certain Claims. Depending on the outcome of these objections, the actual ultimate aggregate amount of Allowed Claims may differ significantly from the above estimate.

3. Preparation of Claims Estimates. The Debtor has engaged in reviewing and analyzing the Claims asserted in the Case. As a result of these efforts, substantial progress has been made in (a) reconciling the amount and classification of outstanding Claims and (b) consideration of prosecuting objections to Claims. In addition, the Debtor, has, among other things, (i) identified Claims or categories of Claims for future resolution and (ii) identified existing or potential Claims disputes.

Through these various activities, the Debtor has developed estimates of Allowed Claims in each Class established under the Plan. The Debtor has prepared these estimates based primarily on the following: (a) projections based on anticipated future Claim reconciliations and Claim objections, (b) the comparison of asserted Claims against the Debtor's books and records, (c) the Debtor's experience in reconciling Claims prior to and following the commencement of the Chapter 11 Case, (d) the historical experience of the Debtor's professionals in other chapter 11 Case, (e) an analysis of the litigation risks associated with Disputed Claims, and (f) other legal and factual analyses unique to particular types of Claims.

The Debtor's estimates of Allowed Claims is identified later in this Disclosure Statement and forms the basis of projected recoveries for each Class. Notwithstanding the Debtor's efforts in developing its Claims estimates, the preparation of such estimates is inherently uncertain, and accordingly there is no assurance that such estimates will accurately predict the actual amount of Allowed Claims in the Case. As a result, the actual amount of Allowed Claims may differ significantly from the Debtor's claims estimates contained herein.

F. Health Issues of the Debtor's Management. During the course of the Chapter 11 proceeding, several critical members of the Debtor's management and marketing teams suffered personal health issues, or health issues to very close relatives. Those illnesses significantly impacted the Debtor's reorganization efforts in delaying (a) negotiations with potential financing and purchase sources, (b) implementation of the Debtor's turnaround strategy, (c) implantation of a census increase campaign, and (d) the ability of the Debtor's management team to focus on reorganization efforts. While some health issues are ongoing, most have been weathered, and the Debtor believes that the previously-ill individuals are now able to refocus on the Debtor's reorganization efforts. The health issues to the Debtor's key personnel were as follows:

1. Gary Merchant, CEO and managing member, began having a serious health issue in June, when he was having significant shortness of breath. Mr. Merchant was treated for upper respiratory infections but did not respond to antibiotic therapies. He was eventually diagnosed with stage 4 lymphoma in September, after diagnostic tests including a lung biopsy were preformed and ordered by his cardiologists and his pulmonologist. Mr. Merchant started chemotherapy in September of 2017 and will continue same through February 2018. He is responding positively to his chemotherapy, but had to miss a significant amount of time due to treatments and the side effects of the treatments.

2. Megan Merchant, Executive Director, also experienced a distraction with her thirteen year old daughter's health issues beginning in October, when she became very ill. After numerous doctor appointments, Ms. Merchant's daughter, Lily, was admitted to Children's Medical Center Dallas on November 2, 2017. She remained in the hospital undergoing IV antibiotics for 10 days. During her stay in the hospital, her legs and body became very weak to the point that she became unable to walk and assist herself with all daily personal needs. Lily was discharged from Children's Hospital Dallas to Our Children's House for inpatient physical therapy for an additional two weeks of intensive therapy, and will continue in an intensive five day outpatient therapy program until the end of December. Although Ms. Merchant's daughter remains wheelchair-dependent, she will return to school in early January 2018, and will start a 2-3 day therapy program allowing Ms. Merchant to spend more time fulfilling her role as the Executive Director of Esteem.

3. Jamie George, Director of Marketing, had a seventeen year old son who was diagnosed with gastro cancer in January, 2017. Mrs. George's son lost his battle with cancer and died October 28, 2017. Leading up to his death, despite countless hours receiving chemo, in late August, his cancer began to advance. This required more and more attention and effort for symptom management by Mrs. George, with significant issues continuing throughout September that led up to his passing at the end of October. After her son's death, Mrs. George herself fell very ill in November, and was hospitalized and placed on a ventilator in intensive care for almost two weeks. Fortunately, Mrs. George was able to recover, and has just recently returned to work. Mrs. George is expected to be back to work in a full capacity in January 2018. Mrs. George has been, and is the leading sales marketing employee of the company. Her absence was keenly felt by the Debtor, as, in her absence, the agency experienced a significant down turn in patient referrals. With Mrs. George back, the Debtor believes that it will quickly return to its prior patient referral rates.

G. Management of the Debtor. The Debtor's Sole Member is Esteem Healthcare Services, LLC, a Texas LLC. Gary Merchant is the Managing member of that entity. Mr. Merchant will continue in that position post-confirmation.

IV. THE PLAN OF REORGANIZATION

THE DISCUSSION OF THE PLAN SET FORTH BELOW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED PROVISIONS SET FORTH IN THE PLAN AND THE OTHER EXHIBITS AND SCHEDULES TO THIS DISCLOSURE STATEMENT, THE TERMS OF WHICH ARE CONTROLLING. HOLDERS OF CLAIMS OR INTERESTS AND OTHER INTERESTED PARTIES ARE URGED TO READ THE PLAN AND THE EXHIBITS AND SCHEDULES TO THIS DISCLOSURE STATEMENT IN ITS ENTIRETY SO THAT IT MAY MAKE AN INFORMED JUDGMENT CONFIRMING THE PLAN.

A. Summary of Payments to Creditors and Interest Holders.

1. Distributions Generally. On the Effective Date or as soon as practicable after the Effective Date, the Debtor shall pay all Administrative Claims in full in Cash. The

Debtor estimates such payment will total approximately \$687,518.52. Under the Plan, the Debtor will pay holders of secured claims in Class 1 in accordance with the treatment identified for each respective secured creditor, the Debtor will pay holders of priority unsecured claims in Class 2 in accordance with the treatment required for same under the Bankruptcy Code, and the Debtor will pay holders of Class 3 Unsecured Claims 100% of the Face Amount of such claims over a 5 year period as set forth in the Plan.

The Debtor will reserve payments payable to holders of Disputed Unsecured Class 3 Claims pending allowance or disallowance of the Claims, as more fully described below.

2. Information in Exhibits to the Plan. All of the information set forth in this Disclosure Statement and the Exhibits to the Plan is subject to the Disclaimer set forth in Article I.E herein.

The information summarized in Exhibits to the Plan (the “Summary Exhibits”) is based on financial data from the Debtor’s books and records. The Summary Exhibits reference the assets and liabilities indicated in the Debtor’s Monthly Operating Report as of November 30, 2017. The amounts shown for unsecured claims in the Summary Exhibits are based upon the Debtor’s estimates of such claims and the Claims Register in the case. The Summary Exhibits include cash and cash equivalents representing the U.S. cash on hand at November 30, 2017.

