

Joseph E. Cotterman (Bar No. 013800)
GALLAGHER & KENNEDY, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Telephone: (602) 530-8000
Facsimile: (602) 530-8500
joe.cotterman@gknet.com
Attorneys for Debtor MedOne Healthcare, LLC

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA**

In re:

MEDONE HEALTHCARE, LLC,

Debtor.

Case No. 2:17-bk-14457-PS

Chapter 11

**DISCLOSURE STATEMENT IN
SUPPORT OF DEBTOR'S PLAN OF
REORGANIZATION**

I.
INTRODUCTION

Pursuant to 11 U.S.C. § 1125, this *Disclosure Statement in Support of Debtor's Plan of Reorganization* (the "Disclosure Statement") is submitted by MedOne Healthcare LLC ("MedOne" or the "Debtor"), debtor and debtor in possession in the above captioned chapter 11 case (the "Bankruptcy Case"). The purpose of this Disclosure Statement is to provide adequate information to the holders of claims or interests in this case so that they may make an informed judgment in exercising their right to vote for acceptance or rejection of the *Debtor's Plan of Reorganization* (the "Plan"), a copy of which is attached as **Exhibit A**.

In the most summary description, MedOne believes that if its assets were liquidated, its secured creditor Arizona Bank & Trust ("ABT") would receive all the proceeds of that liquidation, and MedOne's other creditors would receive nothing. Under the Plan, Arizona Healthcare Partners, LLC ("AZHP") will pay at least \$310,000; plus contribute time and management expertise; plus make an interest free loan to MedOne that will not be repaid if

1 MedOne's Plan is confirmed, all in return for acquiring the new ownership interest in
2 MedOne. Under the Plan, creditors other than ABT will share in the distribution of the
3 amounts paid by AZHP. Accordingly, MedOne believes the Plan gives creditors the best
4 opportunity to realize some recovery on their Allowed Claims in this Case. All the
5 foregoing is explained and discussed in more detail in the following pages of this Disclosure
6 Statement.

7 MEDONE RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN IN
8 ORDER TO MAXIMIZE THE RECOVERY ON YOUR CLAIM.

9 Capitalized terms used in this Disclosure Statement will correspond to terms defined
10 in the Plan and the Bankruptcy Code. Terms used in this Disclosure Statement that are also
11 defined in the Plan are defined solely for convenience; and MedOne does not intend to
12 change the definitions of those terms from the Plan. If there is any inconsistency between
13 the Plan and this Disclosure Statement, the Plan is, and will be, controlling.

14 **II.**
15 **OVERVIEW OF CHAPTER 11**

16 **A. Information Regarding The Plan And Disclosure Statement**

17 The objective of a Chapter 11 case is the confirmation (i.e., approval by the
18 Bankruptcy Court) of a plan of reorganization or liquidation. A Chapter 11 plan describes
19 in detail (and in language appropriate for a legal contract) the means for satisfying the
20 claims against and equity interests in a debtor, in this case, MedOne. After a plan has been
21 filed, the holders of claims and equity interests that are impaired by the plan are permitted
22 to vote to accept or reject the plan. Before a debtor can solicit acceptances of its plan,
23 however, Section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure
24 statement containing adequate information of a kind, and in sufficient detail, to enable those
25 parties entitled to vote on the plan to make an informed judgment about the plan and about
26 whether they should accept or reject the Plan.

1 The purpose of this Disclosure Statement is to provide sufficient information about
2 MedOne and the Plan to enable you to make an informed decision in exercising your right
3 to accept or reject the Plan. Therefore, this Disclosure Statement provides relevant
4 information about MedOne, its property and financial condition, and the Plan.

5 This Disclosure Statement will be used to solicit acceptances of the Plan only after
6 the Bankruptcy Court has entered an order approving this Disclosure Statement. Approval
7 by the Bankruptcy Court of this Disclosure Statement means only that the Bankruptcy Court
8 has found that this Disclosure Statement contains sufficient information for MedOne to
9 transmit the Plan and Disclosure Statement to Creditors and to solicit acceptances of the
10 Plan.

11 After the Bankruptcy Court has granted approval of this Disclosure Statement and
12 there has been voting on the Plan, the Bankruptcy Court will conduct a Confirmation
13 Hearing concerning whether the Plan should be approved. At the Confirmation Hearing,
14 the Bankruptcy Court will consider whether the Plan satisfies the various requirements of
15 the Bankruptcy Code. The Bankruptcy Court also will receive and consider a ballot report
16 prepared by MedOne that will present a tally of the votes accepting or rejecting the Plan
17 cast by those entitled to vote. Accordingly, all votes are important because they can
18 determine whether the Plan will be confirmed. Once confirmed, the Plan is essentially a
19 new contract between MedOne, its Creditors, and Equity Security Interest holders and is
20 binding on all Creditors, Equity Security Interests holders and other parties-in-interest in
21 MedOne Bankruptcy Case regardless of whether any particular Creditor or Equity Security
22 Interest holder voted to accept the Plan.

23 **THIS DISCLOSURE STATEMENT IS NOT THE PLAN. FOR THE**
24 **CONVENIENCE OF CREDITORS AND HOLDERS OF EQUITY**
25 **SECURITY INTERESTS, THE PLAN IS SUMMARIZED IN THIS**
26 **DISCLOSURE STATEMENT. ALL SUMMARIES OF THE PLAN**
ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF. IN
THE EVENT OF ANY INCONSISTENCY BETWEEN THIS
DISCLOSURE STATEMENT AND THE PLAN, THE PLAN WILL
CONTROL.

1 **B. Representations**

2 This Disclosure Statement has not been subjected to a certified audit; however, it has
3 been prepared in part from information compiled by MedOne from records maintained in
4 the ordinary course of business or from information received by MedOne from third parties.
5 Every effort has been made to be as accurate as reasonably possible in the preparation of
6 this Disclosure Statement. Nevertheless, the inclusion of financial information in this
7 Disclosure Statement and exhibits is subject to adjustment, and MedOne reserves all rights
8 to object to or challenge any Claims that are filed or asserted in the Case.

9 This is a solicitation by MedOne only and is not a solicitation by any attorneys,
10 agents, financial advisors, and accountants retained by MedOne. No statement or
11 information concerning MedOne or its assets or securities is authorized, other than as set
12 forth in the Disclosure Statement. STATEMENTS MADE IN THIS DISCLOSURE
13 STATEMENT REGARDING THE FINANCIAL PERFORMANCE OF MEDONE AND
14 PREPETITION EVENTS ARE REPRESENTATIONS OF MEDONE ONLY.

15 **III.**
16 **BACKGROUND & EVENTS LEADING TO FILING**

17 **A. MedOne**

18 MedOne is an Arizona LLC created in 2001 to help lower healthcare costs and
19 expenses by providing patient care and supplies at home rather than in a hospital or long-
20 term care setting. Until recently, MedOne offered wound, infusion, sleep, respiratory,
21 complex mobility, and urology products and services in Arizona. At its peak MedOne
22 served over 7,500 patients with 90 employees generating nearly \$11 million in annual
23 revenue.

24 In 2003, the Medicare Modernization Act authorized CMS (Centers for Medicare
25 and Medicaid Services) to implement a competitive bid process to replace the existing fee-
26 for-service pricing. While Congress was cautiously optimistic after small pilot programs,

1 it halted the original Round One of this auction program in 2008, a mere two weeks after
2 implementation, due to program design and execution problems. With a few cosmetic
3 changes to the auction program, CMS began rolling it out to nine selected metropolitan
4 areas in 2011, and added an additional 91 of the largest, most densely populated areas to
5 the program in 2013 (including Phoenix/Tucson Arizona). CMS expanded this program to
6 affect all Medicare beneficiaries starting January 1, 2016.

7 The program drew widespread criticism by numerous patient advocacy groups, and
8 244 of our country's most prestigious economists and auction experts hailing from
9 institutions like Harvard, Princeton, UCLA, and Stanford wrote a joint letter to President
10 Obama stating that the program is plagued with "bureaucratic inertia" and called CMS'
11 failure to address core program design issues "especially distressing and unreasonable".
12 The year prior, 167 of them wrote a letter to then-Chairman Pete Stark (Health
13 Subcommittee, Ways & Means) that "the program over time may degenerate into a 'race to
14 the bottom' in which suppliers become increasingly unreliable, product and service quality
15 deteriorates, and supply shortages become common."

16 Before full implementation of competitive bidding in 2013, there were 10,465
17 providers nationwide – like MedOne – taking care of patients. In 2013, Medicare slashed
18 reimbursements for the highly flawed competitive bid program by 48% to MedOne. In
19 2016, Medicare and commercial insurance providers slashed reimbursements to MedOne
20 by an additional 22%, resulting in an overall 55% drop in reimbursement rates for products
21 included in the competitive bid process since 2013. The impact in the industry was
22 devastating. Many providers exited the industry with the number of providers dropping by
23 42% to 6,086 by 2017.

24 Compounding the drop in reimbursement rates, in 2015 MedOne lost an exclusive
25 contract that accounted for 23% of its 2015 revenue due to a health plan which exited the
26 Arizona market. In addition, as Med One did not win a competitive bid in 2013 or in 2016,

1 it subcontracted its Medicare patient base through a qualified bid winner, which further
2 reduced MedOne's profitability. This arrangement was terminated in January 2018 due to
3 poor profitability.

4 In the competitive bid process, many of the smaller "mom and pop" providers put in
5 what are informally known as suicide bids, so low that it was impossible to profitably
6 undercut such a bid. In 2016, two national providers and Walmart withdrew from offering
7 durable medical equipment (beds, non-powered wheelchairs, etc.) because the
8 reimbursement rates were so low. Recent independent studies indicate that Medicare
9 reimbursement rates only cover about 88% of the total expense to deliver product to a
10 patient. By mid-2016, about 72% of MedOne's revenue base was impacted by the 55%
11 cumulative reduction in reimbursement rates since 2013 (Medicare and non-Medicare).

12 Finally, Medicare's flawed competitive bid process punished companies with
13 existing debt. When Medicare's rate reimbursement cuts kicked in, it impacted all patients
14 – new and existing. If a company took on debt to acquire patient equipment BEFORE the
15 new lower rates were implemented, the company's ability to service debt for PREVIOUS
16 patient setups was severely impaired AFTER the new rate cuts were implemented. At the
17 inception of rate cuts, a provider's ability to pay pre-rate cut debt is significantly impaired.
18 For providers like MedOne which financed equipment purchases through lease programs,
19 subsequent rate cuts were a significant challenge to overcome. The rate cuts impacted
20 millions of dollars of existing debt for Medicare product purchases.

21 In summary, Medicare's competitive bid program generated the following
22 challenges to MedOne's operations: i) 55% reduction in reimbursement since 2013; ii)
23 reimbursement rates cover only 88% of the expense of providing the product/service; iii)
24 reduction from 10,465 providers in 2013 to 6,086 in 2017, at the same time that Medicare
25 patients increased over 8%; iv) reductions in reimbursements by non-Medicare health plans;
26 and v) revenue to service pre-rate cut debt impaired by rate cuts.

1 MedOne's response to the deteriorating market forces was to refinance its debt to
2 provide room for MedOne to pivot toward more profitable segments in the industry and to
3 reduce the need to purchase serialized assets (and to reduce debt). MedOne's business pivot
4 was initially successful. Purchases of serialized equipment dropped from \$2.7 million
5 dollars in 2015 to an estimated \$1.2 million dollars in 2017. Through the second half of
6 2016, MedOne reached its goal of keeping liabilities flat, and orders for clinical services
7 grew significantly. The second half of 2016 had positive net income in contrast to the losses
8 MedOne experienced in the first half of 2016.

9 In the fourth quarter of 2016, unanticipated external factors began to push MedOne
10 toward an early loan default. MedOne lost important commercial insurance contracts from
11 entities which converted from fee-for-service to capitated plans, under which any provider
12 such as MedOne could participate, to exclusive contracts with only the lowest-bidding
13 provider.

