

IN THE UNITED STATES BANKRUPTCY COURT FOR  
THE NORTHERN DISTRICT OF ALABAMA  
NORTHERN DIVISION

In the Matter of: )  
)  
ALL-STAR MEDICAL, LLC. )  
EIN: XX-XXX2851 ) CASE NO. 17-82507-CRJ11  
)  
Debtor. ) CHAPTER 11  
\_\_\_\_\_ )

**DEBTOR'S AMDNED DISCLOSURE STATEMENT**  
**DATED JANUARY 29, 2018**

**INTRODUCTION**

All-Star Medical, Inc., as Debtor-in-Possession ("Debtor"), filed a voluntary petition under Chapter 11 of Title 11, United States Code ("Bankruptcy Code" or "Code"), on August 24, 2017 in the United States Bankruptcy Court for the Northern District of Alabama, Northern Division ("Bankruptcy Court" or "Court").

Debtor submits this Amended Disclosure Statement dated January 29, 2018 ("Disclosure Statement"), in connection with its Amended Chapter 11 Plan of Reorganization dated December 29, 2017, ("Plan") as required by 11 U.S.C. § 1121. The definitions in the Plan are incorporated by reference. Except where otherwise indicated herein or as defined in the Plan, the terms in this Disclosure Statement have been used as defined in the Bankruptcy Code. The Plan has been filed in the Bankruptcy Court contemporaneously with this Disclosure Statement.

Debtor provides this Disclosure Statement to all of its known creditors and parties in interest to disclose information to be determined by the Bankruptcy Court as adequate for said creditors and parties in interest to reach a reasonably informed decision in connection with the Plan.

The Disclosure Statement describes the circumstances giving rise to filing this petition, summarizes the anticipated future of the Debtor, provides a liquidation analysis and summarizes the Plan. Great effort has been made to describe material matters fully and completely; however, no warranties can be made. Creditors and Interest Holders are urged to read the Plan carefully and are further urged to consult with their counsel in order to fully understand the Plan. The Plan is a legally binding document and is based on complex legal and financial considerations.

Section 1125 of Chapter 11 of the Bankruptcy Code (11 U.S.C. § 101 *et. seq.*) requires that the Debtor, as a condition precedent to solicitation of acceptance of its Plan of Reorganization, submit a written Disclosure Statement. The purpose of this document is to set forth sufficient

detail to allow each holder of a claim or interest of a particular Class to make an informed judgment about acceptance of the Plan. Prior to soliciting votes of acceptance from Creditors, the Court must have approved the Disclosure Statement.

### **DISCLAIMER**

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY REGARDING FUTURE BUSINESS OPERATIONS OF DEBTOR OR THE VALUE OF DEBTOR'S ASSETS, HAVE BEEN AUTHORIZED BY PROPONENT EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT. YOU SHOULD NOT RELY ON ANY OTHER REPRESENTATIONS OR INDUCEMENTS PROFFERED TO YOU TO SECURE YOUR ACCEPTANCE IN ARRIVING AT YOUR DECISION IN VOTING ON THE PLAN. ANY PERSON MAKING REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR DEBTOR AT HEARD, ARY & DAURO, LLC, 303 WILLIAMS AVENUE, SUITE 921, HUNTSVILLE, ALABAMA 35801.

FOR VARIOUS REASONS, THE RECORDS OF PROPONENT PRIOR TO THE PREPARATION OF THIS PLAN HAVE NOT ALWAYS BEEN COMPLETE. THE ACCURACY OF THE INFORMATION SUBMITTED WITH THIS DISCLOSURE STATEMENT IS DEPENDENT UPON ACCOUNTING PERFORMED BY DEBTOR AND DEBTOR'S ACCOUNTANT. WHILE EVERY EFFORT HAS BEEN MADE TO PROVIDE THE MOST ACCURATE INFORMATION AVAILABLE, PROPONENT IS UNABLE TO WARRANT OR REPRESENT THAT ALL INFORMATION IS WITHOUT INACCURACY. NO KNOWN INACCURACIES ARE INCLUDED. WHILE EVERY EFFORT HAS BEEN MADE TO INSURE THAT THE ASSUMPTIONS ARE VALID, UNDER THE CIRCUMSTANCES, NEITHER DEBTOR, ITS ATTORNEY, NOR ITS ACCOUNTANT UNDERTAKE TO CERTIFY OR WARRANT THE ABSOLUTE ACCURACY OF THE PROJECTIONS.