Included in the Summary Exhibits is the Debtor’s Projected Liquidation Value Analysis, which estimates the recovery for unsecured creditors should the Estates be liquidated. For purposes of the Projected Liquidation Value Analysis, accounts receivable from non-affiliated third parties were estimated at approximately \$623,000.¹

3. Distributions. The chart below sets forth the estimated distributions to holders of Claims and Interests in the event that the Plan becomes effective:

Class	Description of Class	Impaired	Treatment of Claims	Proponent’s Estimate of Amount of Allowed Claims and Estimated Percentage Recovery
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¹ Per the Debtor’s November 2017 Monthly Operating Report filed herein on or about December 20, 2017.

Class	Description of Class	Impaired	Treatment of Claims	Proponent's Estimate of Amount of Allowed Claims and Estimated Percentage Recovery
Class 1	Internal Revenue Service	Yes	Paid over sixty (60) months using the same terms as the existing cash collateral agreement in the case, with credit for adequate protection payments made during the pendency of the case.	\$536,039.03 100%
Class 2	Priority Claimants	No	Paid in accordance with the requirements of Section 1129(a)(9)(C) of the Bankruptcy Code over a sixty (60) month period from the CAP Effective Date.	\$745,865.93 100%
Class 3	General Unsecured Claims	Yes	Paid Quarterly Class 3 Distribution Amounts over 60 months until paid in full without interest.	\$534,986.83 100%
Class 4	Equity Interests	No	LLC interest retained, but no distributions allowed based on equity ownership until Class 3 General Unsecured Claims paid their full contemplated Plan payments.	\$ 0 0%

B. Overview of the Requirements for a Plan Under the Bankruptcy Code. Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall designate classes of a Debtor's claims and interests. A plan divides the claims and interests into classes and sets forth the treatment offered each class. Section 101(5) of the Bankruptcy Code defines "claim" as:

[any] right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or

unsecured; or 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, disputed, undisputed, secured or unsecured.

Section 1122 of the Bankruptcy Code requires that each class of claims and interests contain only claims and interests which are substantially similar to each other. The Debtor believe that it have classified all Claims and Interests in compliance with the provisions of Section 1122. The Classes in the Plan take into account the differing nature and, with respect to certain categories of Classes, priority under the Bankruptcy Code of the various Claims and Interests. It is possible, although not likely, however, that the Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtor, to the extent permitted by the Court and applicable law, to modify the classifications in the Plan as required by the Court and to use any acceptances received for the purpose of obtaining approval of the Class or Classes of which the accepting holder is a member.

C. Treatment of Unclassified Claims. The Bankruptcy Code provides that certain types of claims need not be classified as part of a plan. The proposed treatment of such unclassified claims under the Plan is as follows:

1. Administrative Claims. Administrative Claims consist of any Claim constituting a cost or expense of administration of the Chapter 11 Case asserted under Section 503(b) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses after the Petition Date of operating the business of the Debtor, any indebtedness or obligations incurred or assumed by the Debtor in connection with the conduct of its business or for the acquisition or lease of property or the procurement or rendition of services, any costs and expenses of the Debtor for the management, maintenance, preservation, sale or other disposition of any assets, the administration and implementation of the Plan, the administration, prosecution or defense of Claims of or against a Debtor and distributions under the Plan, any Claims for compensation and reimbursement of expenses arising during the period from and after the Petition Date and prior to the Confirmation Date or otherwise in accordance with the provisions of the Plan, and any fees or charges assessed against the Estate of a Debtor under Section 1930, Chapter 123, Title 28, United States Code.

Pursuant to the Plan, except to the extent that an Allowed Administrative Claim has been paid by a Debtor or Debtor before the Effective Date or the holder of such Claim agrees to a different treatment, each holder of an Allowed Administrative Claim against any Debtor will be paid in full in Cash by the Consolidated Estates on the later of the (i) Effective Date and (ii) the date such Administrative Claim becomes an Allowed Administrative Claim, or within ten (10) days thereafter. All Persons requesting compensation or reimbursement of expenses pursuant to section 503(b) of the Bankruptcy Code for services rendered on or before the Effective Date shall file and serve on the Debtor, the Creditors Committee and the United States Trustee an application for final allowance of compensation and reimbursement of expenses not later than thirty days after the Effective Date.

All Professionals or other Persons requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 506, and 1103 of the Bankruptcy Code for services rendered on or before the Effective Date shall file and serve on the Debtor, the Creditors Committee and the United States Trustee an application for final allowance of compensation and reimbursement of expenses not later than ninety days after the Effective Date.

D. Treatment of Classified Claims.

1. Class 1: Treatment of Secured Claim of the IRS.

The Class 1 Secured Claim of the IRS shall be fully satisfied and discharged as follows:

(1) There shall be applied and credited against the Class 1 Secured Claim all "adequate protection" payments made by the Debtor to the IRS during the pendency of the Chapter 11 Case to the Effective Date of the Plan.

(2) The Class 1 Secured Claim, as reduced by the applications and credits detailed in sub-paragraph 1 above, shall be satisfied by the payment of the remaining secured portion of the IRS claim, with payments of \$9,871.72 per month, over a sixty (60) month period, with such period beginning on the Effective Date of the Debtor's Plan and continuing for each month thereafter until the Class 1 Secured Claim of the IRS is paid in full. As a result, the Class 1 Secured Claim of the IRS is impaired. This Claim has a Face Amount of \$536,039.03. The Class 1 Secured Claim of the IRS shall continue to be secured by the collateral which secures the existing IRS secured liens. The Debtor anticipates paying the IRS's claim from its continuing operations.

2. Class 2: Treatment of Priority Unsecured Claims. . The Class 2 Priority Claims, including the priority portion of the IRS's claim, shall be fully satisfied and discharged as follows:

The Class 2 Priority Unsecured Claims shall be satisfied by the payment of the full allowed amount of each such Class 2 Priority Unsecured Claim in accordance with the requirements of Section 1129(a)(9)(C) of the Bankruptcy Code, in quarterly payments over a sixty (60) month period, starting on the Effective Date with the first such payment to be made on the first day of the third month following the Effective Date .