14 Around the same time as the loss of the foregoing contracts, MedOne experienced a
15 drop in reimbursement by various insurance companies for new patients subsequent to July
16 1, 2016, as well as a drop in profitability from MedOne's Medicare subcontract. The
17 combination of the insurance company rate cuts, Medicare reimbursement cuts and lower
18 profitability from MedOne's Medicare subcontract proved to be unmanageable. Combined,
19 the foregoing factors reduced MedOne's ability to service existing debt and severely
20 impaired the profitability of operations going forward. In the home health care industry
21 each referral coordinator at a hospital or medical practice uses at least 3-4 providers. After
22 MedOne's cash flow troubles resulted in product outages due to slow vendor payments by
23 MedOne, referral coordinators shifted many orders away from MedOne to other providers.
24 That shift caused a downward spiral in MedOne's business with a decline in profitability
25 for MedOne, from \$33,000 in net income for 2015, to net loss for 2017 estimated at
26

1 \$4,676,975. It appears the “gains” to the federal government from Medicare’s
2 reimbursement cuts were offset by losses to lenders to its industry.

3 In November 2016, MedOne contacted its secured creditors seeking a forbearance
4 plan. A third party entity was brought in to value company inventory. Ultimately,
5 MedOne’s secured creditors each agreed to a forbearance plan for January to June 2017 to
6 allow the company additional runway to implement its turnaround plan to grow revenue
7 and cut costs. However, when the forbearance period ended, it was clear that MedOne
8 could not generate the cash needed for the increased payments starting the following month.

9 In response to a reduction in revenue and profits, MedOne’s owners invested
10 \$828,000 to save the company. In early 2017, MedOne hired an M&A broker who
11 attempted to sell the business. Over 22 companies signed NDA’s to look at the company,
12 but ultimately, none were interested in purchasing the company (too much debt). MedOne’s
13 industry is littered with bankrupt companies and given depressed profitability, little new
14 capital flows into the industry. MedOne was also unsuccessful in selling its mobility and
15 pharmacy divisions.

16 Operationally, MedOne cut its personnel nearly in half and slashed other operating
17 expenses by a total of more than \$100,000 per month. However, the debt load was too great
18 and the company remained insolvent without significant balance sheet restructuring. One
19 of MedOne’s key vendors filed a lawsuit to collect monies owed, which led to MedOne to
20 seek bankruptcy protection. With a heavy debt load (over \$9 million), secured creditors
21 seeking legal remedies, termination of its Medicare subcontract, and a law suit filed by a
22 secured creditor, MedOne was forced to seek bankruptcy protection.

IV.
POSTPETITION PROCEEDINGS AND EVENTS

A. Summary Of Key Events Related To The Bankruptcy Cases.

While more detailed information related to the events in the Bankruptcy Case can be obtained by accessing the Bankruptcy Court's CM/ECF filing system and reviewing the pleadings filed in the Bankruptcy Case,¹ the following is a summary of certain key bankruptcy-related proceedings and events associated with this Bankruptcy Case.

1. The Commencement of the Cases.

On December 6, 2017, MedOne filed its voluntary petition for relief under Chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"). Currently, MedOne continues in possession of its property and the management of its business as debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed.

2. First Day Motions.

In order to efficiently administer the Bankruptcy case and accomplish a reorganization of MedOne that will maximize the recovery to its creditors, MedOne requested various types of relief in "first day" motions filed with the Court, including:

- a. Authorization to retain Jennings, Strouss & Salmon as MedOne's general bankruptcy and restructuring counsel [ECF Dkt. #14];

¹ The Bankruptcy Court's CM/ECF filing system, which includes links and images of all pleadings and other papers filed on the Docket in this Case, can be accessed at <https://ecf.azb.uscourts.gov/> through the "District Of Arizona – Live Document Filing System" link on that page. Subsequent pages will prompt the user to input MedOne's name or the case number listed at the beginning of this Disclosure Statement. Users will need a PACER (Public Access Court Electronic Records) user ID and password, which can be quickly and conveniently obtained without charge through the PACER Registration Wizard at <https://pacer.psc.uscourts.gov/pscof/regWizard.jsf>. The PACER Registration Wizard provides various registration options; for parties wishing only to review the docket and filings, the "PACER – Case Search Only" option is sufficient.

- 1 b. Authorization for use of cash collateral encumbered by a lien in favor
2 of Arizona Bank & Trust (“ABT”) [ECF Dkt. #11];
- 3 c. Determination of the adequacy of utility deposits [ECF Dkt. #12];
- 4 d. An order establishing interim compensation procedures for
5 professionals employed by MedOne’ bankruptcy estates [ECF Dkt. #20];
- 6 e. Authority to sell a majority of MedOne’s assets by auction, free and
7 clear of liens, claims, and interests, with all existing liens to attach to the net proceeds
8 to the same extent, validity, and priority as the liens encumbered the equipment as
9 of the Petition Date [Dkt. #10] (the “Sale Motion”).

10 Limited objections to various of the first day motions were filed, and a hearing on
11 the first day motions was held before the Court on December 18, 2017. Shortly thereafter,
12 the Court approved several of the first day motions, but not the Sale Motion, as set forth in
13 orders entered at ECF docket numbers 32, 42, and 44. On December 22, 2017, the Court
14 approved the procedures that would govern the bidding and sale of MedOne’s assets
15 pursuant to the Sale Motion [ECF Dkt. 45].

16 On December 15, 2017, the United States Trustee (the “UST”) filed a Motion To
17 Convert Or Dismiss the Bankruptcy Case, arguing that the sale requested in the Sale Motion
18 was an impermissible use of the bankruptcy process. [ECF Dkt. #27]. The UST also
19 requested that the Court appoint a patient privacy ombudsman. [ECF Dkt. 49]. The Court
20 denied the request to appoint a privacy ombudsman on the record on January 22, 2018 [ECF
21 Dkt. 67]. On February 7, 2018, based on concerns about inventory encumbered by purchase
22 money liens, and the adequacy of notice and consent of those secured creditors, the Court
23 denied the Sale Motion. [ECF Dkt. 76.] The Court did not rule on the UST’s dismissal
24 motion, but left it to the parties to determine whether they would seek a ruling on the
25 dismissal motion in light of its ruling denying the Sale Motion. [ECF Dkt. 77].

1 **3. Subsequent Motions.**

2 Shortly after the Sale Motion was denied, MedOne filed an Amended Sale Motion,
3 which was structured to address the Court's concerns that led to denial of the Sale Motion
4 [ECF Dkt. #80]. Under the Amended Sale Motion, inventory encumbered by purchase
5 money liens would not be sold. The purchaser under the Amended Sale Motion was the
6 same as under the Sale Motion – PPS HME Holdings, LLC. The Court granted the
7 Amended Sale Motion, authorizing MedOne to sell a substantial portion of its assets to PPS
8 for the sum of \$812,500, with all liens against the assets sold, to attach to the proceeds of
9 sale. The sale proceeds were all encumbered, and were distributed, in part to secured and
10 priority creditors Wells Fargo Bank and the Maricopa County Treasurer in full satisfaction
11 of their claims. The remainder of the sale proceeds were distributed to ABT and Invacare,
12 who are negotiating the allocation thereof. \$75,000 received from PPS in connection with
13 the Sale Motion was also earmarked for payment of administrative expenses of MedOne's
14 Bankruptcy Case. The specific distributions dictated by the Order approving the Sale
15 Motion was entered at ECF Dkt. #80 in the Bankruptcy Case.

16 The UST filed a motion to convert the Bankruptcy Case to a Chapter 7 liquidation.
17 [ECF Dkt. # 86]. That motion has been held in abeyance pending the Court's review of the
18 substance and timely filing of this Plan. The Court also established a deadline of May 31st
19 for filing the Plan. [ECF Dkt. 103].

20 MedOne's primary bankruptcy counsel changed law firms in late March 2018, and
21 the Court approved the substitution of counsel to Gallagher & Kennedy ("G&K") as
22 MedOne's bankruptcy counsel. [ECF Dkt. ##119, 120].

23 The exclusive period within which only MedOne could file a plan expired on or
24 around April 6, 2018. Accordingly, any party in interest in this Case can file a plan as a
25 proposed alternative to MedOne's Plan.

1 To sustain itself operationally and financially until confirmation of MedOne's Plan,
2 MedOne sought approval of a Management Motion [ECF Dkt. 128] and a Financing Motion
3 [ECF Dkt. 129], under which AZ Healthcare Partnership LLC ("AZHP") would loan
4 MedOne \$125,000 for operational expenses, and provide management services as needed
5 at the rate of \$175 per hour, pending the filing, voting, and confirmation of MedOne's Plan.
6 Under the arrangement with MedOne, AZHP's compensation, and the \$125,000 loan, will
7 not be repaid if MedOne's Plan is confirmed; repayment will be sought by AZHP only if
8 confirmation of MedOne's Plan is denied, in which case the Court will assess the
9 reasonableness of any such claims, and allow or deny any such claims, when made.

10 HJS Management, and the UST, objected to the Financing Motion and the
11 Management Motion, contending that each were part of a plan *sub rosa*, that is, components
12 of a plan put in place without the process and protections of the confirmation process
13 required under the Bankruptcy Code. HJS and the UST contended that the structure and
14 details of the Management Motion and Financing Motion put other parties who might want
15 to file a competing plan at an unfair disadvantage, as opposed to MedOne's reorganization
16 strategy which would transfer ownership of the company in exchange for a contribution
17 toward funding MedOne's reorganization plan.

18 MedOne responded to the HJS and UST objections, and contended that the
19 Management Motion and Financing Motion are both fair, necessary, and beneficial to
20 MedOne's bankruptcy estate and creditors. The Court held an evidentiary hearing on both
21 motions, approving both, on May 16th, but has not yet entered the order on that ruling. [ECF
22 Dkt. 163], https://ecf.azb.uscourts.gov/cgi-bin/DktRpt.pl?824728343015265-L_1_0-1.

23 **4. Plan Formulation**

24 In the few weeks immediately after the Amended Sale Motion was approved by the
25 Court, MedOne and its attorneys assessed the status of MedOne's remaining estate and its
26 prospects for emerging from bankruptcy. Subsequent to the sale of its assets, MedOne had

1 precious little in the way of marketable assets left. Old stale inventory, all overencumbered
2 by purchase money security interests; dwindling accounts receivable that could not be
3 replaced or adequately serviced by the few remaining MedOne employees; provider
4 contracts that would be either automatically or near certainly terminated if assigned, or if
5 MedOne could not renew its accreditation, which appeared more and more inevitable as
6 time went on.

7 MedOne's successful Medicare accreditation is crucial to its continued existence as
8 a going concern, and by extension, its ability to propose a plan that would provide for
9 distributions on Allowed Claims. Accreditation is discussed in more detail below, but in
10 summary, MedOne believes it will successfully pass the Medicare accreditation survey due
11 to the efforts and assistance of AZHP.

12 In short, based on the foregoing after the Court approved sale of the majority of its
13 assets, MedOne reached a point where it could not sustain itself as a going concern. The
14 only realistic option was to sell the company and/or its assets in a way that would be most
15 beneficial for creditors. MedOne believed that liquidation value of its assets was no more
16 than approximately \$65,000, which is far less than the more than \$3,700,000 in liens
17 encumbering those assets.

18 In light of the foregoing, all options for MedOne's disposition were considered:
19 dismissing the case and allowing all creditors to pursue their remedies outside the
20 bankruptcy process, which would effectively liquidate MedOne in an inefficient and chaotic
21 race to the courthouse among creditors; dismissing the case and pursuing an orderly,
22 nonbankruptcy workout among creditors; a structured dismissal of the Bankruptcy Case; a
23 conversion of the Bankruptcy Case to a Chapter 7 liquidation; and, either a liquidation or
24 reorganization through a Chapter 11 plan.

25 Surprisingly, in late March, one party, then others, approached MedOne about
26 acquiring the company. Those parties expressed that they might be willing to pay for

1 MedOne as a going concern. By early April, MedOne received inquiries, then proposals,
2 from four parties:

3 i) Valley Healthcare Holding proposed to acquire MedOne for
4 \$225,000, with \$100,000 of that purchase price to be placed in
5 escrow within ten days of acceptance pending confirmation of
6 MedOne's plan. \$25,000 of the foregoing purchase price would
7 be earmarked for approved administrative expenses of MedOne's
8 bankruptcy case. VHH would loan up to \$100,000 to MedOne to
sustain its operations pending confirmation, but the \$100,000
would be credited toward the \$200,000 purchase price.