A LIQUIDATION ANALYSIS HAS BEEN UNDERTAKEN OF SUBSTANTIALLY ALL OF THE DEBTOR'S PROPERTY. THE VALUES PLACED ON DEBTOR'S PROPERTY AND SUMMARIZED HEREIN ARE THE DEBTOR'S BEST ESTIMATE OF THE VALUES OF THE PROPERTY OF DEBTOR AS OF THE TIME OF THE FILING OF THIS DISCLOSURE STATEMENT.

THE VALUES HEREIN MAY DIFFER FROM VALUES PLACED ON THE SAME PROPERTY AT THE TIME OF THE FILING OF THE PETITION FOR RELIEF AND THE SUBSEQUENT SCHEDULES.

### **EXPLANATION OF CHAPTER 11**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor attempts to reorganize this business for the benefit of its creditors and its interest

holders pursuant to a plan of reorganization. The Debtor's bankruptcy case was commenced on or about August 24, 2017 ("Petition Date") as a voluntary Chapter 11 bankruptcy case.

Section 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect claims that arose prior to the Petition Date, or otherwise to interfere with the Debtor's property or business.

Confirmation of a Chapter 11 plan of reorganization requires either that all classes of claims and interests (entitled to vote) accept the plan or that the plan be accepted by the holders of at least one impaired class of claims (not held by "insiders" within the meaning of the Bankruptcy Code) to satisfy the requirements of § 1129(b) of the Bankruptcy Code. A plan of reorganization must also be in the best interests of creditors and interest holders, which essentially means that the cash or other property to be distributed to creditors and interest holders may not be less than they would receive if all of the Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code.

Acceptance by a class requires that more than one-half in number and at least two-thirds in amount of the total allowed claims who vote in that class vote in favor of the plan. So long as one class of non-insider impaired claims or interests accepts a plan, it need not be accepted by all classes. The Bankruptcy Court may confirm a plan pursuant to its "cramdown" powers under § 1129(b) of the Bankruptcy Code, if it does not discriminate unfairly and is fair and equitable with respect to each impaired, dissenting class.

As is more fully described below, most creditors are impaired and a cramdown may be necessary to confirm the Plan over the objection of any dissenting class. The Plan Proponent believes that the Administrative and Priority Classes of Creditors are unimpaired under the Plan. The claims of creditors in classes 2 through 3 are impaired. Section 1119(f) provides that a class that is not impaired under the Plan, and each holder of a claim or interest of such class, is conclusively presumed to have accepted the Plan. Solicitation of acceptances with respect to members of such Classes is not required.

Under Section 1121(e) of the Bankruptcy Code, only the Debtor may file a plan of reorganization before the expiration of 120 days from the date of the order for relief. If a plan has been filed, then the Debtor has 45 days from the filing of the plan to have it confirmed under the time provisions are extended under § 1121(e)(3). The exclusivity provisions of 11 U.S.C § 1121 have not expired in this case.

### **PROCEDURE FOR FILING PROOFS OF CLAIMS AND APPLICATIONS FOR ADMINISTRATIVE EXPENSES**

The Bankruptcy Court established December 1, 2017, as the bar date for filing all Proof of Claims including governmental units. The Plan provides that Claims will be recognized only if evidenced by a timely filed Proof of Claim. A Proof of Claim is deemed "allowed" if it appears in the Debtor's schedules filed with the Bankruptcy Court and is not listed as disputed, contingent

or unliquidated or is not disputed as part of the Plan or objected to by the Debtor pursuant to Rule 3007 of the Federal Bankruptcy Rules or is otherwise allowed by the Bankruptcy Court. The Debtor's schedules may be reviewed during regular business hours in the Office of the Clerk, United States Bankruptcy Court, Decatur, Alabama or in the office of Heard, Ary & Dauro, LLC, 303 Williams Avenue, Suite 921 Huntsville, AL 35801, (256) 535-0817.

### **VOTING PROVISIONS**

Creditors holding Allowed Claims are entitled to vote to accept or reject Debtor's Plan. THE COURT WILL FIX A DATE BY WHICH ALL BALLOTS CONCERNING THE PROPOSED PLAN MUST BE FILED WITH THE COURT. ALL BALLOTS MUST BE RECEIVED BY SAID DATE BY THE COURT WITH COPIES TO THE OFFICES OF HEARD, ARY & DAURO, LLC, COUNSEL FOR DEBTOR, at 303 Williams Avenue, Suite 921, Huntsville, Alabama 35801. No ballots received by the Court after that date will be counted in determining whether the Plan should be confirmed. Even though a creditor may not vote or may vote against the Plan, the creditor will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities in each Class of creditors and/or is confirmed by the Court.

Creditors who fail to vote will not be counted in determining acceptance or rejection of the Plan. Allowance of a Claim or interest for voting purposes does not necessarily mean that the Claim will be allowed or disallowed for purposes of distribution under the terms of the Plan. Any Claim to which an objection has been or will be made will be allowed only for distribution after determination by the Court. Such determination may be made after the Plan is confirmed.

In order for the Plan to be deemed accepted by a Class of creditors holding Unsecured Claims, creditors that hold at least two-thirds (2/3) of the total dollar amount and more than one-half (1/2) of the total number of Allowed Claims of creditors voting on the Plan must accept the Plan. Under certain limited circumstances more fully described in 11 U.S.C. § 1129 (b), the Court may confirm the Plan notwithstanding the rejection thereof by more than one-third (1/3) in amount or one-half (1/2) in number of the creditors voting on the Plan in any given Class. Debtor intends to seek confirmation under 11 U.S.C. § 1129(b) in the event any Class of creditors rejects the Plan.

### **CONFIRMATION OF THE PLAN**

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

1. Confirmation Hearing. Section 1128(a) of the Bankruptcy Code requires the Court, after notice, to hold a hearing on confirmation of the Plan ("Confirmation Hearing"). Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan, regardless of whether it is entitled to vote.

2. Objections to Confirmation. The Court is expected to direct that any objections to the

Plan are required to be made in writing in advance of the Confirmation Hearing. The hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the hearing. While the Plan Proponents expect that any hearing to consider objections to the confirmation of the Plan will be held in conjunction with the Confirmation Hearing, there can be no assurance that such will be the case.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY MADE, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

3. Requirements for Confirmation of the Plan. At the Confirmation Hearing, the Court will determine whether the requirements of § 1129 of the Bankruptcy Code have been satisfied, in which event the Court will enter an order confirming the Plan. These requirements include:

- (A) Feasibility of the Plan. In order for the Plan to be confirmed, the Court must determine that a further reorganization or subsequent liquidation of the Debtor is not likely to result following confirmation of the Plan. The Debtor believes that the Plan is feasible in that it pays money to satisfy existing Administrative, Priority and Unsecured Creditors.
- (B) Fair and Equitable Requirement. In order for the Plan to be confirmed, the Court must find that no junior Class will receive any distribution unless each senior Class consents or is paid in full or substantial property is contributed. The Plan Proponents believe that the Plan satisfies this requirement in as much as all Creditors will be paid the present value of their Claim.

### **HISTORY OF THE DEBTOR**

All-Star Medical is a limited liability company which is organized and existing under the laws of the State of Alabama. It was formally established as of April 8, 2005. The Debtor is engaged in the lease of durable medical equipment to patients. Typically, the Debtor will contract with its customer on an “as needed” basis. The Debtor has approximately 22 employees with locations in Huntsville, Madison, Albertville and Cullman. Debtor’s administrative office is located at 2407 Memorial Pkwy Suite 1 Huntsville, Alabama.

Debtor is owned by Phil Garmon, Mallory Garmon, Abbey Garmon, and Mandy Garmon own all of the issued and outstanding stock in the Debtor. Mr. Garmon is the sole director of the Debtor and serves as its President. Mr. Garmon possesses over 20 years experience in the durable medical equipment industry. Mr. Garmon is entitled to receive a salary of \$180,000 per year from the Debtor, however, he has not been paid this amount in the prior 2 years. The Debtor provides health insurance to Mr. Garmon. In addition to Mr. Garmon, the Debtors other key employees are Missy Fields who is the general manager and receives an annual salary of \$125,000.