3. Class 3: Treatment of General Unsecured Claims. Class 3 consists of all unsecured claims. Class 3 is impaired. In full satisfaction, release and discharge of and in exchange for such Class 3 General Unsecured Claim, each holder of a Class 3 General Unsecured Claim shall receive payments totaling 100% of the Face Amount of such claims. Class 3 Unsecured Claims will be paid in twenty (20) quarterly installments, as follows: (a) Cash totaling 5% of the Face Amount of such claim upon the later of the first day of the first month following the Effective Date or the Claims Objection Deadline, or as reasonably practicable thereafter; (b) Cash totaling 5% of the Face Amount of such claim in each of nineteen (19) quarterly payments thereafter, with the final payment to be made no later than sixtieth (60th)

months after the Effective Date. The Debtor anticipates paying general unsecured creditors' claims from its continuing operations.

4. Class 4: Treatment of Equity Interests. Class 4 is unimpaired. The Class 4 Equity Interest Holder shall retain its membership interest in the Reorganized Debtor, provided, however, that no distribution shall be made on account of such interest until all payments contemplated to be made to Class 3 General Unsecured Claimants are made, as provided by the Plan.

E. Miscellaneous Provisions.

1. Modification. The Debtor may propose amendments to or modifications of this Plan as permitted by section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date.

2. Corporate Action. All matters and actions provided for under this Plan involving the corporate structure of the Debtor or corporate action to be taken by or required of the Debtor shall be deemed to have occurred and be effective as provided herein, and shall be deemed to be authorized and approved in all respects without any requirement for further action by the stockholders or board of directors of any of the Debtor.

3. Substantial Consummation. The Plan shall be deemed substantially consummated within the meaning of Section 1101(2) of the Bankruptcy Code upon the Effective Date. Notwithstanding the entry of a Final Decree closing the Chapter 11 Case, the Court shall continue to have jurisdiction over the matters set forth herein and under Article XII of the Plan.

F. Assumption of Real Property Lease Agreement. Unless an order has been entered prior to the Confirmation Date, the Debtor will assume the Lease Agreement with Hebron Ridge, LLC for lease of real property at 2459 East Hebron Parkway, Suite 130, Carrollton, Denton County, Texas 75010, where the Debtor's Business operates (the "Lease"), pursuant to the Plan. The Debtor is current in payments under the Lease.

G. Objections to Claims and Causes of Action. After the Effective Date, Debtor will have the sole authority to object to Claims and pursue causes of action.

H. Payment of Fees Under 28 U.S.C. §1930. Any fees due under 28 U.S.C. §1930 after the Effective Date shall be paid from the Debtor's Estate.

V. CONFIRMATION REQUIREMENTS AND PROCEDURES

The Bankruptcy Court may confirm the Plan only if it determines that the Plan complies with the technical requirements of chapter 11, including, among other things, that (a) the Plan has properly classified Claims and Interests, (b) the Plan complies with applicable provisions of the Bankruptcy Code, (c) the Debtor have complied with applicable provisions of the Bankruptcy Code, (d) the Debtor have proposed the Plan in good faith and not by any means forbidden by law, (e) disclosure of "adequate information" as required by Section 1125 of the Bankruptcy Code has been made, (f) the Plan has been accepted by the requisite votes of all classes of creditors (except to the extent that "cramdown" is available under Section 1129(b) of the

Bankruptcy Code), (g) the Plan is in the “best interests” of all holders of Claims or Interests in an Impaired Class, and (h) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Consummation Date.

A. Who May Vote or Object. In accordance with Sections 1126 and 1129 of the Bankruptcy Code, the Claims in Classes 1 and 3 of the Plan are impaired, and the holders of Claims in these Classes as of the date of the entry of the Order approving the Disclosure Statement (the “Voting Record Date”) are entitled to vote to accept or reject the Plan. The votes of holders of Claims in these Classes will be solicited. Holders of Claims in Class 2 are proposed to be paid the treatment called for under the Bankruptcy Code for such priority creditors, and, thus, are unimpaired. Votes of holders of Class 2 claims will not be solicited. Holders of Interests in Class 4 will retain any property on account of such Interests and, under the Bankruptcy Code, are conclusively deemed to have accepted the Plan. Votes of holders of Interests in Class 4 will not be solicited.

B. Vote Required for Class Acceptance. As to the classes of claims and interests entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in amount, and more than one-half in number, of the claims of that class that actually cast ballots for acceptance or rejection of the plan determined without including any acceptance of the plan by an insider. The Bankruptcy Code defines acceptance of a plan by a class of interests as acceptance by holders of at least two-thirds in amount of the allowed interests held by holders of such interests that actually cast ballots for acceptance or rejection of the plan. The Bankruptcy Code does not require that each claim or interest holder vote in favor of a plan of reorganization in order for the Court to confirm the plan. At a minimum, however, the plan must be accepted by the required number of holders of claims and interests in a class actually voting.

HOLDERS OF CLAIMS OR INTERESTS WHO FAIL TO VOTE WILL NOT BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN. TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN 5:00 P.M., ON AUGUST 8, 2014.

C. The Confirmation Hearing; Requirements for Confirmation. The Bankruptcy Code requires the Court, after notice, to hold a Confirmation Hearing. The Confirmation Hearing in respect of the Plan has been scheduled for _____, 2018, at __:__ .m. before the Honorable Brenda T. Rhoades, United States Bankruptcy Judge for the Eastern District of Texas, Sherman Division, at the United States Bankruptcy Court, 660 North Central Expressway, Suite 300, Plano, Texas 75074. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any party in interest may object to confirmation. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim against or the Interest in a Debtor held by the objector. Any such objection must be filed with the Court and served so that it is received by the Clerk of the Court at 660 North Central Expressway, Suite 300, Plano, Texas 75074. and the following persons on or before _____, 2018, at 5:00 p.m., prevailing Central time:

McGuire, Craddock & Strother
3550 Lincoln Plaza
500 North Akard
Dallas, Texas 75201
Attn: Marc W. Taubenfeld

U.S. Department of Justice
United States Trustee
Region 6
Eastern & Northern District of Texas
110 N. College, Suite 300
Tyler, Texas 75702
Attn: Timothy W. O'Neal

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

Even if all classes of claims and interests were to accept a plan, the Court must make certain findings set forth in section 1129 of the Bankruptcy Code before confirming a plan. At the Confirmation Hearing, the Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (a) accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the plan “does not discriminate unfairly” and is “fair and equitable” as to such class, (b) feasible and (c) in the “best interests” of creditors and stockholders that are impaired under the plan. Section 1129 of the Bankruptcy Code requires, among other things, that a plan be in the “best interests” of creditors, which generally requires that the value of the consideration to be distributed to the creditors under a plan may not be less than creditors would receive if the debtor were liquidated under a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. A plan must also be “feasible,” which requires there is a reasonable probability that the debtor will be able to perform the obligations imposed by the plan, and that the debtor will be able to continue operations without the need for further financial reorganization. Section 1129 of the Bankruptcy Code additionally requires, among other things, that a plan comply with the applicable provisions of the Bankruptcy Code and other applicable law, that the Plan be proposed in good faith, and that at least one impaired class of creditors has voted to accept the plan. The Debtor believe that the Plan will satisfy all the applicable requirements of section 1129 of the Bankruptcy Code.