9 ii) AZHP proposed to acquire MedOne for a purchase price of
10 \$280,000, which was later increased to \$310,000. \$250,000 of that
11 purchase price to be placed in escrow within 4 days after approval
12 of transaction; an additional \$30,000 to be paid upon confirmation
13 of MedOne's plan. AZHP to provide management expertise
14 pending the estimated 90-day process to confirm a plan and renew
15 MedOne's accreditation; compensation to be deferred, and waived
if MedOne's plan confirmed. \$125,000 to be loaned to MedOne
to sustain operations; repayment waived if MedOne's plan is
confirmed. The foregoing loan is not a component of the \$310,000
purchase price.

16 iii) HJS proposed to acquire certain assets of MedOne, but not the
17 entity itself, through an asset sale commenced by motion rather
18 than by a Chapter 11 plan. HJS proposed top purchase contracts,
19 but not Chapter 5 avoidance actions, or inventory encumbered by
20 purchase money security interests. The proposed purchase price
as \$170,000. HJS' proposal was subsequently filed on the
21 Bankruptcy Case ECF Docket number 106. HJS' offer was
expressly stated as not binding; it was later withdrawn.

22 iv) An investment group led by Mr. Marcus Ulm, an individual
23 known to MedOne to have relevant industry experience, expertise,
24 associates, and financial wherewithal, proposed to acquire
25 MedOne for a purchase price of \$200,000. \$50,000 of that
26 purchase price was to be placed in escrow pending confirmation
of MedOne's plan. The proposal was conditional, and expressly
not binding.

1 The process by which MedOne solicited the foregoing proposals was informal and
2 expedited due to deadlines placed on MedOne by the Court (the plan filing deadline of May
3 31st), by ABT (April 13th deadline to either propose an exit strategy or concede to stay
4 relief, no cash collateral use, and effectively, conversion and liquidation), and by its
5 circumstances (MedOne was running critically low on operating cash to sustain its
6 operations). At the end of the first week of April, 2018, at MedOne's request, all proposals
7 were forwarded only to MedOne's counsel, then circulated to all MedOne principals
8 simultaneously after all were received.

9 Because MedOne was searching for any option that might provide an exit strategy
10 that was best for creditors, MedOne did not impose any hard and fast rules regarding the
11 structure and amount of any proposals; even guidelines were minimal. All interested parties
12 were invited to come to MedOne's offices to review any and all documents and information
13 for due diligence purposes. At MedOne's request, the foregoing parties submitted their
14 proposals by close of business April 6th, with one exception. HJS requested, and was
15 granted, additional time to submit its proposal, which it did midafternoon on April 9th.

16 After consideration of all proposals, MedOne determined that AZHP's proposal was
17 most favorable to MedOne's estate. MedOne quickly (to meet the foregoing deadlines)
18 negotiated a final term sheet with AZHP, which was then presented to ABT to seek its
19 support for MedOne's exit strategy which would be incorporated in a Chapter 11 plan.

20 **V.**
21 **MEDONE'S OPERATIONS AND CONDITION WHILE IN CHAPTER 11.**

22 While in chapter 11, MedOne abandoned several lines of business to exit less
23 profitable lines of business and to exit businesses requiring high levels of capital investment
24 so as to reduce cash needed for the business. The business lines abandoned include: durable
25 medical equipment, respiratory, sleep, ostomy and enteral. The surviving lines of business
26 which Med One will operate going forward include: infusion, wound and complex mobility.

1 In the post-petition portion of December 2017, MedOne achieved \$459,233 in net
2 revenue with 42 employees, which approached financial breakeven. By April 2018,
3 MedOne estimates its net revenue with 8 employees, was down to \$134,000. MedOne's
4 lower April revenue resulted mostly from a loss of sleep and respiratory revenue subsequent
5 to the sale of its assets approved by the Court in March 2018.

6 MedOne projects that it cannot financially sustain its operations through the
7 confirmation process for the Plan, without the financing from AZHP recently approved by
8 the Court. MedOne's financial projections through August 2018 that were presented to the
9 Court at the May 16th hearing, are attached hereto as **Exhibit B**. Those projections
10 demonstrate that without the intervention of AZHP, MedOne will be unable to remain a
11 going concern, and more accurately, would already have gone dark and likely be in a
12 liquidation proceeding.

13 An additional challenge to MedOne that goes beyond its bare financial information,
14 it that its Medicare accreditation/licensing lapsed in March 2018. Every three years
15 Medicare requires its providers to pass accreditation, thereby certifying that Medicare's
16 guidelines and processes are being followed.

17 MedOne was granted a short-term extension to prepare for accreditation
18 recertification. Typically, it takes months to review and update several thousand pages of
19 documents in preparation for accreditation. The individuals at MedOne who three years
20 ago helped MedOne pass its accreditation are no longer at MedOne. Individuals with the
21 skill set necessary to prepare for accreditation are rare and typically employed. MedOne
22 was fortunate to engage the AZHP management team, who have the necessary skillset to
23 prepare for accreditation, thereby retaining the going concern value of MedOne for the
24 benefit of its Estate.

25 The Centers for Medicare & Medicaid Services (CMS) employ 10 national
26 accreditation organizations that accredit suppliers of durable medical equipment like

1 Medone, as meeting quality standards under Medicare Part B. To enroll or maintain
2 Medicare billing privileges, MedOne must be accredited. Accreditation is renewed every
3 3 years. MedOne must complete extensive worksheets online; after that, the accreditation
4 company sends surveyors to MedOne's offices to evaluate its Medicare compliance. The
5 surveyors go through extensive detail, to confirm that MedOne's policies and procedures
6 are compliant with Medicare guidelines, Medicaid (AHCCCS) guidelines, HIPAA
7 requirements, state criteria, pharmacy board guidelines, etc. Completing the online process
8 costs \$5,000; the bill for the surveyors can cost, an additional \$3,000 depending on the
9 number of surveyors participating and other factors. MedOne's accreditation expired on
10 March 13th, and Med One was given a brief extension to complete the process. For Med
11 One to keep its Medicare license and commercial contracts, it must successfully complete
12 its accreditation.

13 By May, 2018, MedOne is down to 6 full-time employees. The accreditation
14 surveyors arrived and began their survey on May 29, 2018. If MedOne does NOT pass its
15 accreditation, its contracts with health plan providers will become null and void which will
16 effectively shut down MedOne's business. MedOne's only means to meet its accreditation
17 requirements is, once again, the intervention of AZHP pursuant to the Management
18 Contract approved by the Court. Based on the intervention of AZHP and the skill and
19 expertise of its principals, MedOne expects to meet the accreditation requirements when the
20 survey begins.

21 **VI.**
22 **CLAIMS AGAINST MEDONE'S ESTATE**

23 By MedOne's best estimate, ABT's secured claim totals at least \$3,710,224 after
24 credit for proceeds of the prior Court-approved sale of MedOne assets. Under the Plan, ABT
25 will waive its unsecured deficiency after receipt of all amounts the Plan expressly provides
26 will be paid to ABT.

1 In the proof of claim it filed, the IRS asserts a total claim of \$242,464, with \$98,065
2 of that amount allegedly entitled to priority treatment pursuant to 11 U.S.C. §507(a)(8).
3 MedOne believes that the IRS claim as filed is erroneous, and that most, and perhaps all, of
4 the IRS claim, should be disallowed. MedOne intends to object to the IRS claim in its
5 entirety prior to the deadline under the Plan for doing so. To the extent that the IRS claim
6 is disallowed, funds that would otherwise pay that claim will be available to distribute under
7 the Plan, with a portion going to unsecured creditors.

8 Other than ABT, the Plan provides that secured creditors' collateral will be
9 surrendered to them, which will somewhat reduce their claims, and render the balance of
10 their claims unsecured. MedOne believes the value of surrendered collateral will be *de*
11 *minimus*, and that the amount of unsecured deficiency claims that were previously secured,
12 will be substantially the same as MedOne scheduled for those secured claims, an aggregate
13 total of \$7,705,276.00 (less ABT's waived deficiency claim). General unsecured claims
14 scheduled by MedOne total \$1,237,766.00.

15 MORE DETAILED AND UPDATED INFORMATION REGARDING POST-
16 PETITION EVENTS IN THE BANKRUPTCY CASE CAN BE OBTAINED BY
17 ACCESSING MEDONE'S STATEMENTS AND SCHEDULES ON THE DOCKET IN
18 THE BANKRUPTCY CASE ON PACER AT

19 https://ecf.azb.uscourts.gov/cgi-bin/DktRpt.pl?824728343015265-L_1_0-1
20 (Docket numbers 1, 4, 101, and 167), AND BY ACCESSING THE CLAIMS REGISTER
21 IN THE BANKRUPTCY CASE ON PACER AT: [https://ecf.azb.uscourts.gov/cgi-](https://ecf.azb.uscourts.gov/cgi-bin/SearchClaims.pl?127008822454045-L_1_0-1)
22 [bin/SearchClaims.pl?127008822454045-L_1_0-1](https://ecf.azb.uscourts.gov/cgi-bin/SearchClaims.pl?127008822454045-L_1_0-1).

23 **VII.**
24 **MEDONE'S CURRENT ASSETS, AND A LIQUIDATION ANALYSIS**
25 **OF THOSE ASSETS**

26 As noted above, the Court approved the sale of a substantial portion of MedOne's
assets, including most of its accounts receivable, its durable medical equipment, sleep

1 equipment and respiratory equipment. The care, and by extension income stream, of
2 patients using those services, was also transitioned to PPS, the buyer of the assets.
3 Subsequent to the sale, MedOne was left with the assets listed below. This list also includes
4 MedOne's best estimate of the liquidation value of its assets.

5 Notably, the liquidation value of MedOne's health plan contracts is listed at zero.
6 Under the plan, AZHP will acquire MedOne as a going concern. The contracts present an
7 opportunity for AZHP to generate revenue in that scenario. Should MedOne be liquidated,
8 it will irrevocably lose its Medicare Accreditation, which is an event of default under the
9 contracts. That and other defaults caused by MedOne going dark could not be cured by a
10 Chapter 7 trustee. If the defaults cannot be cured, under section 365 of the Bankruptcy
11 Code the contracts cannot be assumed and assigned. Because assumption and assignment
12 would be impossible in a Chapter 7 case, the contracts would have no liquidation value.

13 Based on the foregoing, creditors should note that the proposed acquisition of
14 MedOne by AZHP is based much more on what AZHP perceives to be the value of the
15 opportunity presented by acquiring MedOne, investing time and money in it, and
16 resurrecting its business operations as a going concern, rather than the value of MedOne's
17 assets as standalone auction items.

- 18 • Furniture, fixtures and computers \$ 5,000
- 19 • A/R for post 363 sale orders \$41,000
- 20 • Inventory for mobility, wound
21 and pharmacy \$12,100
- 22 • NPWT pumps \$4,900
- 23 • 2011 Ford Transit with 195,000 miles \$2,000
- 24 • Insurance (healthplan) contracts \$0
- 25
- 26

- TOTAL ESTIMATED
LIQUIDATION VALUE \$65,000

The accounts receivable figure reflected above represents MedOne's best estimate of net collectible accounts receivable as of May 25, 2018. The gross accounts receivable as of that date are approximately \$202,000, with approximately \$48,000 of those accounts deemed uncollectible due to age, dispute, or other factors. After costs of collection and working capital deductions, MedOne estimates the net collectible would be approximately \$41,000. Creditors should keep in mind that whatever the exact amount of collectible accounts receivable, they are all vastly overencumbered by the liens of AZHP and ABT. In the event of liquidation, none of the accounts receivable would be available for distribution to unsecured creditors.

The foregoing represents MedOne's best estimate of the gross liquidation value of its assets. The net liquidation value of MedOne's assets is a simpler and far more grim calculation for unsecured creditors than in most cases. ABT has a first priority perfected security interest in all of MedOne's assets, which security interest secures its claim in excess of Three Million Dollars (\$3,700,000) (its remaining claim even after the prior sale of certain MedOne assets). Because of its first position security interest in all of MedOne's assets, ABT would take all the liquidation proceeds of MedOne's assets, even if those assets were worth as much as fifty times their estimated gross liquidation value. Accordingly, without even factoring in other secured claims, administrative expenses, and priority claims, the net liquidation value of MedOne's assets available to unsecured creditors, is zero.

For purposes of comparing the return to unsecured creditors under the Plan, with the potential return to unsecured creditors in a Chapter 7 liquidation, creditors should note that there may be some liquidation value for unsecured creditors in the Estate's avoidance actions under Chapter 5 of the Bankruptcy Code. That value has not yet been fully

1 assessed and quantified. However, whatever that value, it will be available to unsecured
2 creditors under the Plan just as it would be in a Chapter 7 liquidation. Accordingly, based
3 on the terms of the Plan discussed in more detail below, MedOne believes the return to
4 unsecured creditors under the Plan will exceed the potential return to creditors in a
5 Chapter 7 liquidation.

6
7 **VIII.**
FUTURE OPERATIONS OF MEDONE

8 MedOne's Plan is predicated on AZHP acquiring the equity ownership interest in
9 MedOne in return for a purchase price that will be funded in part prior to, and in part on
10 the date that the plan is confirmed. Those purchase proceeds will be distributed to holders
11 of Allowed Claims pursuant to the Plan. Distributions will not be funded by post-
12 confirmation revenue generated by MedOne.

13 Accordingly, information regarding MedOne's post-confirmation operations,
14 revenue, and other post-confirmation financial projections, is not relevant to creditors'
15 distributions under, and therefor assessment of, the Plan.

16 At the time this case was filed, MedOne was the lessee under a nonresidential real
17 property lease of its business premises; the lessor and owner of the building is 2615
18 Industrial Park Ave, LLC, an entity in which Debtor's principals Mr. Kindt and Ms.
19 Pagliuca are also principals (hereinafter, the "Office Lease"). In part because of the
20 earlier uncertainty over MedOne's future (i.e., liquidation or reorganization), and in part
21 because AZHP's long term business plans may not require the use of MedOne's current
22 premises, the Office Lease was not assumed in this Case. Accordingly, pursuant to 11
23 U.S.C. §365(d)(4), the Office Lease was deemed rejected 120 days after the Petition Date.
24 MedOne currently occupies the building on a month to month tenancy, paying only
25 enough to satisfy the mortgage payment (held by a commercial lender that is not an
26 affiliate or insider of MedOne) on the building so as to avoid foreclosure. Post-

1 confirmation, AZHP will determine whether its business plans include remaining in the
2 building long term, and whether to negotiate a new lease. Because the Office Lease has
3 been deemed rejected, it will not impose any continuing administrative rent obligation on
4 the Estate.

5 **IX.**
6 **SOURCES OF INFORMATION**

7 The financial information contained in this Disclosure Statement is derived from the
8 books and records of MedOne, as collated by its President, Mr. Stephan Kindt. The
9 information contained in this Disclosure Statement represents MedOne's best estimate in
10 light of current market conditions and past experience. All the information provided is
11 subject to change and represents the best information available at the time; actual results
12 may differ. The accounting and financial information provided by MedOne is based, to the
13 best of its ability, on Generally Accepted Accounting Principles ("GAAP") and any
14 estimates or calculations were prepared by MedOne's principals, primarily Mr. Stephan
15 Kindt.

16 Estimates of the liquidation value of certain MedOne assets was based on previous
17 liquidation valuations performed for MedOne by Arizona Auctioneers. The estimate of the
18 liquidation value of the company's accounts receivable is based in part on discussions
19 between MedOne and a third party medical billing firm which specializes in collections for
20 liquidating medical companies, which contacted Med One after becoming aware of
21 MedOne's bankruptcy petition. Valuations for certain low-value assets are also based, in
22 part, on online research regarding the value of wound and mobility equipment and supplies.

23 **X.**
24 **MEDONE'S FUTURE MANAGEMENT**

25 Under the Plan, AZHP will acquire all of the equity ownership interest in MedOne
26 in exchange for the purchase price contribution it makes that will fund distributions to
holders of Allowed Claims. The principals of AZHP are Mr. Brian Murphy, Mr. James

1 Wiley, and Mr. Al Charlesworth. MedOne is informed that the compensation to be paid to
2 AZHP's principals post-confirmation has not yet been set, and will be dependent upon
3 MedOne's post-confirmation revenue. In the immediate post-confirmation period, MedOne
4 has been informed that the AZHP principals do not expect to take a salary until MedOne's
5 cash flow improves from its current dire levels.

6 None of the AZHP principals have been in the past, and none are currently, insiders
7 of MedOne. None of MedOne's insiders, specifically including but not limited to Mr. Kindt
8 or Ms. Pagliuca, are insiders of AZHP. Neither Mr. Kindt nor Ms. Pagliuca will retain or
9 re-acquire any ownership interest in MedOne under the Plan, and neither will be employed
10 by, or have any management role in, MedOne post-confirmation.

11 **XI.**
12 **SUMMARY OF THE PLAN**

13 The following provides a summary of the overall structure of the Plan, the source of
14 funding for distributions under the Plan, and the classification of claims against or interests
15 in MedOne, and is qualified in its entirety by reference to the Plan, which is attached as
16 **Exhibit A.** The statements in this Disclosure Statement include summaries of the
17 provisions contained in the Plan. This summary does not purport to be a complete statement
18 of all terms in the Plan, and reference is made to the Plan for the full and complete statement
19 of such terms. The Plan controls the treatment of Claims against and Equity Security
20 Interests in MedOne and other parties-in-interest.

21 **A. Plan Funding**

22 As described above, funding for distributions under the Plan will come from two
23 sources: i) AZHP; and, ii) any recoveries on Avoidance Claims.

24 AZHP has tendered to its counsel of record in this case the sum of \$250,000 to be
25 used toward funding distributions on Allowed Claims under the Plan. AZHP will deliver
26 an additional \$30,000 to the Plan Agent on the Effective Date, to likewise be used toward

1 funding distributions on Allowed Claims under the Plan. AZHP also paid ABT \$30,000
2 pursuant to a stipulation approved by the Court, in exchange for which MedOne will retain
3 the available cash balance in its accounts on the date of that stipulation.

4 As authorized by prior order of the Court, AZHP will loan MedOne \$125,000 to
5 sustain its operations pending confirmation. In addition, pursuant to prior order of the
6 Court, AZHP's principals are providing management services to MedOne, at the rate of
7 \$175 per man-hour. MedOne and AZHP estimate that AZHP will provide between 40 and
8 55 man-hours of services per week through the confirmation date. AZHP's claim for the
9 foregoing management services compensation is deferred under the agreement with
10 MedOne, and will not be paid pending confirmation of the Plan or any competing plan that
11 may be filed.

12 If the Plan is confirmed, the \$125,000 loan, and AZHP's claim for deferred
13 compensation, will be waived. If confirmation of the Plan is denied, AZHP is entitled to
14 assert a claim for repayment of the \$125,000 loan and for its deferred compensation. If
15 AZHP does so, the Court will determine the reasonableness of each of those claims and
16 allow or deny the claims as it deems appropriate.

17 Pursuant to an agreement between MedOne and ABT, AZHP tendered \$30,000 to
18 ABT in exchange for: i) a first position lien in all of MedOne's accounts receivable; and,
19 ii) MedOne's unrestricted use of ABT's cash collateral pending confirmation without
20 further adequate protection payments or other security. Essentially, with AZHP's funding,
21 MedOne purchased the existing cash balance from ABT for use as operating cash rather
22 than paying that cash balance later. That \$30,000 payment to ABT will be considered a
23 payment on its claim in addition to the distributions on its claim under the Plan, and will be
24 credited toward the purchase price paid by AZHP for the equity ownership interest in
25 MedOne. If the Plan is confirmed, that sum will not be repaid to AZHP.

26

1 Based on all the foregoing, AZHP's total investment in MedOne as of the
2 Confirmation Date will be at least \$435,000 plus the value of the deferred compensation for
3 the management services AZHP will provide. Of that total investment, \$310,000 will be
4 distributed to secured creditors, administrative expense claimants, priority unsecured
5 claims, and general unsecured claims. If the Plan is confirmed, AZHP will not be repaid
6 the \$125,000 loan or its deferred compensation; those amounts will be deemed an
7 investment that: i) enables MedOne to survive pending confirmation; ii) is part of the
8 consideration for the new equity ownership interest in MedOne that will be issued to AZHP
9 under the Plan; and, iii) supports the additional \$310,000 in funding from AZHP that will
10 be used to make distributions to holders of Allowed Claims.

11 **B. Classification Of Claims And Equity Security Interests**

12 The Plan classifies Claims and Equity Security Interests in various Classes according
13 to their right to priority of payments as provided in the Bankruptcy Code. The Plan states
14 whether each Class of Claims or Equity Security Interests are impaired or unimpaired. The
15 Plan provides the treatment each Class will receive under the Plan. In accordance with the
16 requirements of the Bankruptcy Code, Allowed Administrative Expense Claims and
17 Priority Tax Claims are not set forth in Classes and are not entitled to vote on the Plan. The
18 Allowed Claims against MedOne's Estates are divided into the following classes:

19 Classification of Claims and Equity Security Interests. The Plan classifies Claims
20 and Equity Security Interests in various Classes according to their right to priority of
21 payments as provided in the Bankruptcy Code. The Plan states whether each Class of
22 Claims or Equity Security Interests are impaired or unimpaired. The Plan provides the
23 treatment each Class will receive under the Plan. In accordance with the requirements of
24 the Bankruptcy Code, Allowed Administrative Expense Claims and Priority Tax Claims are
25 not set forth in Classes and are not entitled to vote on the Plan. The Allowed Claims against
26 the Debtor's Estate are divided into the following classes:

Class 1 (Priority Non-Tax Claims). Class 1 consists of any Priority Non-Tax Claims against the Debtor existing as of the Confirmation Date.

Class 2 (ABT Secured Claims). Class 2 consists of the Secured Claim of ABT against MedOne existing as of the Confirmation Date.

Class 3 (Other Secured Claims). Class 3 consists of any Secured Claims against the Debtor existing as of the Confirmation Date other than Secured Tax Claims and any Secured Claims asserted by ABT against MedOne. Each Other Secured Claim will be placed in a separate subclass of Class 3 for all purposes under the Plan.

Class 4 (MedOne Unsecured Claims). Class 4 consists of any Unsecured Claims against MedOne, other than Insider Unsecured Claims, existing as of the Confirmation Date.

Class 5 (Affiliate and Insider Unsecured Claims). Class 5 consists of any unsecured Claims of Affiliates against the Debtor existing as of the Confirmation Date.

Class 6 (MedOne Equity Security Interests). Class 6 consists of 100% of the Equity Interests in MedOne.

XII.

IDENTIFICATION OF IMPAIRED AND UNIMPAIRED CLASSES.

Allowed Administrative Expense Claims and Allowed Priority Tax Claims, are not classified under the Plan and are not entitled to vote on the Plan.

All other classes of Claims and Equity Security Interests are impaired by the Plan and therefore are entitled to vote to accept or reject the Plan, provided, however, that such acceptance or rejection shall be determined without regard to votes cast by Insiders.

1 In the event of a controversy as to whether any Claimant or Class of Claimants is
2 impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, resolve
3 such controversy.

4 MedOne shall provide all Claimants entitled to vote with a form of Ballot approved
5 by the Bankruptcy Court to be used in casting a vote on the Plan.

6 **XIII.**
7 **PROVISIONS FOR TREATMENT OF CLAIMS NOT IMPAIRED**
8 **UNDER THE PLAN.**

9 Administrative Expense Claims. Every Creditor holding an Allowed Administrative
10 Claim against the Debtor will be paid, in full satisfaction of their Allowed Claim: (a) fully
11 and in Cash on or before ten (10) Business Days after the Effective Date if the Claim is then
12 an Allowed Claim; (b) fully and in Cash within ten (10) Business Days after the entry of a
13 Final Order allowing the Claim, if the Claim is not an Allowed Claim as of the Effective
14 Date; (c) as otherwise agreed in writing by the administrative claimant holding the Allowed
15 Administrative Claim and the Debtor; or (d) as otherwise ordered by the Bankruptcy Court.
16 Requests for allowance and payment of Administrative Expenses must be filed and served
17 no later than thirty (30) days after the Effective Date. Administrative Claims are unimpaired
18 pursuant to the Plan and votes to accept or reject the Plan will not be solicited from holders
19 of Administrative Claims. Allowed Administrative Expense Claims, including Professional
20 Fee Claims, will also share pro rata in Forty Percent (40%) of any AZHP Confirmation Date
21 Contribution that AZHP chooses to make.

22 U.S. Trustee Fees. All fees payable pursuant to section 1930 of Title 28 of the United
23 States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be
24 paid on the Effective Date, or as due in the normal course of billing and payment. The
25 estate shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. §
26 1930(a)(6) after the Confirmation Date. The Plan Agent shall file with the Bankruptcy
Court, and serve on the United States Trustee, a quarterly financial report for each quarter

1 (or portion thereof) that the cases remain open in a format prescribed by the United States
2 Trustee, and shall pay such quarterly fees as they become due for each quarter post-
3 confirmation that the cases remain open. No motion or application is required to fix fees
4 payable to the Clerks' Office or the Office of the United States Trustee, as those fees are
5 determined by statute. Pursuant to 11 U.S.C. § 1129(a)(12), the Plan Proponent will pay all
6 pre-confirmation fees then due and payable under §1930 of Title 28, as determined by the
7 Court at the hearing on Confirmation of the Plan, in cash, on the Effective Date.

8 Professional Fee Claims. The Bankruptcy Court must approve all requests for the
9 payment of professional compensation and expenses (a "Professional Fee Claim") to the
10 extent incurred on or before the Effective Date. Each Professional Person requesting
11 approval and payment of a Professional Fee Claim in the Cases pursuant to Sections 327,
12 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code shall file an application for allowance
13 and payment thereof not later than thirty (30) days after the Effective Date. Nothing herein
14 shall prohibit each Professional Person from requesting interim compensation during the
15 course of the Case pending Confirmation of this Plan. All Professional Fee Claims not
16 heretofore paid through the Effective Date of the Plan, shall be paid fully and in Cash on
17 the later of the Effective Date, within ten (10) Business Days after the entry of a Final Order
18 allowing the Professional Fee Claim, as otherwise agreed in writing by the Creditor holding
19 the Professional Fee Claim and the Debtor, or as otherwise ordered by the Bankruptcy
20 Court.

21 By Order of the Bankruptcy Court, MedOne's prior attorneys Jennings, Strouss &
22 Salmon, have an Allowed Professional Fee Claim of \$171,000. MedOne's estimate of
23 professional fees for current counsel Gallagher & Kennedy are approximately \$75-
24 \$100,000. Accordingly, total Professional Fee Claims are likely to be \$250,000.00.

25 Objections. Notwithstanding any other provision of the Plan to the contrary, any
26 objections to motions or applications seeking the allowance and payment of Administrative

1 Expense Claims or Professional Fee Claims must be filed and served within the normal time
2 limits established by the Federal Rules of Bankruptcy Procedure and the Local Rules of
3 Bankruptcy Procedure for the District of Arizona, or as otherwise ordered by the
4 Bankruptcy Court.

5 Priority Tax Claims. Priority Tax Claims are certain pre-Petition Date unsecured
6 income, employment and other taxes described by Section 507(a)(8) of the Bankruptcy
7 Code. Holders of Allowed Priority Tax Claims will be paid in full and in cash within ten
8 days after the Effective Date. No amounts attributable to penalties imposed or sought to be
9 imposed by holders of Priority Tax Claims will be paid. Priority Tax Claims are unimpaired
10 pursuant to the Plan and votes to accept or reject the Plan will not be solicited from Creditors
11 holding Priority Tax Claims. Pursuant to *In re Deer Park, Inc.*, 10 F.3d 1478 (9th Cir. 1993),
12 all distributions to holders of Priority Tax Claims, including but not limited to the IRS
13 Claim, shall be allocated and applied in a manner so as to first satisfy any personal
14 obligation of Stephan Kindt on such Priority Tax Claim.

15 **XIV.**
16 **PROVISIONS FOR TREATMENT OF IMPAIRED CLAIMS**
17 **UNDER THE PLAN.**

18 Class 1 (Priority Non-Tax Claims). To the extent Allowed Priority Non-Tax Claims
19 exist on the Confirmation Date, holders of Allowed Priority Non-Tax Claims will be paid:
20 (a) fully and in Cash within sixty (60) days after the Effective Date if the Claim is then an
21 Allowed Claim; or (b) fully and in Cash within ten (10) Business Days after the entry of a
22 Final Order allowing the Claim, if the Claim is not an Allowed Claim as of the Effective
23 Date. Class 1 Claims are impaired under the Plan, and the holders of Class 1 Claims are
entitled to vote on the Plan.

24 Class 2 (ABT Secured Claim). Class 2 consists of any Secured Claim of ABT against
25 MedOne existing as of the Confirmation Date. In full satisfaction of its Allowed Secured
26 Claim ABT shall receive the following:

1 a. One Hundred Fifty Thousand Dollars (\$150,000) within ten days after
2 the Effective Date;

3 b. Thirty Thousand Dollars (\$30,000) already tendered pursuant to a
4 Court approved stipulation;

5 c. Sixty Percent (60%) of the IRS Claim Savings, within ten days after
6 entry of a Final Order adjudicating any objection to the IRS Claim and establishing
7 the allowed priority amount of the IRS Claim;

8 d. Twenty Five Percent (25%) of any AZHP Confirmation Date
9 Contribution within ten days after the date any such AZHP Confirmation Date
10 Contribution is tendered to the Estate.

11 Upon payment of the foregoing sums, ABT's lien against all property of the Estate
12 shall be released, and ABT shall execute, file and record appropriate documents evidencing
13 the release and termination of all Liens. ABT will waive its unsecured deficiency Claim
14 after receipt of all amounts the Plan expressly provides will be paid to ABT.

15 The Class 2 Secured Claim is impaired, and the holder thereof is entitled to vote to
16 accept or reject the Plan.

17 Class 3 (Other Secured Claims). Class 3 consists of any Secured Claims against
18 MedOne existing as of the Confirmation Date other than Secured Claims asserted by ABT.
19 Each Other Secured Claim will be placed in a separate subclass of Class 3 for all purposes
20 under the Plan. MedOne will surrender the collateral securing the Allowed Secured Claim
21 of all Other Secured Claims, which shall constitute the indubitable equivalent of such
22 Secured Claim in full satisfaction thereof. The Class 3 Secured Claims are impaired, and
23 the holders thereof are entitled to vote.

24 Class 4 (Unsecured Claims). Class 4 consists of any Unsecured Claims against
25 MedOne existing as of the Confirmation Date other than Affiliate Unsecured Claims.
26 Holders of Allowed Class 4 Unsecured Claims will receive the following:

- 1 i) A pro rata share of all Net Litigation Proceeds;
- 2 ii) A pro rata share of Twenty Five Percent (25%) of the IRS Claim Savings, within
- 3 ten days after entry of a Final Order adjudicating any objection to the IRS Claim and
- 4 establishing the allowed priority amount of the IRS Claim;
- 5 iii) A pro rata share of Thirty Five Percent (35%) of any AZHP Confirmation Date
- 6 Contribution within ten days after any AZHP Confirmation Date Contribution is tendered
- 7 to the Plan Agent. Class 4 Unsecured Claims are impaired, and the holders are entitled to
- 8 vote to accept or reject the Plan.

9 Class 5 (Affiliate Unsecured Claims). Class 5 consists of any Unsecured Claims of

10 Affiliates against MedOne existing as of the Confirmation Date. Allowed Class 5 Claims

11 shall be junior in priority and subordinate to all other Allowed Claims under the Plan. No

12 payments will be made on account of any Allowed Class 5 Claims, until all other Allowed

13 Claims against the Debtor have been fully paid and satisfied. After the payment of all other

14 Allowed Claims against the Debtor, the holders of Allowed Class 5 Claims shall receive

15 their pro rata share of any remaining amounts provided for under this Plan. Class 5 Claims

16 are impaired under the Plan.

17 Class 6 (MedOne Equity Security Interests). Class 6 consists of 100% of the Equity

18 Security Interests in MedOne. Class 6 MedOne Equity Security Interests shall be deemed

19 Allowed under the Plan. Pursuant to 11 U.S.C. §1141(d)(1)(B), all Equity Security Interests

20 in MedOne existing prior to the Confirmation Date shall not receive any distribution under

21 the Plan and shall be deemed terminated as of the Confirmation Date. Upon confirmation,

22 new Equity Security Interests in MedOne, representing 100% of the interest in MedOne,

23 shall be issued to AZHP in consideration for the amounts AZHP will contribute under the

24 Plan. Class 6 MedOne Equity Security Interests are impaired.

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XV.
ACCEPTANCE OR REJECTION OF PLAN; EFFECT OF
REJECTION BY ONE OR MORE CLASSES OF CLAIMS.

3 Impaired Classes to Vote. Each impaired class of Creditors with Claims against the
4 Estates shall be forwarded a ballot and shall be entitled to vote to accept or reject the Plan.

5 Acceptance by a Class of Creditors. A Class of Creditors shall have accepted the
6 Plan if the Plan is accepted by at least two-thirds (2/3) in the aggregate dollar amount and
7 more than one-half (1/2) in number of Holders of the Allowed Claims of such class that
8 have voted to accept or reject the Plan.

9 Cram-down. In the event that any impaired Class of Creditors with Claims against
10 MedOne's Estate shall fail to accept the Plan in accordance with Section 1129(a) of the
11 Bankruptcy Code, MedOne requests that the Bankruptcy Court confirm the Plan,
12 notwithstanding such rejection, in accordance with Section 1129(b) of the Bankruptcy
13 Code.

14 Blank Ballots. Any Ballot which is executed by the Holder of an Allowed Claim or
15 interest but which does not indicate an acceptance or rejection of the Plan shall be deemed
16 an acceptance of the Plan.

17
18

XVI.
MEANS OF EFFECTUATING THE PLAN.

19 General. The Plan is to be implemented in a manner consistent with Section 1123
20 of the Bankruptcy Code and the Debtor is authorized to take any and all actions that may
21 be necessary or appropriate to implement the terms of the Plan.

22 Revesting of Debtor' Assets.

23 Except as otherwise expressly provided in this Plan, pursuant to Sections 1123(a)(5),
24 1123(b)(3) and 1141(b) of the Bankruptcy Code, all of MedOne's assets shall automatically
25 be revested in the Reorganized Debtor, free and clear of all Claims, liens, contractually-
26 imposed restrictions, charges, encumbrances and interests of creditors and equity security

1 holders on the Effective Date, with all such Claims, liens, contractually-imposed
2 restrictions, charges, encumbrances and interests being extinguished except as otherwise
3 provided in this Plan.

4 As of the Effective Date, the Reorganized Debtor may acquire and dispose of
5 property without supervision of the Bankruptcy Court and free of any restrictions of the
6 Bankruptcy Code or the Bankruptcy Rules, other than those restrictions expressly imposed
7 by this Plan and the Confirmation Order. Without limiting the foregoing, the Reorganized
8 Debtor may pay the charges it incurs for professional fees, disbursements, expenses or
9 related support services after the Effective Date without any application to the Bankruptcy
10 Court.

11 Corporate Action. Pursuant to section 1142 of the Bankruptcy Code and any
12 applicable provisions of the business corporation law of any applicable state, the entry of
13 the Confirmation Order shall constitute authorization for the Reorganized Debtor and/or the
14 Plan Agent to take or cause to be taken all corporate and limited liability company actions
15 necessary or appropriate to consummate and implement the provisions of this Plan prior to,
16 on and after the Effective Date, and all such actions taken or caused to be taken shall be
17 deemed to have been authorized and approved by the Bankruptcy Court.

18 Management And Ownership of MedOne. Pursuant to 11 U.S.C. §1141(d)(1)(B), as
19 of the Confirmation Date all Equity Security Interests in MedOne existing prior to the
20 Confirmation Date shall be deemed terminated, and new Equity Security Interests in
21 MedOne, representing 100% of the ownership interest in MedOne, shall be issued to AZHP
22 in consideration for the amounts AZHP contributes pursuant to the Plan. After the
23 Confirmation Date, AZHP shall direct and manage all of the operations and affairs of
24 MedOne. From and after the Effective Date, MedOne will continue to administer and
25 service all performing MedOne Contracts in the ordinary course of business, and will
26

1 continue to take all actions that it might otherwise deem appropriate and be authorized to
2 take, to operate its business absent the filing of the Case.

3 Contribution by AZHP. Prior to the date the Plan was filed, AZHP placed in escrow
4 with its counsel of record the sum of Two Hundred Fifty Thousand Dollars (\$250,000), and
5 also paid the sum of Thirty Thousand Dollars (\$30,000) to ABT. No later than ten days
6 after the Confirmation Date, AZHP shall tender to the Plan Agent an additional Thirty
7 Thousand Dollars (\$30,000), plus any AZHP Confirmation Date Contribution, which sums
8 shall be used to: i) fund a distribution of at least \$150,000 to ABT (in addition to the \$30,000
9 already paid); ii) fund payment of at least \$30,000 in approved Administrative Expenses;
10 and, iii) fund distributions on all Allowed Claims in accordance with the provisions of the
11 Plan. Under the Plan, AZHP also has the right, but not the obligation, to make a
12 Confirmation Date Contribution as a more favorable alternative for creditors to any
13 competing plan that may be filed. Any such Confirmation Date Contribution shall be
14 distributed pursuant to the Plan 25% to ABT; 35% pro rata to holders of Allowed Class 4
15 Unsecured Claims; and, 40% pro rata to holders of Allowed Administrative expense claims
16 including Professional Fee Claims.

17 Plan Agent. Stephan Kindt will act as the Plan Agent under this Plan. Pursuant to §
18 1123(b)(3)(B) of the Bankruptcy Code, the Plan Agent shall be the representative of the
19 Estate to enforce any and all claims of the Estate, including Litigation Claims and
20 Avoidance Claims, except for those claims expressly waived or assigned herein. The Plan
21 Agent shall also take possession of, and administer, all Litigation Proceeds, amounts
22 contributed by AZHP, and all other sums provided for under the Plan that will go toward
23 distributions on Allowed Claims under the Plan. The Plan Agent shall make distributions
24 on Allowed Claims pursuant to the terms of the Plan.

25 Any recovery obtained from retained causes of action will be distributed in
26 accordance with the terms of this Plan. The Plan Agent shall have authority on behalf of

1 MedOne's Estate to: i) make all distributions on Allowed Claims from Estate funds and
2 other amounts provided pursuant to this Plan; ii) pursue and litigate or settle all Avoidance
3 Claims and all Litigation Claims; iii) pursue and litigate or settle all Claim objections;

4 Avoidance Claims And Other Litigation Claims. After the Effective Date, the Estate
5 shall retain all Litigation Claims and all Avoidance Claims. The Plan Agent shall
6 investigate and pursue all Litigation Claims, Avoidance Claims and other Claims that the
7 Estate may have against third parties, including but not limited to claims against creditors
8 receiving a preferential, fraudulent, or other avoidable transfer. Causes of action retained
9 by the Estate shall also include, but are not limited to, all other claims and causes of action
10 of every kind and nature whatsoever, arising before the Effective Date which have not been
11 resolved or disposed of prior to the Effective Date, whether or not such claims or causes of
12 action are specifically identified in the Disclosure Statement. By Order of the Court entered
13 April 17, 2018 at ECF docket 126, MedOne's counsel is holding Twenty-Five Thousand
14 Dollars \$25,000 that is earmarked to fund the administrative costs of investigating,
15 analyzing, prosecuting, or settling Avoidance Claims (the "Avoidance Admin Fund"). To
16 the extent the Avoidance Admin Fund is not exhausted after Avoidance Claims are fully
17 investigated and resolved, it will be distributed to holders of Allowed Claims pursuant to
18 the terms of this Plan.

19 Notwithstanding any other provision of the Plan to the contrary, the
20 Avoidance Admin Fund and all Litigation Proceeds received by the Plan Agent
21 shall be used and distributed as follows:

22 First, to pay all out-of-pocket costs incurred by the Plan Agent,
23 including, but not limited to professional fees, expenses, and other normal
24 costs, including an appropriate reserve for future out-of-pocket costs;

25 Second, to pay Allowed Administrative Expense and Allowed
26 Professional Fee Claims;

1 Third, to pay pro rata distributions to holders of Allowed Class 4
2 Claims, until all Allowed Class 4 Claims have been paid in full; and

3 Fifth, to pay pro rata distributions to holders of Allowed Class 5 and
4 6 Claims and Equity Interests, until all Allowed Class 5 and 6 Claims and
5 Equity Interests have been paid in full.

6 The foregoing Litigation Proceeds, net of out-of-pocket costs, Allowed
7 Administrative Expenses, and Allowed Professional Fee Claims, that will be distributed on
8 Allowed Claims and Equity Interests, if any, are referenced in this Plan as “Net Litigation
9 Proceeds.”

10 MedOne has not yet assessed the actual or projected value of Avoidance Claim
11 recoveries. Potential Avoidance Claims include all those transfers made within 90 days
12 before the Petition Date that are reflected in **Exhibit C**. Avoidance Recoveries will be
13 distributed consistent with the priorities dictated by the Plan and the Bankruptcy Code for
14 distributions in a Chapter 7 liquidation, to ensure that Creditors receive at least as much
15 under the Plan from Avoidance Claim recoveries, as they would in a Chapter 7 liquidation.

16 No Successor Liability. The Reorganized Debtor is not, and shall not be, a successor
17 to MedOne by reason of any theory of law or equity, and none shall have any successor or
18 transferee liability of any kind or character, including but not limited to any recoupment,
19 offset, or clawback liability to any governmental agency or entity related to MedOne’s
20 participation in the Medicare and Medicaid programs, or the Arizona Health Care Cost
21 Containment System (AHCCCS), except that the Reorganized Debtor shall assume the
22 obligations specified in the Plan and the Confirmation Order. Any such successor liability,
23 potential or actual, shall be deemed a claim discharged pursuant to 11 U.S.C. §1141(d).

24 Effectuating Documents; Further Transactions. The Reorganized Debtor and the
25 Plan Agent, or their designees, as applicable, shall be authorized to (a) execute, deliver, file
26 or record such contracts, instruments, releases and other agreements or documents and take

1 such actions as may be necessary or appropriate to effectuate and implement the provisions
2 of the Plan and (b) certify or attest to any of the foregoing actions.

3 **XVII.**
4 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES.**

5 The Plan contemplates and hereby provides for the rejection, pursuant to Section 365
6 of the Bankruptcy Code, of any and all Executory Contracts and Unexpired Leases of the
7 Debtor which are in force on the Effective Date, except (i) those Executory Contracts and
8 Unexpired Leases which were specifically assumed pursuant to an order of the Bankruptcy
9 Court, and (ii) those Executory Contracts and Unexpired Leases listed on **Exhibit D**
10 attached hereto, which Executory Contracts and Unexpired Leases shall be deemed
11 assumed on the Effective Date.

12 The Confirmation Order (except as otherwise provided therein) shall constitute an
13 order of the Bankruptcy Court pursuant to Section 365 of the Bankruptcy Code, effective
14 as of the Effective Date, approving the assumptions, assignments and rejections hereunder.
15 Each contract and lease assumed and/or assigned pursuant to Section 9.1 of the Plan shall
16 be assumed only to the extent that any such contract or lease constitutes an Executory
17 Contract or Unexpired Lease. Assumption of a contract or lease pursuant to Section 9.1 of
18 the Plan shall not constitute an admission by the Debtor or the Reorganized Debtor, as
19 applicable, that such contract or lease is an Executory Contract or Unexpired Lease or that
20 the Debtor or the Reorganized Debtor, as applicable, have any liability thereunder. All
21 Executory Contracts and Unexpired Leases that are assumed will be assumed under their
22 present terms or upon such terms as are agreed to in writing between the Debtor and the
23 counterparty to such contract or lease.

24 MedOne asserts that no cure amounts are due to any counterparty to an Executory
25 Contract or Unexpired Lease assumed hereunder. The Debtor will serve the Plan and
26 Schedule 9.1 to the Plan on the non-Debtor counterparties to each such Executory Contract

1 or Unexpired Lease prior to the Confirmation Hearing. Each such counterparty shall have
2 until the date that is five (5) Business Days prior to the Confirmation Hearing to file an
3 objection to the assumption of their Executory Contract or Unexpired Lease (whether the
4 objection relates to the cure amount or otherwise). If any objections are filed and cannot be
5 resolved by agreement, the Bankruptcy Court shall hold a hearing to determine the cure
6 amount with respect to such Executory Contract or Unexpired Lease or to otherwise resolve
7 the objection, which hearing may be the Confirmation Hearing. Any party failing to object
8 to the assumption of their Executory Contract or Unexpired Lease as set forth above shall
9 be forever barred from asserting, collecting or seeking to collect from the Debtor or the
10 Reorganized Debtor any cure amount or from otherwise objecting to the assumption of such
11 Executory Contract or Unexpired Lease. Notwithstanding the foregoing, or anything else
12 in this Section 17, with respect to any Executory Contract or Unexpired Lease which is the
13 subject of an objection, the Reorganized Debtor shall retain the right, until five (5) Business
14 Days following any order resolving such objection having become a Final Order, to reject
15 such Executory Contract or Unexpired Lease by amending Schedule 9.1 to the Plan. Within
16 ten (10) days of the later of the Effective Date or the date that an order of the Bankruptcy
17 Court establishing the cure amount of such Executory Contract or Unexpired Lease
18 becomes a Final Order, or as otherwise agreed with the counterparty to each Executory
19 Contract or Unexpired Lease, the Reorganized Debtor shall pay the cure amounts to the
20 non-Debtor parties to such Executory Contracts and Unexpired Leases being assumed
21 and/or assigned.

22 Notwithstanding any other provision in this Plan or prior notice of any kind from the
23 clerk of the Bankruptcy Court, any and all Creditors or persons with Claims against a
24 Debtor's Estate arising out of or in connection with or due to the rejection of an Executory
25 Contract or Unexpired Lease pursuant to the Plan shall have thirty (30) days from the
26 Effective Date within which to file a proof of claim in the true amount of such Claims. If

1 any such Creditors fail to file such proofs of claim within said thirty (30) day period, then
2 such Creditors shall have no Claims against MedOne or its Estate arising out of or in
3 connection with or due to such rejection of such Executory Contract or Unexpired Lease,
4 shall be dismissed, released and null and void.

5 Any Claim that arises from the rejection of an Executory Contract or Unexpired
6 Lease shall, to the extent such Claim becomes an Allowed Claim, be treated as an
7 Unsecured Claim in the applicable class of Unsecured Claims.

8 Any claim filed in accordance with the provisions of Section 9.4 hereof shall be
9 treated as a Disputed Claim until the period of time has elapsed within which the Plan Agent
10 may file an objection to such Claim.

11 **XVIII.**
12 **RETENTION OF JURISDICTION.**

13 Notwithstanding the entry of the Confirmation Order or the occurrence of Effective
14 Date, the Bankruptcy Court shall retain jurisdiction over this Case and any proceedings
15 related thereto to the fullest extent permitted by the Bankruptcy Code or applicable law, and
16 to make such orders as are necessary or appropriate to carry out the provisions of this Plan.

17 In addition, the Bankruptcy Court shall retain jurisdiction to implement the
18 provisions of the Plan in the manner as provided under Section 1142 of the Bankruptcy
19 Code. If the Bankruptcy Court abstains from exercising, or declines to exercise jurisdiction,
20 or is otherwise without jurisdiction over any matter set forth in this Section, or if the Debtor
21 elect to bring an action or proceeding in any other forum, then this Section shall have no
22 effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other
23 court, public authority, or commission having competent jurisdiction over such matters.

24 Without limiting the foregoing, the Bankruptcy Court shall retain jurisdiction of the
25 Case for the following matters:

26 To enable the Plan Agent to complete prosecution of any and all

1 proceedings which MedOne may have commenced before or after the entry of the
2 Confirmation Order, to set aside Liens or encumbrances, to challenge or object to
3 the allowance of Claims and to recover any preferences, transfers, assets or
4 damages to which MedOne's Estate may be entitled under the applicable
5 provisions of the Code or other federal, state or local law;

6 To adjudicate all controversies concerning the classification or allowance
7 of a Claim or Equity Security Interest;

8 To adjudicate all disputes regarding or relating in any way to Claims,
9 Equity Security Interests, and the Plan;

10 To hear and determine all claims or motions arising from or seeking the
11 assumption and/or assignment or rejection of any Executory Contracts or
12 Unexpired Leases, and to consummate the rejection and termination thereof or with
13 respect to any Executory Contracts or Unexpired Leases to which an application or
14 motion for rejection or termination is filed before entry of the Confirmation Order;

15 To liquidate damages in connection with any disputed, contingent or
16 unliquidated Claims;

17 To adjudicate all claims to a security or ownership interest in any property
18 of the Debtor or in any proceeds thereof, including the adjudication of all claims
19 asserted by Creditors and Holders of Equity Security Interests;

20 To adjudicate all claims or controversies arising out of any purchases,
21 sales, or contracts made or undertaken by the Debtor during the pendency of the
22 Proceedings;

23 To adjudicate, determine and resolve any and all adversary proceedings,
24 applications, motions, and contested or litigated matters, instituted before the
25 closing of the Case;

26 To recover all Assets and properties of the Debtor, wherever located;

1 To adjudicate and determine any cause of action provided for under the Plan
2 or pursuant to the Confirmation Order;

3 To make orders as are necessary or appropriate to carry out the provisions
4 of the Plan, or in aid of confirmation and consummation of the Plan;

5 To hear and determine any application to modify the Plan in accordance
6 with Section 1127 of the Bankruptcy Code, to remedy any defect or omission, or
7 reconcile any inconsistency in the Plan, the Disclosure Statement or any Order of
8 the Bankruptcy Court, including the Confirmation Order, in such a manner as may
9 be necessary to carry out the purposes and effects hereof;

10 To hear and determine all matters concerning state, local and federal taxes in
11 accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;

12 To determine any and all applications, adversary proceedings, and
13 contested or litigated matters properly before the Bankruptcy Court before or after
14 the Confirmation Date;

15 To hear and determine all controversies, suits and disputes, if any, as may
16 arise with regard to orders of the Bankruptcy Court in the Case entered on or
17 before the Confirmation Date; and

18 To enter an Order closing the Case.

19 **XIX.**
20 **PROCEDURES FOR RESOLVING DISPUTED CLAIMS.**

21 Objections to Claims. Only the Plan Agent shall be entitled to object to Claims. Any
22 objections to Claims shall be served and filed on or before the later of: (i) sixty (60) days
23 after the Effective Date; (ii) thirty (30) days after a request for payment or proof of Claim
24 is timely filed and properly served; or (iii) such other date as may be fixed by the
25 Bankruptcy Court, whether before or after the dates specified in subsections (i) and (ii)
26 herein. Notwithstanding any authority to the contrary, an objection to a Claim shall be

1 deemed properly served on the Creditor if service is effected in any of the following
2 manners: (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made
3 applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on any counsel
4 that has appeared on the Creditor's behalf in the Cases; or (c) by first class mail, postage
5 prepaid, on the signatory on the proof of Claim or other representative identified in the proof
6 of Claim or any attachment thereto.

7 Payments and Distributions with Respect to Disputed Claims. Notwithstanding any
8 other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or
9 distribution provided hereunder shall be made on account of such Claim unless and until
10 such Disputed Claim becomes an Allowed Claim.

11 Distributions After Allowance. After such time as a Disputed Claim becomes an
12 Allowed Claim, the Plan Agent shall distribute to the holder thereof the distributions, if any,
13 to which such holder is then entitled under the Plan in accordance with the provisions
14 hereof. In respect of Disputed Claims such distributions shall be made within fifteen (15)
15 days after such Disputed Claims become Allowed Claims by Final Order of the Bankruptcy
16 Court or as soon thereafter as practicable. In addition, no distribution will be made under
17 this Plan on any Claim for any fine, penalty, exemplary or punitive damages, late charges,
18 default interest or other monetary charges relating to or arising from any default or breach
19 by Debtor, and any Claim on account thereof will be deemed Disputed and thereby
20 Disallowed, whether or not an objection was filed to it.

21 **XX.**
22 **PROVISIONS CONCERNING DISTRIBUTIONS.**

23 Time of Distributions Under the Plan. Payments and distributions to be made on or
24 after the Effective Date pursuant to the Plan shall be made on such date, or as soon as
25 practicable thereafter, except as otherwise provided for in the Plan, or as may be ordered by
26

1 the Court, or as may be agreed to by the Plan Agent, as applicable, and the Holder of the
2 Claim or Equity Security Interest.

3 Payment Dates. Whenever any payment or distribution to be made under the Plan
4 shall be due on a day other than a Business Day, such payment or distribution shall instead
5 be made, without interest, on the next Business Day, or as soon as practicable thereafter, or
6 as may be agreed to by the Plan Agent and the holder of the Claim or Equity Security
7 Interest.

8 Manner of Payments Under the Plan. Cash payments made pursuant to the Plan shall
9 be made in the currency of the United States, by check drawn on a domestic bank or by wire
10 transfer from a domestic bank. Distributions to all holders of Allowed Claims and Equity
11 Security Interests shall be made (a) at the addresses set forth in the proof of claim filed by
12 such holders (or at last known addresses of such holders if no proofs of claims were filed
13 or the Debtor were notified of a change of address); or (b) at the addresses set forth in any
14 written notice of address change delivered to the Plan Agent or the Bankruptcy Court; or
15 (c) at the address reflected in the Debtor's schedules if no claim shall have been filed and
16 no written notice of an address change has been received by the Plan Agent. No payments
17 shall be made to a holder of a Disputed Claim unless and until such Claim becomes an
18 Allowed Claim by a Final Order.

19 Fractional Cents. Any other provision of the Plan to the contrary notwithstanding,
20 no payments of fractions of cents will be made. Whenever any payment of a fraction of a
21 cent would otherwise be called for, the actual payment shall reflect a rounding of such
22 fraction to the nearest whole cent (rounding down in the case of .5).

23 Non-Negotiated Checks. If a Holder of an Allowed Claim, or any other claim or
24 interest fails to negotiate a check issued to such Holder under the Plan within sixty (60)
25 days of the date such check was issued by the Plan Agent, then the amount of Cash or other
26 property attributable to such check shall be deemed to be "Unclaimed Distributions," and

1 the payee of such check shall be deemed to have no further Claim or future Claim against
2 the Debtor's Estate.

3 Unclaimed Distributions. In the event any payment to a holder of a Claim under the
4 Plan remains unclaimed for a period of sixty (60) days after such distribution has been made
5 (or after such delivery has been attempted), such Unclaimed Distribution and all future
6 distributions to be made to such holders shall be deemed forfeited by such holder.

7 Disputed Payments or Distributions. In the event of any dispute between and among
8 Claimants (including the Entity or Entities asserting the right to receive the disputed
9 payment or distribution) as to the right of any Entity to receive or retain any payment or
10 distribution to be made to such Entity under the Plan, the Plan Agent may, in lieu of making
11 such payment or distribution to such Entity, make it instead into an escrow account or to a
12 disbursing agent, for payment or distribution as ordered by a court of competent jurisdiction
13 or as the interested parties to such dispute may otherwise agree among themselves, and the
14 payment or distribution shall be deemed to have been made to and received by the Entity
15 determined to be entitled to such payment or distribution as of the date that the Plan Agent
16 delivered such payment or distribution to a disbursing agent or escrow account.

17 **XXI.**
18 **EFFECT OF CONFIRMATION OF PLAN.**

19 Discharge. In part because MedOne will engage in business after the Confirmation
20 Date, pursuant to section 1141d(1)(A), the Confirmation of the Plan will discharge MedOne
21 from any debt that arose before the Confirmation Date, including but not limited to any debt
22 in the nature of recoupment, offset, or clawback liability to any governmental agency or
23 entity related to MedOne's participation in the Medicare and Medicaid programs, or the
24 Arizona Health Care Cost Containment System (AHCCCS). However, any liability
25 imposed by the Plan will not be discharged. If Confirmation of this Plan and/or the
26 conditions precedent to the effectiveness of the Plan are not satisfied, the Plan shall be

1 deemed null and void. In such event, nothing contained in this Plan shall be deemed to
2 constitute a waiver or release of any claims against the Debtor or its Estate or any other
3 Persons, or to prejudice in any manner the rights of the Debtor, its Estate, and/or any Person
4 in any further proceeding involving the Debtor, its Estate and/or any Person. The provisions
5 of this Plan shall be binding upon the Debtor, the Plan Agent, all Creditors and all Equity
6 Security Interest holders, regardless of whether such Claims or Equity Security Interest
7 holders are impaired or whether such parties accept this Plan, upon Confirmation thereof.

8 Modification of Plan. MedOne may modify the Plan at any time before
9 Confirmation. However, the Bankruptcy Court may require a new disclosure statement or
10 re-voting on the Plan if MedOne materially modifies the Plan before Confirmation. The
11 Plan Agent may also seek to modify the Plan at any time after Confirmation so long as (a)
12 the Plan has not been substantially consummated, and (b) the Bankruptcy Court authorizes
13 the proposed modification after notice and a hearing. After Confirmation, the Plan Agent
14 may, upon Order from the Bankruptcy Court, in accordance with Section 1127(b) of the
15 Bankruptcy Code, remedy any defect or omission or reconcile any inconsistency in this
16 Plan in such manner as may be necessary to carry out the purpose of this Plan.

17 Post-Confirmation Quarterly Fees. Quarterly fees pursuant to 28 U.S.C. Section
18 1930(a)(6) continue to be payable to the Office of the United States Trustee by the Estate
19 until such time as the Case is converted, dismissed, or closed pursuant to a final decree.

20 Retention of Claims and Causes of Action. Except to the extent any rights, claims,
21 causes of action, defenses, and counterclaims are expressly and specifically released or
22 assigned in connection with this Plan or in any settlement agreement approved during the
23 Case: (i) any and all Claims accruing to the Debtor or the Estates, including Litigation
24 Claims and Avoidance Claims, shall remain assets of and vest in the Estate, to be
25 investigated, prosecuted, or settled by the Plan Agent, whether or not litigation relating
26 thereto is pending on the Effective Date, and whether or not any such Claims have been

1 listed or referred to in the Plan, the Disclosure Statement, or any other document filed with
2 the Bankruptcy Court, and (ii) neither the Plan Agent nor the Estate waive, release,
3 relinquish, forfeit, or abandon (nor shall they be estopped or otherwise precluded or
4 impaired from asserting) any Claims or defenses that constitute property of the Debtor or
5 the Estate: (a) whether or not such Claims or defenses have been listed or referred to in this
6 Plan, the Disclosure Statement, or any other document filed with the Bankruptcy Court, (b)
7 whether or not such Claims are currently known to the Debtor, and (c) whether or not a
8 defendant in any litigation relating to such Claims filed a proof of claim in the Case, filed a
9 notice of appearance or any other pleading or notice in the Case, voted for or against this
10 Plan, or received or retained any consideration under this Plan. Without in any manner
11 limiting the scope of the foregoing, notwithstanding any otherwise applicable principle of
12 law or equity, including, without limitation, any principles of judicial estoppel, res judicata,
13 collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose,
14 describe, identify, analyze or refer to any Claim or cause of action, in the Plan, the
15 Disclosure Statement, or any other document filed with the Bankruptcy Court shall in no
16 manner waive, eliminate, modify, release, or alter the Plan Agent's right to commence,
17 prosecute, defend against, settle, recover on account of, and realize upon any Claim that the
18 Estate has or may have as of the Effective Date.

19 Except to the extent any rights, claims, causes of action, defenses, and counterclaims
20 are expressly and specifically released or assigned in connection with this Plan or in any
21 settlement agreement approved during the Case, the Debtor, the Plan Agent, and the Estate,
22 expressly reserve all Claims and defenses for later investigation, prosecution, or settlement
23 by the Plan Agent on behalf of the Estate and therefore, no preclusion doctrine, including
24 the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver,
25 estoppel (judicial, equitable or otherwise) or laches will apply to such Claims and defenses
26 upon or after the Confirmation or Consummation of the Plan based on the Disclosure

1 Statement, the Plan, and/or the Confirmation Order. In addition, the Estate and Plan Agent,
2 as applicable, expressly reserve the right to pursue or adopt Claims that are alleged in any
3 lawsuits in which the Debtor is a defendant or an interested party, against any Person or
4 Governmental Entity, including the plaintiffs or co-defendants in such lawsuits. Any
5 Person or Governmental Entity to whom the Debtor have incurred an obligation (whether
6 on account of services, purchase, sale of goods or otherwise), or who has received services
7 from the Debtor, or who has received money or property from the Debtor, or who has
8 transacted business with the Debtor, or who has leased equipment or property from or to
9 the Debtor should assume that such obligation, receipt, transfer or transaction may be
10 reviewed by the Plan Agent on behalf of the Estate subsequent to the Effective Date and
11 may be the subject of an action after the Effective Date, whether or not: (a) such Person or
12 Governmental Unit has Filed a proof of Claim against the Debtor in the Case; (b) such
13 Person's or Governmental Unit's proof of Claim has been objected to by the Debtor or by
14 any other party in interest; (c) such Person's or Governmental Unit's Claim was included
15 in the Debtor's Schedules; or (d) such Person's or Governmental Unit's scheduled Claim has
16 been objected to by the Debtor or any other party in interest, or has been identified by the
17 Debtor as contingent, unliquidated or disputed.

18 NO WAIVER OF CLAIMS. NEITHER THE FAILURE TO LIST A CLAIM IN
19 THE SCHEDULES FILED BY THE DEBTOR, THE FAILURE OF THE DEBTOR, THE
20 ESTATE, THE PLAN AGENT, OR ANY OTHER PERSON TO OBJECT TO ANY
21 CLAIM FOR PURPOSES OF VOTING, THE FAILURE OF THE DEBTOR OR THE
22 PLAN AGENT OR ANY OTHER PERSON TO OBJECT TO A CLAIM OR
23 ADMINISTRATIVE EXPENSE BEFORE CONFIRMATION OR THE EFFECTIVE
24 DATE, THE FAILURE OF ANY PERSON TO ASSERT A CLAIM OR CAUSE OF
25 ACTION BEFORE CONFIRMATION OR THE EFFECTIVE DATE, THE ABSENCE
26 OF A PROOF OF CLAIM HAVING BEEN FILED WITH RESPECT TO A CLAIM, NOR

1 ANY ACTION OR INACTION OF THE DEBTOR OR ANY OTHER PERSON WITH
2 RESPECT TO A CLAIM, OR ADMINISTRATIVE EXPENSE, OTHER THAN A
3 LEGALLY EFFECTIVE EXPRESS WAIVER OR RELEASE SHALL BE DEEMED A
4 WAIVER OR RELEASE OF THE RIGHT OF THE DEBTOR, BEFORE OR AFTER
5 SOLICITATION OF VOTES ON THE PLAN OR BEFORE OR AFTER
6 CONFIRMATION OR THE EFFECTIVE DATE TO (A) OBJECT TO OR EXAMINE
7 SUCH CLAIM OR ADMINISTRATIVE EXPENSE, IN WHOLE OR IN PART OR (B)
8 RETAIN AND EITHER ASSIGN OR EXCLUSIVELY ASSERT, PURSUE,
9 PROSECUTE, UTILIZE, OTHERWISE ACT OR OTHERWISE ENFORCE ANY
10 CLAIM OR CAUSE OF ACTION AGAINST THE HOLDER OF ANY SUCH CLAIM.

11 **XXII.**
12 **GENERAL PROVISIONS.**

13 Notices Under the Plan. Notices, requests, or demands with respect to this Plan shall
14 be in writing and shall be deemed to have been received within five (5) days of the date of
15 mailing, provided they are sent by registered mail or certified mail, postage prepaid, return
16 receipt requested, and:

17 if sent to the Debtor or the Plan Agent, addressed to:

18 GALLAGHER & KENNEDY, P.A.
19 Attn.: Joseph E. Cotterman
20 2575 East Camelback Road
Phoenix, Arizona 85016-9225
Facsimile: (602) 530-8500
Email: joe.cotterman@gknet.com

21
22 Headings. The headings used in this Plan are inserted for convenience only and
23 neither shall constitute a portion of this Plan nor in any manner affect the provisions of this
24 Plan.

1 Unenforceability. Should any provision in this Plan be determined to be
2 unenforceable, such determination shall in no way limit or affect the enforceability and
3 operative effect of any and all other provisions of this Plan.

4 Certain Terminations. On the Effective Date, all instruments evidencing
5 indebtedness of the Debtor discharged by the Plan shall be deemed canceled, unless this
6 Plan provides for the retention of liens.

7 Governing Law. Except to the extent that the Bankruptcy Code is applicable, the
8 rights and obligations arising under this Plan shall be governed by, and construed and
9 enforced in accordance with, the internal laws of the State of Arizona without regard to its
10 conflicts of law principles.

11 Liquidated and/or Disputed Claims. The Bankruptcy Court shall fix or liquidate the
12 amount of any contingent and/or disputed Claim pursuant to Section 502 of the Bankruptcy
13 Code. The amount so fixed shall be deemed the amount of such contingent Claim for
14 purposes of this Plan. In lieu thereof, the Bankruptcy Court may determine the amount to
15 be reserved for such contingent Claim, which amount shall be the maximum amount which
16 the holder of such contingent Claim shall be entitled to receive under this Plan if such
17 contingent Claim is allowed in whole or in part.

18 Revocation of Plan. The Plan Proponents reserve the right to revoke and withdraw
19 this Plan at any time before Confirmation.

20 Reservation of Rights. Nothing contained herein shall prohibit the Debtor from
21 prosecuting or defending any of its rights as may exist on its own behalf before the Effective
22 Date. If Confirmation of the Plan does not occur, the Plan shall be deemed null and void.
23 In such event, nothing contained in the Plan shall be deemed to constitute a waiver or release
24 of any Claims by or against the Debtor, the Estate, or any other Person, or to prejudice in
25 any manner, the rights and remedies of the creditors, the Debtor, the Estate, or any Person
26 in any further proceedings involving the Debtor or the Estate. The filing of the Plan and or

1 any modifications hereto, and the Plan itself shall not constitute a waiver by the Debtor of
2 any rights, remedies, objections, or causes of action it may have or may wish to raise with
3 respect to anything, including, without limitation, any other plan or plans filed or to be filed
4 in this bankruptcy case, all of which rights and objections are hereby reserved.

5 Exemption from Certain Transfer Taxes. Pursuant to Section 1146(a) of the
6 Bankruptcy Code, the issuance, transfer or exchange of a security, or the making or delivery
7 of an instrument of transfer hereunder will not be subject to any stamp, tax, or similar tax.

8 Injunction. Except as otherwise provided in the Plan or the Confirmation Order, and
9 except for any actions timely filed pursuant to Section 523 of the Bankruptcy Code or any
10 Claims declared by the Bankruptcy Court to be non-dischargeable pursuant to Section 523
11 of the Bankruptcy Code, as of the Confirmation Date, but subject to the occurrence of the
12 Effective Date, all Persons who have held, hold or may hold Claims against the Debtor or
13 the Estate, or Equity Security Interests in the Debtor, are, with respect to any such Claims
14 or Equity Security Interests, permanently enjoined from and after the Confirmation Date
15 from: (i) commencing, conducting or continuing in any manner, directly or indirectly, any
16 suit, action or other proceeding of any kind (including, without limitation, any proceeding
17 in a judicial, arbitral, administrative or other forum) with respect to any such Claim against
18 or affecting the Debtor, the Estate or any of its respective property, or any direct or indirect
19 transferee of any property of, or direct or indirect successor in interest to, any of the
20 foregoing Persons, or any property of any such transferee or successor; (ii) enforcing,
21 levying, attaching (including, without limitation, any pre-judgment attachment), collecting
22 or otherwise recovering by any manner or means, whether directly or indirectly, with
23 respect to any judgment, award, decree or order against the Debtor, the Estate or any of
24 their respective property, or any direct or indirect transferee of any property of, or direct or
25 indirect successor in interest to, any of the foregoing Persons, or any property of any such
26 transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner,

1 directly or indirectly, any encumbrance of any kind against the Debtor, the Estate or any of
2 their respective property, or any direct or indirect transferee of any property of, or successor
3 in interest to, any of the foregoing Persons; (iv) asserting initially after the Effective Date
4 any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against
5 any obligation due to the Debtor, the Estate or any of their respective property, or any direct
6 or indirect transferee of any property of, or successor in interest to, any of the foregoing
7 Persons; and (v) acting or proceeding in any manner, in any place whatsoever, that does not
8 conform to or comply with the provisions of the Plan to the full extent permitted by
9 applicable law. By accepting a distribution pursuant to the Plan, each holder of an Allowed
10 Claim receiving distributions pursuant to the Plan will be deemed to have specifically
11 consented to the injunctions set forth in this section, and, except as set forth in this Section,
12 waives any and all claims, causes of action, remedies and objections of every kind against
13 the Debtor and the Estate.

14 Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays
15 arising before the Confirmation Date in accordance with Sections 105 or 362 of the
16 Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in
17 full force and effect until the Effective Date, or such later date as provided under applicable
18 law. For the avoidance of doubt, this Section 14.13 does not apply to the permanent
19 injunction set forth in Section 14.12 of the Plan.

20 Injunction Against Interference With Plan. Upon the entry of the Confirmation
21 Order, all holders of Claims and Equity Security Interests and other parties in interest,
22 including the Debtor, along with its respective present or former employees, agents,
23 officers, directors, or principals, shall be enjoined from taking any actions to interfere with
24 the implementation or consummation of the Plan.

25 Exculpation. Except with respect to obligations under the Plan, neither the Debtor,
26 the Plan Agent, nor any of their respective Representatives, all solely in their capacity as

1 such (each an “Exculpated Party”), shall have or incur any liability to the Debtor or the
2 Estate for any act or omission in connection with, or arising out of: (i) the Case; (ii) the
3 confirmation of the Plan; (iii) the consummation of the Plan; or (iv) the administration of
4 the Plan or property to be distributed pursuant to the Plan, except for fraud, willful
5 misconduct, recklessness or gross negligence; and, in all respects, each Exculpated Party
6 shall be entitled to rely upon the advice of counsel with respect to their duties and
7 responsibilities under the Plan.

8 Successors and Assigns. The rights and obligations of any Entity named or referred
9 to in the Plan shall be binding upon and shall inure to the benefit of, the predecessors,
10 successors, assigns and agents of such Entity.

11 **XXIII.**
12 **CONDITIONS PRECEDENT TO EFFECTIVENESS OF PLAN.**

13 Conditions to the Effective Date. The following shall be conditions to the occurrence
14 of the Effective Date unless such conditions shall have been duly waived as provided below:
15 The Confirmation Order in form and substance acceptable to the Debtor shall have become
16 a Final Order, except that the Debtor reserves the right to cause the Effective Date to occur
17 notwithstanding the pendency of an appeal of the Confirmation Order.

18 **XXIV.**
19 **FEDERAL TAX CONSEQUENCES**

20 Each holder of a claim is urged to consult with its own tax advisor regarding the
21 federal, state, local and other tax consequences of the Plan. No rules have been requested
22 from the Internal Revenue Service with respect to any of the tax aspects of the Plan.

23 **XXV.**
24 **VOTING PROCEDURES AND REQUIREMENTS**

25 **A. Parties Entitled to Vote**

26 If you hold an Allowed Claim that is “impaired” under the Plan, you are entitled to
vote to accept or reject the Plan. Accordingly, to be entitled to vote, your Claim must be

1 “allowed” as set forth in Section 502 of the Bankruptcy Code or temporarily allowed as set
2 forth in Bankruptcy Rule 3018(a). Additionally, Section 1126(f) of the Bankruptcy Code
3 permits you to vote to accept or reject the Plan only if your Claim is “impaired.”

4 **B. Procedures for Voting**

5 1. Submission of Ballots. After this Disclosure Statement has been approved by
6 the Bankruptcy Court, all Creditors whose votes are solicited (as explained above) will be
7 sent (a) a ballot, together with instructions for voting (the “Ballot”); (b) a copy of this
8 Disclosure Statement as approved by the Bankruptcy Court; and (c) a copy of the Plan. You
9 should read the Ballot carefully and follow the instructions. Please use only the Ballot sent
10 with this Disclosure Statement. You should complete your Ballot and return it to:

11 GALLAGHER & KENNEDY, P.A.
12 Attn: Joseph E. Cotterman
13 2575 East Camelback Road, Suite 1100
14 Phoenix, AZ 85016
Telephone: (602) 530-8000
Email: joe.cotterman@gknet.com

15 TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS
16 LISTED ABOVE BY 5:00 P.M., MOUNTAIN STANDARD TIME, ON
17 _____, 2018. IF YOUR BALLOT IS NOT TIMELY RECEIVED, IT
18 WILL NOT BE COUNTED IN DETERMINING WHETHER THE PLAN HAS BEEN
19 ACCEPTED OR REJECTED.

20 2. Procedures for Vote Tabulation. In determining whether the Plan has been
21 accepted or rejected, Ballots will be tabulated in accordance with the Court’s Order
22 approving this Disclosure Statement.

23 3. Withdrawal of Ballots. A Ballot may not be withdrawn or changed after it is
24 cast unless the Bankruptcy Court permits you to do so after notice and a hearing to
25 determine whether sufficient cause exists to permit the change.

26 4. Questions and Lost or Damaged Ballots. If you have any questions
concerning voting procedures, if your Ballot is damaged or lost, or if you believe you should

1 have received a Ballot but did not receive one, you may contact MedOne' counsel, