

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re ATLS Acquisition, LLC
(Jointly Administered)

Case No. 13-10262
Reporting Period: February 15, 2013 - March 31, 2013

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 30 days after end of month

Submit copy of report to any official committee appointed in the case

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit / Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X	Note (1)	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X	Note (1)	
Schedule of Professional Fees Paid	MOR-1b		Note (2)	
Copies of bank statements			Available upon request	
Cash disbursements journals			Available upon request	
Statement of Operations	MOR-2	X	Note (3)	
Balance Sheet	MOR-3	X	Note (3)	
Status of Post-petition Taxes	MOR-4	X	Note (4)	
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Post-petition Debts	MOR-4	X		
Listing of aged accounts payable	MOR-4	X		
Accounts Receivable Reconciliation and Aging	MOR-5	X		
Debtor Questionnaire	MOR-5	X		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

Arlene Rodriguez

Signature of Authorized Individual*

5/2/13

Date

Arlene Rodriguez

Printed Name of Authorized Individual

COO

Title of Authorized Individual

* Authorized individual must be an officer, director or shareholder if debtor is a corporation, a partner if debtor is a partnership, a manager or member if debtor is a limited liability company.

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Note (1): The Schedule of Cash Receipts and Disbursements and the Bank Balances represent the combined cash activity and balances of the Debtors. The disbursements by legal entity are summarized on the schedule. Cash activity by legal entity is subject to change as the legal entity financial statements and intercompany activity is finalized for this period.

Note (2): On a weekly basis the Debtors fund a budgeted amount for professional fees into the Professional Fee Reserve pursuant to the cash collateral budget. As funds are disbursed out of the Professional Fee Reserve they will be reported in MOR-1b. No payments from the reserve have been made to date.

Note (3): The Debtors are in the process of establishing their accounting and financial reporting system. The preliminary consolidated financial statements for ATLS Acquisition, LLC for the forty five days ending March 31, 2013 are attached. These financial statements are subject to material change based on completion of the valuations, potential changes to accounting policies and the implementation of the accounting system. The Debtors are still compiling financial statements by legal entity and will file those upon completion.

Note (4): The Debtors are working with their tax advisors to determine accruals for post-petition tax liabilities and believe all tax returns or extensions required to be filed have been on a timely basis.

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	BANK RECONCILIATIONS											
	BofA Master Operating	BofA Receipt (10 Accounts)	BofA Refund (2 Accounts)	Citi Receipt	Wells Fargo Master Operating	Wells Fargo Rebates	Wells Fargo Checking	Wells Fargo Refund (3 Accounts)	Wells Fargo FGST	ACTUAL	Utilities Reserve ⁽¹⁾	Professional Fee Reserve ⁽²⁾
Balance Per Bank	49,288,838	-	-	62,226	9,491,616	-	-	-	-	58,842,680	\$ 300,000	\$ 2,076,250
Deposits in Transit	-	-	-	-	-	-	-	-	-	-	-	-
Outstanding Checks and Charges	-	-	-	-	5,377,291	-	-	-	-	5,377,291	-	-
Other (List)	-	-	-	-	-	-	-	-	-	-	-	-
Balance per Books	49,288,838	-	-	62,226	4,114,325	-	-	-	-	53,465,388	300,000	2,076,250

(1) The cash balance in the WF Adequate Protection Reserve account, although controlled by the Debtors, is not considered a part of the Debtors' assets for reporting purposes.

(2) The cash balance in the Professional Fee Reserve is controlled by Debtors' council and is not considered part of the Debtors' assets.

ATLS Acquisition, LLC

**Unaudited Consolidated Financial Statements
Forty-five day period ended March 31, 2013**

**For inclusion in the Company's Monthly Operating Report
to be filed April 30, 2013**

ATLS Acquisition, LLC (unaudited)
Consolidated Balance Sheets
March 31, 2013 and February 15, 2013

(dollar amounts rounded to the nearest thousand)

	MARCH 31, 2013	FEBRUARY 15, 2013
	<u> </u>	<u> </u>
Assets		
Current assets		
Cash and marketable securities	\$ 54,269,000	\$ 39,479,000
Trade accounts receivable	302,090,000	269,060,000
Less: unapplied cash and reserves	<u>(205,665,000)</u>	<u>(177,495,000)</u>
Trade accounts receivable, net	96,425,000	91,565,000
Pre-petition manufacturer rebates	12,580,000	12,820,000
Post-petition manufacturer rebates	<u>3,560,000</u>	<u>-</u>
Total manufacturer rebates	16,140,000	12,820,000
Inventory, net	20,597,000	28,287,000
Prepaid and other current assets	2,859,000	1,304,000
Current portion of note receivable	<u>8,865,000</u>	<u>9,308,000</u>
Total current assets	199,155,000	182,763,000
Property, fixtures and equipment, net	31,860,000	32,189,000
Rental assets, net	5,490,000	5,673,000
Intangibles, net	<u>22,341,000</u>	<u>22,736,000</u>
Total assets	<u>\$ 258,846,000</u>	<u>\$ 243,361,000</u>
 Liabilities and Equity		
Current liabilities		
Pre-petition accounts payable	\$ 41,121,000	\$ 41,648,000
Post-petition accounts payable	<u>8,919,000</u>	<u>-</u>
Total accounts payable	50,040,000	41,648,000
Accrued and other current liabilities	25,319,000	21,547,000
Current portion of debt	<u>40,392,000</u>	<u>40,264,000</u>
Total current liabilities	115,751,000	103,459,000
Long-term liabilities, net	<u>348,000</u>	<u>360,000</u>
Total liabilities	<u>116,099,000</u>	<u>103,819,000</u>
Commitments and contingencies	-	-
Equity		
Common stock	-	-
Retained Earnings	142,747,000	139,542,000
Total equity	<u>142,747,000</u>	<u>139,542,000</u>
Total liabilities and equity	<u>\$ 258,846,000</u>	<u>\$ 243,361,000</u>