1. Unfair Discrimination and Fair and Equitable Tests. To obtain non-consensual confirmation of the Plan, it must be demonstrated to the Court that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each impaired, non-accepting class. The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cramdown” tests for secured creditors, unsecured creditors, and equity holders, as follows:

- a. Secured Creditors. Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired

secured creditor realizes the “indubitable equivalent” of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens, with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds to be as provided in clause (i) or (ii) of this subparagraph.

- b. Unsecured Creditors. Either (i) each impaired unsecured creditor receives or retains, under the plan, property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.
- c. Equity Interests. Either (i) each holder of an equity interest will receive or retain, under the plan, property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of the interest or (ii) the holder of an interest that is junior to the non-accepting class will not receive or retain any property under the plan.

The Debtor reserves the right to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code notwithstanding the rejection of the Plan by any Classes of Claims or Interests. The Debtor believes that the Plan may be confirmed pursuant to the above-described “cramdown” provisions, over the dissent of certain Classes of Claims and Interests, in view of the treatment proposed for such Classes. The Debtor does not believe that the Plan unfairly discriminates against any potential dissenting Class because all Classes of equal rank are treated equally under the Plan.

2. Best Interests Test. With respect to each impaired Class of Claims and Interests, confirmation of the plan requires that each holder of a Claim or Interest against a Debtor either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

The Debtor believes that Unsecured Creditors will receive more under the Plan than in a liquidation. In fact, Debtor believes that only Secured and Priority Creditors would be satisfied and that Unsecured Creditors would receive nothing in a liquidation. The Debtor has attached hereto as Exhibit 2 the Debtor’s Liquidation Analysis (the “Liquidation Analysis”), which is an estimated calculation of recovery for all classes of creditors in the event the Estate was liquidated. To prepare the Liquidation Analysis, the Debtor relied on several points. First, all of Debtor’s assets are subject to the liens of the IRS, and the liquidation value of said collateral is not believed to be greater than the aggregate of the secured and priority claims held by the IRS. In addition, liquidating the Debtor’s Estate pursuant to a chapter 7 liquidation would require the appointment of a chapter 7 trustee. The appointment of the chapter 7 trustee, as well as any professionals retained by the chapter 7 trustee, would increase the operating costs associated with the liquidation of the Debtor’s Estate. Further, a chapter 7 trustee would not have the benefit of the historical knowledge of the Debtor to resolve the Disputed Claims

efficiently. Therefore, the Debtor believes that a chapter 7 trustee, on average, would settle Disputed Claims for higher amounts than would the Debtor. In addition, a conversion to chapter 7 would take time, and a chapter 7 trustee, once appointed, and any professionals hired by the chapter 7 trustee, would not be able to operate the Debtor's hospice, as it is a medical LLC, and would also need time to gain familiarity with the Debtor and its creditors, further delaying any initial distribution to creditors. Finally, the Debtor believes that a chapter 7 trustee would not be able to recover the Debtor's accounts receivable as efficiently as the Debtor.

3. Feasibility. Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successors to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan. The financial projections attached in Exhibit 1 attached hereto demonstrate that Debtor will operate on a positive cash flow basis and will be able to fund distributions under the Plan. Accordingly, the Debtor believes that the Plan is feasible and meets the requirements of section 1129(a)(11) of the Bankruptcy Code.

D. Risks Associated with the Plan.

HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE) PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. This information, however, should not be regarded as the only risk involved in connection with the Plan and its implementation. The primary risk faced by holders of Claims is that the amount of Allowed Claims in the various Classes may be higher than estimated. In addition, in the event that market conditions change, Debtor may not meet its financial projections. If total Allowed Claims, including Administrative, Secured, or Priority Claims, sufficiently exceed the Debtor's estimates, holders of Claims could receive less than payment in full.

VI. EFFECT OF CONFIRMATION OF PLAN

A. General Authority. During the period from the Confirmation Date and up to but not including the Effective Date, the Court shall retain custody and jurisdiction of each Debtor, its property and its operations in accordance with the provisions of the Bankruptcy Code.

B. Compromise and Settlement of Certain Class of Controversies. From and after the Confirmation Date, all controversies pending before any court other than the Court shall constitute a class of controversies under Rule 9019(b) of the Bankruptcy Rules, and the Reorganized Debtor may compromise or settle any controversy in such class without further approval by the Court.

C. Revesting of Assets. On the Effective Date, all property of the Debtor will vest in the Reorganized Debtor.

D. Discharge. In accordance with section 1141 of the Bankruptcy Code, confirmation of the Plan will discharge the Debtor from any Claim.

E. Term of Existing Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to Sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall continue permanently, to the extent permitted by applicable law, as to the Debtor and Reorganized Debtor. The stay of any act provided by section 362 of the Bankruptcy Code shall also apply to the property of the Reorganized Debtor.

F. Exculpation of Directors, Officers and Others. As of the Effective Date, neither the Debtor, the Reorganized Debtor, or any of their respective members, officers, directors, employees, advisors, professionals or agents so serving as of the Petition Date or thereafter (the “Exculpated Parties”) shall have or incur any liability to any holder of a claim or interest, for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case of any Debtor, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan, or the property to be distributed under the Plan except for with respect to any such Exculpated Party:

- a. Any indebtedness of such Exculpated Party to a Debtor for money borrowed by such Exculpated Party;
- b. Any setoff or counterclaim a Debtor may have or assert against such Exculpated Party;
- c. The uncollected amount of any claim made by a Debtor (whether in a filed pleading, by letter or otherwise) prior to the Effective Date against such Exculpated Party; or
- d. Any claims arising from the fraud, gross negligence or willful misconduct of such Exculpated Party.

G. Preservation of Rights of Action. Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement entered into in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain the sole and exclusive authority to enforce any claims, rights and causes of action that the Debtor or its Estates may hold against any entity.

H. Additional Injunction. Except as provided herein, as of the Effective Date, all persons are permanently enjoined from commencing or continuing in any manner, any action or proceeding, whether directly, derivatively, on account of or respecting any claim, debt, right or cause of action of the Debtor, of which the Debtor retain sole and exclusive authority to pursue in accordance with this Plan or which has been released by the Debtor in accordance with this Plan.