## **SUMMARY OF EVENTS LEADING TO BANKRUPTCY AND OTHER PRE-PETITION MATTERS**

Much of the Debtor's problems can be traced to the dramatic decline in revenues as a result of the cuts in reimbursements from Medicare and other insurance companies. These cuts began in January 2016 and continued in January 2017. This decline in DME companies was industry wide and was not isolated to the Debtor. The changes to the revenue streams of the Debtor were significant with declines in revenue of between 40 and 50%. Faced with this unforeseen event, the Debtor filed for relief under Chapter 11 of the Bankruptcy Code on August 24, 2017 in an effort to protect its assets and to continue as a going concern.

## **DESCRIPTION OF AVAILABLE ASSETS AND "GOING CONCERN" AND "LIQUIDATION VALUES" AND EQUITY**

Schedules A and B of the Debtor's bankruptcy schedules identify the Debtor's personal property. Schedule A shows that Debtor does not have an interest in real property. Schedule B identifies Debtor's personal property. These assets are described on Exhibit A, which contains a summary of each asset and its market and liquidation values. The values set forth on Exhibit A are based upon the Debtor's best judgment as well as several objective measures of value where available. Exhibit A indicates the theoretical equity in these properties were the Debtor to liquidate under Chapter 7 of the Bankruptcy Code. Liquidation values are again based upon the Debtor's best judgment.

## **ESTIMATES OF ADMINISTRATIVE EXPENSES AND CLAIMS ANALYSIS**

The Debtor has incurred legal fees from Heard, Ary & Dauro, LLC in the approximate amount of \$14,940 as of December 31, 2017. These fees are for legal services provided to the Debtor in connection with this Chapter 11 proceeding.

The Debtor will continue to incur professional fees in this matter until such time as a final decree is entered in this case. The Debtor cannot currently calculate the total amount of professional fees it will incur in this matter with any degree of certainty that could reasonably be relied upon. All such fees, however, are subject to being approved by the Bankruptcy Court prior to payment.

Attached hereto is Exhibit B which is an analysis of: 1) the list of claims or claims register compiled by the Bankruptcy Court; and 2) the schedules showing unfiled claims. This exhibit also indicates whether a claim is allowed or disputed. Exhibit B shall control and take precedence over any variance between Exhibit B and the schedules as to whether a claim is allowed or disputed. The analysis found on Exhibit B is incorporated herein by reference.



## **SUMMARY OF FINANCIAL CONDITION AND FEASIBILITY**

As indicated by Debtor's Schedules, at the time the Debtor filed its Petition the Debtor had assets of approximately \$1,379,605 and liabilities of \$2,125,780.37. The Debtor was insolvent at the time it filed this Petition.

As noted herein, the Debtor has filed its Operating Reports with the Court since it filed bankruptcy. These reports are incorporated herein by reference. In addition attached as Exhibit "C" is the Debtor's profit and loss statement for the post-petition period commencing on September 1 through December 31, 2017. As shown on this Exhibit the Debtor had a total gross revenues of \$684,919. Its costs of sales were \$99,952 so that it had a gross profit of \$584,967. The total amount of expenses during this period were approximately \$481,411. Therefore, for the post petition period the Debtor had a positive net income of \$103,555.72. Thus, the Debtor's plan is feasible.

Additionally, attached is Exhibit "D" is a 13 week rolling cash flow budget which estimates the Debtor's income and expenses on a going forward basis over a recent 13 week period. Based on the based on this 13 week rolling cash flow, the Debtor's income and expenses including plan payments show a net income of \$126,560.

There are several additional factors that must be evaluated when considering the feasibility of the Debtor's plan. First, the expenses included within Exhibit "D" include debt service payments to various creditors including Progress Bank. Additionally Exhibit "D" includes expenses relating to the bankruptcy which the Debtor will not incur once the plan is confirmed. Thus, because Exhibit "D" shows positive income the Debtor believes that its plan is feasible. Moreover, historical the Debtor believes that Exhibit "D" provides the reader with an estimate of expenses going forward under the plan. Thus, this Exhibit further supports confirmation of the Debtor's Plan.

## **SUMMARY OF PLAN AND TREATMENT OF CLASSES UNDER THE PLAN**

The Plan will be summarized by incorporation of Article III: Treatment of Classes under the Plan, Article IV: Property of the Estate and Means of Execution of the Plan, and Article V: General Provisions of the Plan. Other provisions of the Plan are extremely important, especially Article I: Definitions. The Plan should be read in full.

### **1.0 Secured Claims:**

**1.01 Progress Bank and Trust:** This Class consists of the Allowed Secured Claim of Progress Bank and Trust ("Progress") in the approximate amount of \$704,979.42 and is impaired. Progress is secured by a lien on the Debtor's equipment, inventory and accounts receivables pursuant to an commercial loan agreement. Debtor will pay, settle and satisfy this debt by making monthly payments to Progress in the

amount of \$6,520.29 per month for One Hundred Forty Four months commencing on the Effective date of the Plan and continuing each month thereafter until the Debt is paid in full. This claim includes interest at 5% per annum. This creditor will retain its lien upon this collateral until such time as the debt is paid in full.

- 1.02 Progress Bank and Trust:** This Class consists of the Allowed Secured Claim of Progress Bank and Trust in the approximate amount of \$4,336.87 and is impaired. The Claim of Progress is secured by a lien on a 2014 Chevrolet Express Van. Debtor shall commence monthly payments to Progress in the amount of \$371.28 per month for twelve months commencing on the Effective date of the Plan and continuing each month thereafter until the Debt is paid in full. This claim includes interest at 5% per annum. Progress will retain all liens upon its collateral until such time as the debt is paid in full.
- 1.03 Invacare Credit Corporation:** This Class consists of the Secured Claims of Invacare Credit Corporation (“Invacare”) in the approximate amount of \$26,751.66 and is impaired. Invacare is secured by a lien on equipment pursuant to an equipment finance agreement. Debtor will settle and satisfy this debt by making monthly payments to Invacare in the amount of \$510.99 per month for sixty months commencing on the Effective date of the Plan and continuing each month thereafter until the Debt is paid in full. This claim includes interest at 5.5% per annum. This creditor will retain its lien upon this collateral until such time as the debt is paid in full.
- 1.04 Balboa Capital Corporation:** This Class consists of the Secured Claim of Balboa Capital Corporation (“Balboa”) in the approximate amount of \$43,589.15 and is impaired. Balboa is secured by a lien on the Debtor’s, respiratory medical equipment. Debtor will pay, settle and satisfy this debt by making monthly payments in the amount of \$2,400 per month by for commencing on December 19, 2017 and continuing each month thereafter until the Debt is paid in full. This claim includes interest at the contract rate. This creditor will retain its lien upon this collateral until such time as the debt is paid in full.
- 1.05 Wells Fargo Equipment Finance Inc.:** This Class consists of the Secured Claim of Well Fargo Equipment Finance Inc. (“Wells Fargo”) in the approximate amount of \$1,848.00 and is impaired. Wells Fargo is secured by a 2012 Chevrolet Express Van. Debtor will pay, settle and satisfy this debt through the payment of \$158.63 per month for twelve months commencing on the Effective date of the Plan and continuing each month thereafter until the Debt is paid in full. This claim includes interest at 5.5% per annum. This creditor will retain its lien upon this collateral until such time as the debt is paid in full.
- 1.06 Wells Fargo Equipment Finance Inc.:** This Class consists of the Secured Claim



of Wells Fargo Equipment Finance Inc. (“Wells Fargo”) in the approximate amount of \$1,864.00 and is impaired. Wells Fargo is secured by a 2011 Chevrolet Silverado. Debtor will pay, settle and satisfy this debt through the payment of \$159.43 per month for twelve months commencing on the Effective date of the Plan and continuing each month thereafter until the Debt is paid in full. This claim includes interest at 5.5% per annum. This creditor will retain its lien upon this collateral until such time as the debt is paid in full.

- 1.07 Wells Fargo Vendor Financial Services, LLC:** This Class consists of the Secured Claim of Well Fargo Vendor Financial Services, LLC (“WFVF”) in the approximate amount of \$3,801 and is impaired. WFVF is secured by lien upon a Sharp copier and other equipment pursuant to a finance lease agreement. The debtor will pay sell and satisfy this claim through the monthly payment of \$642.77 per month for six months commencing on the effective date of the Plan and continue each month thereafter until the Debt is paid in full. This claim includes interest at the contract rate. This creditor will retain its lien upon this collateral until such time as the debt is paid in full.
- 1.08 De Lange Landen:** This class consists of the secured claim of De Lange Landon in the approximate amount of \$17,368 and is impaired. De Lange Laden claim is secured by equipment owned by the debtor. The debtor will pay settle and satisfy this dead by amortizing it over 36 months with interest at 5.5% in monthly payments of \$524.44. Payments will commence upon the effective date of the plan and will continue on the first day of each month thereafter until the debt is paid in full. This creditor will retain its lean upon this collateral until such time as the debt is paid in full.
- 1.09 Navitas:** This class consist of the secured claim of Navitas in the approximate amount of \$12,528 and is impaired. Navitas claim is secured by equipment owned by the debtor. The debtor will pay settle and satisfy this dead by amortizing it over 24 months with interest at 5.5% in monthly payments of \$552.30 per month. Payments will commence upon the effective date of the plan and will continue on the first date of each month thereafter until the debt is paid in full. This creditor will retain its lean upon this collateral until such time as the debt is paid in full.
- 1.10. TCF Equipment Finance a/k/a TCF National Bank:** This class consists of the claim of TCF equipment Finance aka TCF National Bank in the approximate amount of \$47,742 and is impaired. TCF is secured by certain medical equipment owned by the Debtor. Debtor will pay, settle and satisfy this debt by amortizing it over a period sixty months in monthly installments of \$911.93 commencing on the Effective date of the Plan and continuing each month thereafter until the Debt is paid in full. This claim includes interest at 5.5% per annum. This creditor will retain its lean upon this collateral until such time as the debt is paid in full.

- 1.11. VGM Financial LLC:** This class consists of the secured claim of VGM financial LLC in the approximate amount of \$18,812 and is impaired. VGM is secured by equipment owned by the debtor. Debtor will pay settle and satisfy this debt by amortizing it over 36 months with interest at 5.5% in monthly payments of \$568.05 per month. Payments will commence upon the effective date of the plan will continue on the first day of each month thereafter until the debt is paid in full. This creditor will retain its lean upon this collateral until such time as the debt is paid in full.
- 2.0 Non-priority Unsecured Claims:** This class consists of all allowed general unsecured claims which are impaired. The total amount of unsecured claims exceeds \$550,000.00. The claims are of every kind and nature including claims arising from personal guarantees, the rejection of executory contracts, unexpired lease claims, deficiencies on secured claims, contract damage claims or open account claims and damages arising from or related to any liquidated or contingent claim. It also includes any debt which is filed as a priority or secured claim but, which is allowed as an unsecured claim by the Bankruptcy Court. Holders of general unsecured claims without priority which are Allowed Claims as determined on or before the Effective Date of the Plan shall be paid on a pro rata distribution. Payment to the creditors in this class shall be made from the Debtors future net income. Debtor reasonably believes that creditors in this class will receive a distribution equal to no less than ten percent of their Allowed Claim. Allowed Claims in this class shall receive monthly payments starting on the Effective Date of the Plan over a period of sixty consecutive months.
- 3.0 Equity Interest Holder:** This Class consists of the equity shareholders of the debtor which consists of Phil Garmon who owns Ninety Seven percent (97%), Mallory Garmon (1%), Abbey Garmon (1%) and Mandy Garmon (1%). Together they own all of the outstanding stock in Debtor. The claim of the equity interest holders is impaired. The Garmon's will retain their equity interest in the Debtor, they shall not, however, receive a distribution based on his Claim under the Plan until allowed administrative, priority and unsecured claimants have been paid or otherwise satisfied as provided for herein.

**TREATMENT OF UCLASSIFIED ADMINISTRATIVE  
EXPENSES AND PRIORITY TAX CLAIMS**

**Administrative Expense Claims:**

- 1.01 Heard, Ary & Dauro, LLC:** This Administrative Expense Claim is unimpaired and shall be paid in full as of the Effective Date of the Plan unless otherwise agreed upon by the parties.

**Priority claims:**

- 1.0 **Internal Revenue Service:** This Class consists of the Allowed Priority Claims of the Internal Revenue under §507(a)(8) of the Bankruptcy Code. The amended claim for pre-petition tax debt filed by the IRS in the sum of \$106,876.56 shall be allowed as filed.

The unsecured priority amount of the claim in the sum of \$87,549.85 shall be amortized over a period of five (5) years at the Internal Revenue Code interest rate of four percent (4.00%). This amount shall be payable in sixty (60) monthly payments by the Debtor remitting to the IRS equal monthly payments in the sum of \$1,613.08. The first payment shall be due on the effective date of the Plan and subsequent payments shall be due on the 1st day of each monthly thereafter until said debt has been paid in full.

The unsecured general portion of the IRS claim of \$19,326.71 shall receive a distribution in accordance with class 2.0 above. This amount shall be payable in sixty (60) monthly payments by the Debtor remitting to the IRS equal monthly payments. The first payment shall be due on the effective date and subsequent payments shall be due on the 1st day of each monthly thereafter until said debt has been paid in full.

In the event the Debtor fails to remit any monthly payment on the unsecured priority or the general unsecured claim as each payment becomes due or pay the request for payment of administrative expense as set for therein, the automatic stay will be considered terminated and the IRS may proceed with its legal and/or administrative remedies to collect any and all sums due on its amended claim and the request for payment of administrative expense.

For the tax periods listed on the claim filed by the IRS, the time periods found at 26 U.S.C. §§ 6503(b) and 6503(h) are tolled during the term for repayment stated in this plan.

The IRS tax debt for the tax periods listed on the IRS claim shall not be the subject of any discharge entered in this case until the Debtor has complied with the terms of the repayment for the unsecured priority debt, the general unsecured debt of the IRS debt and any post-petition liability as set for herein.

For the tax periods listed on the amended claim, the time periods found at 11 U.S.C. § 507(a)(8) are tolled during the term for repayment stated in this plan.

The IRS reserves the right to adjust the amount of its claim if it determined through the IRS administrative process that the amounts due on any tax period listed on the IRS claim are due to be adjusted.

## **THE CHAPTER 11 FILING AND POST-PETITION EVENTS**

On August 24, 2017, the Debtor filed a voluntary petition, List of Creditors Holding 20 Largest Unsecured Claims and Corporate Ownership Statement, and Matrix under Chapter 11. The Debtor filed amended schedules, Statement of Financial Affairs, and an updated Matrix. The Court scheduled December 01, 2017 as the bar date for all claimants to file proofs of claim, including governmental units and/or agencies.

Post petition the Debtor negotiated the use of cash collateral with Progress Bank which is its single largest secured creditor. The Court approved the Debtor's Motion for Authority to Use Cash Collateral on September 13, 2017 [Doc. 29]. Since this date the Court has extended the Debtors use of cash collateral on two additional occasions. In conjunction with the use of cash collateral the Debtor has also negotiated a adequate protection agreement with Progress Bank pursuant to which the Debtor is paying Progress the sum of \$5,000. The Court approved the Debtor's request to make these payment in its Order dated November 20, 2017 [Doc. 76].

Post Petition the Debtor also reached an agreement with Balboa Capital Corporation which holds a lien on certain durable medical equipment used by the Debtor in its business. The Debtor owes Balboa the approximate sum of \$54,126. The Debtor reached an agreement with Balboa which allows it to keep this equipment and pay Balboa the sum of \$2,400 per month. [Doc. 86].

## **ANALYSIS OF TRANSFERS WHICH MAY BE AVOIDABLE**

Debtor's Statement of Financial Affairs, which has been previously filed with this Court shows no creditors to whom payments, greater than \$6,225.00 were made within ninety (90) days prior to filing bankruptcy.

## **EXECUTORY CONTRACTS AND LEASES**

Pre-petition the Debtor was a party to a non-residential lease with Skinner Properties, pursuant to which it leased the property located in Cullman, AL. The Debtor has rejected this lease and has vacated its location in Cullman, Alabama effective January 31, 2018. The Debtor has entered into new leases for its locations in Albertville and Huntsville.

Debtor is not aware of any additional executory contracts or unexpired leases to which it is a party. To the extent such exists it is to be rejected upon confirmation. All parties to any executory contract or lease rejected shall have thirty (30) days from the Confirmation Date in which to file a claim for damages, if any, resulting from such rejection or such claims will be disallowed and will not be eligible to participate in distributions under this Plan.

### **MEANS OF EXECUTION OF PLAN**

The Debtor, by continuing to operate its business, has increased the likelihood of the success of the Plan. Debtor will implement the terms of the Plan by making payments to creditors from Debtor's post-petition income. By restructuring its debt the Debtor has increased the likelihood of the success of the Plan. The Debtor's operating statements filed with this Court support the Debtor's ability to make the plan payments and therefore the plan is feasible. Debtor shall also execute such additional documents as are necessary to comply with the terms of the Plan.

### **RETENTION, ENFORCEMENT, AND WAIVER OF CLAIMS**

Pursuant to § 1123(b) of the Code, the Debtor shall retain and may enforce any and all claims of the Debtor, except claims waived, relinquished, or released in accordance with this plan.

Notwithstanding the prior paragraph, no party in interest except the Debtor shall maintain or commence an action to recover a preference as defined in § 547(b) of the Code after Confirmation

### **FEDERAL INCOME TAX CONSEQUENCES**

The tax consequences of the Plan to each party-in-interest will depend on the precise financial circumstances of that party. The Debtor makes no representation with respect to the effects of the taxation (State or Federal) on the creditors with respect to the treatment of their claims under the plan, and no such representations are authorized. Any tax information contained herein is for informational purposes only. Parties-in-interest are urged to seek the advice of their own professional advisors should they have any questions with respect to any taxation issues.

The precise tax consequences to the Debtor resulting from its having filed Chapter 11 are not yet known. This may include, for example, income from discharge of indebtedness. The treatment by the Debtor of all allowed pre-petition tax claims shall be as provided for in Class Two, described herein. All taxes generated post-petition shall be paid by the reorganized Debtor as part of its ordinary course of business. As previously noted, the Debtor is current on all post-petition tax payments.

### **POST CONFIRMATION LITIGATION AND OTHER MATTERS**

Debtor does not anticipate being involved in any post confirmation litigation matters.

Respectfully submitted on this 29<sup>th</sup> day of January, 2018.

By: /s/ Phil Garmon  
All-Star Medical, LLC

/s/ Kevin D. Heard  
Kevin D. Heard  
Attorney for Debtor

HEARD, ARY & DAURO, LLC  
303 Williams Avenue SW  
Park Plaza Suite 921  
Huntsville, Alabama 35801  
Phone: (256) 535-0817  
Fax: (256) 535-0818  
[kheard@heardlaw.com](mailto:kheard@heardlaw.com)

**CERTIFICATE OF SERVICE**

I hereby certify that on the 29<sup>th</sup> day of January, 2018, I served a copy of the foregoing **Debtor's Amended Disclosure Statement Dated January 29, 2017**, on the parties listed below and on the attached matrix by depositing the same in the United States Mail, postage prepaid and properly addressed, via electronic mail at the e-mail address below, unless the party being served is a registered participant in the CM/ECF System for the United States Bankruptcy Court for the Northern District of Alabama, service has been made by a "Notice of Electronic Filing" pursuant to FRBP 9036 in accordance with subparagraph II.B.4. of the Court's Administrative Procedures as indicated below:

**Notice will be electronically mailed to:**

Richard Blythe  
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Richard E. O'Neal on behalf of United States of America Department of Treasury - Internal Revenue Service [USAALN.BANKRUPTCY@usdoj.gov](mailto:USAALN.BANKRUPTCY@usdoj.gov)



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**Notice will not be electronically mailed to:**

**All parties on the attached matrix were served via U.S. Mail.**

*/s/ Kevin D. Heard*  
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Kevin D. Heard