The accompanying notes are an integral part of these combined financial statements

ATLS Acquisition, LLC (unaudited)
Accounts Payable Aging
March 31, 2013

(dollar amounts rounded to the nearest thousand)

ATLS Acquisition, LLC ("ATLS") acquired on December 3, 2012 the Operating Companies that, in the aggregate, comprise the Liberty Medical business enterprise. The accompanying Unaudited Consolidated Financial Statements include the financial activity of ATLS and the Operating Companies since the date of acquisition.

The accompanying Unaudited Consolidated Financial Statements have been prepared using information from ATLS's accounting and other business documents not currently supporting by a general ledger system.

The accompanying Unaudited Consolidated Financial Statements of ATLS have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America. All intercompany transactions are eliminated.

The accompanying Unaudited Consolidated Financial Statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of February 15, 2013 and March 31, 2013 and the amounts of revenues and expenses for the 45-day period ended March 31, 2013. The underlying estimates and assumptions could change as more information comes available. The impact of these potential changes on these accompanying Unaudited Consolidated Financial Statements cannot be determined at this time.

The acquisition of the Operating Companies is recorded in accordance with Accounting Standards Codification 805 – *Business Combinations* ("ASC 805"), and has been included herein without audit. Retained Earnings as presented include a bargain purchase gain of \$132,903,000 as a result of the acquisition of the Operating Companies based on ASC 805 guidance. There may be adjustments to the opening balance sheets of the Operating Companies as of December 3, 2012 that will impact the accompanying Unaudited Consolidated Financial Statements. The impact of these potential adjustments on the accompanying Unaudited Consolidated Financial Statements cannot be determined at this time.

The income tax provision is estimated using the combined maximum Federal and State of Florida income tax rates. The final computation of the income tax provision and the current and deferred income taxes on the balance sheet will be completed by ATLS's independent tax advisors. The impact of any adjustments to the preliminary tax provision on these financial statements cannot be determined at this time.

Earnings per share information are not applicable as ATLS is a Sub S corporation.

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STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero. Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes. Attach photocopies of any tax returns filed during the reporting period.

Federal	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No.	Ending Tax Liability
Withholding	No payroll tax liability. Gross payroll amount is remitted to the Payroll Service Company for the payment to the					
FICA-Employee	appropriate taxing authority.					
FICA-Employer						-
Unemployment						-
Income	\$ -	\$ 2,049,000	\$ -			\$ 2,049,000
Other						-
Total Federal Taxes	\$ -	\$ 2,049,000	\$ -	\$ -	\$ -	\$ 2,049,000
State and Local						
Withholding	See Note Below					
Sales						-
Excise						-
Unemployment						-
Real Property	\$ -	\$ 65,437	\$ -			\$ 65,437
Personal Property						-
Other						-
Total State and Local	-	65,437	-			65,437
Total Taxes	\$ -	\$ 2,114,437	\$ -			\$ 2,114,437

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

Number of Days Past Due	Current	0-30	31-60	61-90	Over 90	Total
Accounts Payable - Trade	\$ 7,940,000	\$ 979,000	\$ -	\$ -	\$ -	\$ 8,919,000
Wages Payable	2,360,968					2,360,968
Taxes Payable	2,114,437					2,114,437
Rent/Leases - Building						-
Rent/Leases - Equipment						-
Secured Debt/Adequate Protection Payments						-
Professional Fees						-
Amounts due to Insiders						-
Other - Accruals	4,059,164					4,059,164
Total Postpetition Debts	\$ 16,474,569	\$ 979,000	\$ -	\$ -	\$ -	\$ 17,453,569

Note: The Debtors are working with their tax advisors to determine accruals for post-petition tax liabilities and believe all tax returns or extensions required to be filed have been done so on a timely basis.

* "Insider" is defined in 11 U.S.C. Section 101(31).

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ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation		
Net Accounts Receivable at the beginning of the reporting period	\$	91,565,000
+ Amounts billed during the period		66,148,000
- Amounts collected during the period		(61,288,000)
Net Accounts Receivable at the end of the reporting period	\$	96,425,000
Accounts Receivable Aging (Gross)		
0 - 30 days old	\$	64,489,000
31 -60 days old		30,624,000
61 - 90 days old		24,198,000
91+ days old		182,779,000
Total Accounts Receivable (Gross)		302,090,000
- Unapplied Cash		(52,740,000)
- Bad Debt Reserve		(117,777,000)
- Sales Return Reserve		(2,174,000)
- Contractual Allowances		(35,246,000)
+ Other AR Activity		2,272,000
Accounts Receivable (Net)	\$	96,425,000

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.	X	

(5) On February 28, 2013, in accordance with the Utilities Adequate Assurance order, the Debtors opened a bank account with Wells Fargo to hold the Adequate Protection Reserve of \$300,000. On March 11, 2013, three accounts were opened with Wells Fargo to issue refund checks to patients. Details of the accounts have previously been provided to the US Trustee.