I. Retention of Jurisdiction.

The Bankruptcy Court shall retain and have exclusive jurisdiction over the Chapter 11 Case for the following purposes:

1. to resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom;
2. to enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan;
3. to determine any and all adversary proceedings, applications and contested matters with respect to the Debtor.
4. to ensure that distributions to holders of Allowed Claims and Allowed Interests are accomplished as provided herein;
5. to hear and determine any timely objections to Administrative Claims or to proofs of claim and equity interests filed, both before and after the Confirmation Date, including any objections to the classification of any Claim or Interest, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of the secured or unsecured status or any Claim, in whole or in part;
6. to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;
7. to issue such orders in aid of execution of the Plan, to the extent authorized by Section 1142 of the Code;
8. to consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;
9. to hear and determine all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;
10. to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan or the extent of any entity's obligations incurred in connection with or released under the Plan;
11. to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation or enforcement of the Plan, except as otherwise provided herein;

12. to determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement;
13. to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
14. to hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code; and
15. to enter a final decree closing the Chapter 11 Case.

J. Alternatives To Confirmation of the Plan. The Debtor believes that the Plan affords holders of Claims, as a whole, the potential for the greatest feasible realization from the Debtor's assets, and, therefore, is in the best interest of such holders. The Debtor has considered alternatives to the Plan such as a chapter 7 liquidation. In the opinion of the Debtor, such alternatives would not afford holders of Claims or Interests a return greater than may be achieved under the Plan.

If no plan can be confirmed, a Debtor's chapter 11 case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. The Debtor believes that a liquidation under chapter 7 would result in little or greatly reduced distributions to Holders of Claims. This determination is based, in part, upon a consideration of the effects that chapter 7 liquidation would have on the ultimate proceeds available for distribution to Holders of Allowed Claims and Interests, including (i) the erosion in value of assets in chapter 7 Case in the context of the expeditious liquidation required under chapter 7; (ii) the diminution of liquidation proceeds as a result of the departure of employees whose services would be required in connection with the liquidation and in order effectively to handle the Claims objection process; and (iii) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable on a priority basis to a chapter 7 trustee and professional advisors to such trustee.

K. Setoff and Other Defenses. Unless otherwise authorized by a Final Order, any holder of a Claim must assert any setoff, recoupment, or other defensive rights against a claim by properly filing a proof of claim form asserting such defensive right. However, unless such a proof of claim is properly filed in these Case, a party may only preserve such defensive right by filing an appropriate motion seeking authority to use such defensive claim on or before the Effective Date or will be deemed to have waived and be forever barred from asserting any right to setoff against a claim by the Debtor, provided, however that the Debtor must have provided not less than thirty (30) days' notice of the existence of such claim, with a reasonable description thereof, to the Claimholder (with a notice of the existence of this provision), prior to this section taking effect.

VII. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. General. A summary description of certain federal income tax consequences of the Plan is provided below. The description of tax consequences below is for informational purposes only and is subject to significant uncertainties. Only the principal consequences of the Plan for the Debtor and for the Holders of Claims or Interests who are entitled to vote to confirm or reject the Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan, and no tax opinion is given by this Disclosure Statement. No rulings or determinations of the Internal Revenue Service (“IRS”) or any other tax authorities have been obtained or sought with respect to the Plan, and the description below is not binding upon the IRS or such other authorities.

The following discussion of federal income tax consequences is based on the Internal Revenue Code (the “Code”), regulations promulgated and proposed thereunder, judicial decisions and published administrative rulings and pronouncements of the IRS as in effect on the date hereof. Legislative, judicial or administrative changes or interpretations enacted or promulgated in the future could alter the analyses and conclusions set forth below. Any such changes or interpretations may be retroactive and could significantly affect the federal income tax consequences discussed below.

This discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal tax consequences of the Plan to special classes of taxpayers (such as foreign entities, nonresident alien individuals, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, broker/dealers and tax-exempt organizations). Furthermore, estate and gift tax issues are not addressed herein.

No representations are made regarding the particular tax consequences of the Plan to any Holder of a Claim or Interest. Each Holder of a Claim or Interest is strongly urged to consult its own tax advisor regarding the federal, state, local and foreign tax consequences of the transactions described herein and in the Plan.

B. Federal Income Tax Consequences to the Debtor.

1. Regular Federal Income Tax. Federal income taxes, like many other taxes, are priority claims. Accordingly, such claims must be satisfied before most other claims may be paid. With the possible exception of alternative minimum tax, the Debtor do not believe that any federal income taxes have accrued with respect to taxable years ending after the Petition Date because the Debtor have not, as an affiliated group filing consolidated tax returns, had positive taxable income for those periods.

Generally, the discharge of a debt obligation by a debtor for an amount less than the adjusted issue price (in most Case, the amount the debtor received on incurring the obligation, with certain adjustments) gives rise to cancellation of debt (“COD”) income, which must be included in the Debtor’s income. The Debtor should be able to utilize a special tax provision which excludes from income debts discharged in a Chapter 11 case. If debts are discharged in a Chapter 11 case, however, certain tax attributes otherwise available must be

reduced, in most Case by the principal amount of the indebtedness forgiven. Tax attributes subject to reduction include net operating losses (“NOLs”) and NOL carryforwards. If the Debtor have COD income as a result of the Plan, the Debtor’s NOLs would first be available to offset any gains recognized on the liquidation of the Debtor’s assets. Accordingly, it is not expected that the Debtor will owe regular federal income tax with respect to taxable years ending after the Petition Date. If, however, the IRS were to prevail in assessing federal income tax for any of these years, payments of such taxes would reduce the amounts otherwise available for distribution under the Plan. Any remaining NOLs would then be reduced as a result of the excluded COD income to the extent of such COD income.

2. Alternative Minimum Tax. A corporation or a consolidated group of corporations may incur alternative minimum tax liability even where NOL carryovers and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. It is possible that the Debtor will be liable for the alternative minimum tax.

C. Federal Income Tax Consequences to Holders of Claims. Holders of Claims or Interests should generally recognize gain (or loss) to the extent the amount realized under the Plan in respect of its Claims exceeds (or is exceeded by) its respective tax bases in its Claims or Interests. The amount realized for this purpose will generally equal the amount of cash received under the Plan in respect of its respective Claims or Interests.

The tax treatment of Holders of Claims or Interests and the character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan will depend upon, among other things, (i) the manner in which a holder acquired a Claim or Interest; (ii) the length of time a Claim or Interest has been held; (iii) whether the Claim or Interest was acquired at a discount; (iv) whether the Holder has taken a bad debt deduction in the current or prior years; (v) whether the Holder has previously included accrued but unpaid interest with respect to a Claim or Interest; (vi) the method of tax accounting of a Holder, and (vii) whether a Claim or Interest is an installment obligation for federal income tax purposes. Therefore, HOLDERS OF CLAIMS OR INTERESTS SHOULD CONSULT ITS OWN TAX ADVISORS FOR INFORMATION THAT MAY BE RELEVANT TO ITS PARTICULAR SITUATION AND CIRCUMSTANCES AND THE PARTICULAR TAX CONSEQUENCE TO SUCH HOLDERS AS A RESULT THEREOF.

D. Information Reporting and Backup Withholding. Certain payments, including the payments of Claims or Interests pursuant to the Plan, are generally subject to information reporting by the payor (a Debtor or Reorganized Debtor) to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Code’s backup withholding rules, a Holder of a Claim or Interest may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan, unless the Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. The backup withholding rate will decrease to 29% in 2014 and 2005, and 28% thereafter, until 2011, when the percentage will revert to 31% unless amended by Congress.

E. Importance of Obtaining Professional Tax Assistance.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASE UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH ITS TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

VIII. CONCLUSION AND RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan is preferable to other alternatives because it will result in the greatest recovery to Holders of Claims against the Debtor. Other alternatives would involve significant delay, uncertainty, and substantial administrative costs.

Consequently, the Debtor urges all Holders of Claims entitled to vote to accept the Plan and to evidence its acceptance by duly completing and returning its Ballots so that it are received on or before 5:00 p.m., prevailing Central Standard Time, on _____, 2018.

Dated: December 29, 2017

Respectfully submitted,

ESTEEM HOSPICE, LLC

By: **ESTEEM HEALTHCARE SERVICES, LLC**, its Sole Member

By: /s/ Gary Merchant (12/29/17)

Its: Managing Member

COUNSEL:

By: /s/ Marc W. Taubenfeld (12/29/17)

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Counsel to the Debtor

EXHIBIT A - Treatment of Claims

Esteem Hospice, LLC

Class	Impaired ? Y/N	Short Description	Endnotes	Estimated Claims	Claim % to be paid	Effective Date (projected 04/01/2018)	Every []Months	Term	Interest Rate	Amortizing Payments	Equivalent \$ on Monthly Basis	\$ At End of Term	Totals
Secured		US Trustee Fees											
Secured		Tax Sec. 507(a)(8) IRS		\$699,181.03	100%	\$536,039.03	1	60	4.00%	\$9,871.72	\$9,871.72	\$0.00	\$755,445.20
Secured		Tax Sec. 507(a)(8) Dallas County Debtor's Attorney		\$1,557.48	100%		1	1		\$1,557.48	\$1,557.48	\$0.00	\$1,557.48
Secured		Alleged Medicare CAP Overpayment											
Secured		CAP Overpayment-Disputed		\$806,767.45	100%	\$720,516.83	1	52	10.00%	\$17,141.43	\$17,141.43	\$0.00	\$977,604.98
		None											\$1,028,485.80
	Y	Tax Sec. 507(a)(8) IRS		\$745,865.93	100%	\$745,865.93	3	20	4.00%	\$41,333.07	\$13,777.69	\$0.00	\$826,661.40
	Y	General unsecured (Ex.F)		\$534,986.83	100%	\$534,986.83	3	20		\$26,749.34	\$8,916.45	\$0.00	\$534,986.83
	S N	Members' Capital Contributions		interests unchanged									
Ex. A- Continuation Sheet (if any) None													
Ex. B totals (Sec 365)(if any) None													
GRAND TOTALS \$2,788,358.72													
												\$4,124,741.69	

Estem Hospice, LLC.	21	33	45	57	60
Cash Flow Forecast	12	12	12	12	3
	145	145	145	145	145
CASH RECEIPTS AND DISBURSEMENTS	YTD	YTD	YTD	12 Months	3 Months
	2019	2020	2021	2022	2023
2. CASH SALES					
3. ACCOUNTS RECEIVABLE COLLECTIONS	9,418,150.00	9,418,150.00	9,418,150.00	9,418,150.00	2,354,537.50
4. LOANS AND ADVANCES					
5. SALE OF ASSETS					
6. LEASE & RENTAL INCOME					
7. WAGES					
8. OTHER (ATTACH LIST)					
9. TOTAL RECEIPTS	9,418,150.00	9,418,150.00	9,418,150.00	9,418,150.00	2,354,537.50
DISBURSEMENTS					
10. NET PAYROLL	3,756,178.74	3,756,178.74	3,756,178.74	3,756,178.74	939,044.69
11. PAYROLL TAXES PAID	1,211,824.80	1,211,824.80	1,211,824.80	1,211,824.80	302,956.20
13. INVENTORY PURCHASES	0.00	0.00	0.00	0.00	0.00
14. MORTGAGE PAYMENTS	0.00	0.00	0.00	0.00	0.00
15. OTHER SECURED NOTE PAYMENTS	0.00	0.00	0.00	0.00	0.00
16. RENTAL & LEASE PAYMENTS	76,248.84	76,248.84	76,248.84	76,248.84	19,062.21
17. UTILITIES	34,069.99	34,069.99	34,069.99	34,069.99	8,517.50
18. INSURANCE	511,049.82	511,049.82	511,049.82	511,049.82	127,762.46
19. VEHICLE EXPENSES	1,703.50	1,703.50	1,703.50	1,703.50	425.87
20. TRAVEL	0.00	0.00	0.00	0.00	0.00
21. ENTERTAINMENT	8,517.50	8,517.50	8,517.50	8,517.50	2,129.37
22. REPAIRS & MAINTENANCE	0.00	0.00	0.00	0.00	0.00
23. SUPPLIES	170,349.94	170,349.94	170,349.94	170,349.94	42,587.49
24. ADVERTISING	8,517.50	8,517.50	8,517.50	8,517.50	2,129.37
25. HOUSEHOLD EXPENSES	0.00	0.00	0.00	0.00	0.00
26. CHARITABLE CONTRIBUTIONS	0.00	0.00	0.00	0.00	0.00
27. GIFTS	0.00	0.00	0.00	0.00	0.00
28. OTHER (ATTACH LIST)	1,635,660.50	1,635,660.50	1,635,660.50	1,635,660.50	408,915.12

Estem Hospice, LLC.									
Cash Flow Forecast									
	21	33	45	57	60				
	12	12	12	12	3				
	145	145	145	145	145				
CASH RECEIPTS AND DISBURSEMENTS	YTD	YTD	YTD	12 Months	3 Months				
	2019	2020	2021	2022	2023				
29. TOTAL ORDINARY DISBURSEMENTS	7,414,121.12	7,414,121.12	7,414,121.12	7,414,121.12	1,853,530.28				
REORGANIZATION EXPENSES									
30. PROFESSIONAL FEES									
31. U.S. TRUSTEE FEES									
32. OTHER (ATTACH LIST)									
33. TOTAL REORGANIZATION EXPENSES	0.00	0.00	0.00	0.00	0.00				
34. TOTAL DISBURSEMENTS	7,414,121.12	7,414,121.12	7,414,121.12	7,414,121.12	1,853,530.28				
35. NET CASH FLOW	2,004,028.88	2,004,028.88	2,004,028.88	2,004,028.88	501,007.22				
36. CASH - END OF MONTH BEFORE CLAIMS	2,213,170.92	3,620,714.00	3,620,714.00	3,620,714.00	2,117,692.34				
LESS: CLAIM PAYMENTS									
ADMINISTRATIVE EXPENSES									
IRS SECURED	118,460.64	118,460.64	118,460.64	118,460.64	29,615.16				
DALLAS COUNTY SECURED		0.00							
CLASS 3A-IRS PRIORITY	165,332.00	165,332.00	165,332.00	165,332.00	58,199.79				
CLASS 4- GENERAL UNSECURED	106,996.00	106,996.00	106,996.00	106,996.00	106,996.00				
Alleged Medicare- ERP Claim Payments -Disputed	205,697.16	205,697.16	205,697.16	205,697.16	205,697.16				
Total Claim Payments	596,485.80	596,485.80	596,485.80	596,485.80	596,485.80				
CASH - END OF MONTH	1,616,685.12	1,616,685.12	1,616,685.12	1,616,685.12	1,616,685.12				
Other:									
Ambulance	762.34	762.34	762.34	762.34	190.58				
IT Support	13,341.67	13,341.67	13,341.67	13,341.67	3,335.42				
Billing Services	21,134.42	21,134.42	21,134.42	21,134.42	5,283.60				
Child Support Withheld	1,824.15	1,824.15	1,824.15	1,824.15	456.04				
Continuing Education	4,025.27	4,025.27	4,025.27	4,025.27	1,006.32				
Credentialing	15,119.70	15,119.70	15,119.70	15,119.70	3,779.92				
Contract Labor	92,817.16	92,817.16	92,817.16	92,817.16	23,204.29				
Contract Services	68,323.76	68,323.76	68,323.76	68,323.76	17,080.94				

Esteem Hospice, LLC.	21	33	45	57	60
Cash Flow Forecast	12	12	12	12	3
	145	145	145	145	145
	YTD	YTD	YTD	12 Months	3 Months
	2019	2020	2021	2022	2023
CASH RECEIPTS AND DISBURSEMENTS					
DME	427,181.33	427,181.33	427,181.33	427,181.33	106,795.33
Dues and Subscriptions	2,499.32	2,499.32	2,499.32	2,499.32	624.83
Employee Advances	0.00	0.00	0.00	0.00	0.00
Employee Recognition	263.01	263.01	263.01	263.01	65.75
Employee Reimbursement	0.00	0.00	0.00	0.00	0.00
Employee Procurement	37,805.60	37,805.60	37,805.60	37,805.60	9,451.40
HR	1,270.56	1,270.56	1,270.56	1,270.56	317.64
House Calls	842.38	842.38	842.38	842.38	210.60
Legal	154,015.35	154,015.35	154,015.35	154,015.35	38,503.84
Marketing	9,145.51	9,145.51	9,145.51	9,145.51	2,286.38
Medical Director Fees	380,054.21	380,054.21	380,054.21	380,054.21	95,013.55
Medical Exams	2,400.98	2,400.98	2,400.98	2,400.98	600.25
Miscellaneous	54,560.26	54,560.26	54,560.26	54,560.26	13,640.06
Moving	0.00	0.00	0.00	0.00	0.00
NSF Accounts Receivable	0.00	0.00	0.00	0.00	0.00
Pharmacy	330,104.71	330,104.71	330,104.71	330,104.71	82,526.18
Postage	18.55	18.55	18.55	18.55	4.64
Printing	850.01	850.01	850.01	850.01	212.50
Room and Board	8,150.53	8,150.53	8,150.53	8,150.53	2,037.63
Shipping	2,702.23	2,702.23	2,702.23	2,702.23	675.56
Banking Fees	6,447.47	6,447.47	6,447.47	6,447.47	1,611.87
Class1- IRS Secured Claim Payment	0.00	0.00	0.00	0.00	0.00
Class2- IRS Priority Claim Payment	0.00	0.00	0.00	0.00	0.00
Class3-Unsecured Creditor's Claims Payments	0.00	0.00	0.00	0.00	0.00
Alleged Medicare- ERP Claim Payments -Disputed	0.00	0.00	0.00	0.00	0.00
Total-Other	1,635,660.50	1,635,660.50	1,635,660.50	1,635,660.50	408,915.12

Exhibit H: Endnotes/Continuation Sheets

Esteem Hospice, LLC

(1) Endnote#

Cash Flow Forecast Assumptions are detailed in a following continuation sheet.

(2) Debtor's history:

- Apr-12 Esteem Hospice was founded
 - 5/17/2015 House Calls operations established
 - 1/11/2017 Esteem Hospice filed bankruptcy petition.
 - 1/17/2017 IRS releases hold on Medicare payments doe Debtor.
- (3) Significant events during the bankruptcy case:
- Apr-17 Medicare Claims Alleged CAP overpayment-disputed
 - Jul-17 Debtor enters into loan agreement to repay the alleged CAP overpayment to Medicare from monthly remittances over a five year term.
 - 9/7/2017 Regulatory survey reveals no adversely actionable findings. Timing was due to three complaints from vendors.

(4) Exit Strategy

Streamline operations to increase net cash flow to cover anticipated Creditor payments and fund growth utilizing the MultiView model to encourage investment or buyout.

Any exit strategy is limited due to Medicare rules against "selling" patient data.

(5) Principal risk factors:

Timing of Medicare CAP review has a significant effect on CAP overpayment calculation. If done at the end of the CAP year , there may be no overpayment while if performed in March or April, 2017 activity is included included shifting patient days to the following year's allowance and creating a prior year's overpayment.

Risk of skilled employees leaving the company due to the uncertainty of continued employment casued by Bankruptcy.

Increased cash flow must come primarily from operations due to difficulty in raising capital during bankruptcy.

(6) Litigation - anticipated or pending:

Potential legal action against Medicare due to inequitable timing of CAP analysis. IF the analysis had been performed in December, 2016 there would have been no overpayment. Since Medicare can us "best information available" when the CAP calculation was performed in April, 2017 a reduction of approximately 35 patients count was shifted to the 2017 CAP allowance. That resulted in a shift of approximately \$1million of allowance to CAP year 2017, which created the approximately \$800,000 overpayment.

CASH FLOW FORECAST ASSUMPTIONS

Patient Census:

Changes in marketing are expected to result in high growth in Q1 2017. The remainder of the year is more conservatively estimated to accommodate expected increases in deaths/discharges related to growth. FY 2019 growth in census is estimated at 13.3% which management believes is reasonably attainable.

Capital Infusion:

Esteem management is currently in negotiations with potential investors to secure additional capital or sell the agency. Therefore, a \$700,000 capital infusion is anticipated and forecast for April, 2017 to insure that Administrative expenses are fully paid and provide an increase in net cash.

Expenses:

- 1) Net payroll is expected to increase at 6% annually in 2018 due to current capacity to accommodate census increases and at 5% annually in 2019. Payroll taxes are projected at 30% of net payroll in 2018, with quarterly adjustments for unemployment taxes. In 2019, payroll taxes are projected to increase at 10.5% of the FY 2018 total due to uncertainty in tax increase and to, potentially, provide a cushion to accommodate unanticipated expenses overall.
- 2) Payments to medical directors/doctors and pharmacy and DME (Durable Medical Equipment) expenses are projected to increase at 2.5% per month in 2018 and 3% annually in 2019.
- 3) Other expenses are projected to increase 6% annually in FY 2018 and 3% annually in 2019 based on expected economies of scale.
- 4) FY 2020-2023 are projected conservatively at no change from FY 2019. Any increase in expenses should be appropriately offset by increases in income with margins maintained.

Estreem Hospice, LLC
 EXHIBIT G: Liquidation Analysis
 As of 11/30/2017

	As Reported Book Value	Estimated Liquidation Value	Note Legend
Total from bankruptcy Schedule A less:costs of sale	\$0.00	\$0.00	
Adjusted total, Schedule A property Total from Bankruptcy Schedule B	\$0.00	\$0.00	
Cash on hand			
Bank Accounts or equivalent	\$19,399.93	\$19,399.93	#1
Security deposits			
Furniture and Equipment	\$33,460.00	\$8,365.00	#2
Investments			
Accounts receivable	\$623,332.30	\$311,666.15	#3
Licenses franchises, intangibles	\$3,490,000.00	\$294,000.00	#4
Supplies	\$127,000.00	\$85,090.00	#5
Other			
Adjusted total Schedule B property	\$4,293,192.23	\$718,521.08	#6
Other			
Total Assets	\$4,293,192.23	\$718,521.08	
Claims Senior to General Unsecured Claims			
Secured Claims (after bifurcation)-IRS	\$699,181.03	\$699,181.03	
Secured Claim- Dallas County	\$1,557.48	\$1,557.48	
Priority Claims -IRS	\$745,865.93	\$745,865.93	
Medicare- CAP Overpayment	\$534,986.83	\$534,986.83	#7
Chapter 7 Trustees Fees	\$39,176.05	\$39,176.05	
Chapter 7 professional fees	\$10,000.00	\$10,000.00	
Total Senior Claims	\$2,030,767.32	\$2,030,767.32	
Net available for unsecured claims	\$2,262,424.91	(\$1,312,246.24)	
General unsecured claims from Ex. F	\$534,986.83	\$534,986.83	
Other unsecured claims			
Total general unsecured claims	\$534,986.83	\$534,986.83	

Hypothetical chapter 7 trustee fees	
718,521.08	Total disbursements
0	Minus exemptions
0	Minus adjustments
718,521.08	Net disbursements
Sec 326 calculations	
5000 X 25% =	\$1,250.00
45000 X 10% =	\$4,500.00
668,521.08 X 5% =	\$33,426.05
X 3% =	
\$718,521.08	Totals
Adjustments (if any)	\$39,176.05
Trustee Fee	\$39,176.05

Notes to Liquidation Analysis:
 #1 Actual Cash in Accounts As of June 30, 2017. Secured Creditors claim a lien on these funds, and all other tangible assets of the Debtor, so there would be none estimated to be available for unsecured creditors if the Debtor was shut down and liquidated.

#2 Estimated Liquidation Value of Office Furniture and Office Equipment is 25% of Book Value.

#3 Liquidation Value estimated at 50% of Book Value at 06/30/2017 of \$804,295.01

Accounts Receivable may be discounted up to 50% of face value (to account for lack of collectability in orderly liquidation.

#4 Licenses valued at 0.00 since they can only be sold as part of sale of Estreem Hospice, LLC as a going concern.

Patient Lists, etc. valued at 10% of BV of \$2,940,000 since Medicare (90% of Estreem's

business) does not allow a Hospice to sell Medicare patient relationship data.

#5 Supplies are valued at 67% of BV as the best case would be to return the supplies

to the supplying vendors for refund less a re-stocking fee, estimated at 33%.

#6 Any other support for valuations are available upon request.

#7 Debtor has, under duress, entered into an agreement to reimburse CMS/HHS(Medicare) for an alleged 2016 CAP year overpayment. in the amount specified above, which the Debtor is disputing.

Esteem Hospice, LLC

Schedule of Administrative Expenses

	Related Party	Balance @ 11/30/2017
Acadian Ambulance Services	N	\$669.68
Accushield, LLC	N	198.00
American Medical Collection	N	1,751.65
Breath of Life Medical	N	\$4,058.12
Brown and Bigelow	N	312.67
Clinical Pathology Labs, Inc.	N	\$654.25
Comfort Keepers	N	240.00
Coomber and Associates	N	20,770.44
Cordova Cleaning	N	900.00
Crossroad Pharmacy	N	6,902.95
Denitech	N	\$1,925.16
Elite Courier	N	287.96
eSolutions	N	\$711.61
Executive Telephony Solutions, Inc.	N	\$1,651.05
Faye Thompson	N	275.00
Heritage Manor Healthcare Residence	N	652.00
Hospice Source	N	\$55,403.06
IRS	N	\$434,445.97
Law Offices of Mike Montgomery	N	150.00
Managed Pharmacy Programs	N	121.50
McGuire, Craddock and Strother, PC	N	26,165.07
Medline	N	(\$746.34)
Medminder Systems	N	364.99
Michael Care Contium	N	\$5,138.00
MITEM Corporation	N	105.30
MultiView Inc.	N	800.00
ORB Health, Inc.	N	15,700.00
Paragon Infusion Care	N	100.00
Parks Coffee	N	\$692.62
Pharmacy Specialists	N	598.00
Portable Diagnostic Services	N	\$705.67
Rambling Oaks Courtyard	N	339.10
State Service Medical, LLC	N	\$16,852.12
Tango Health	N	75.00
Texas Healthcare Pharmacy	N	\$35,362.06
T-Mobile	N	\$4,173.36
Total Triage	N	(850.77)
Texas Workforce Commission	n	\$15,742.06
UnitedHealthcare	N	\$26,583.98
UniversalMed Supply	N	7,537.23
Total Administrative Expenses @ 11/30/2017		<u>\$687,518.52</u>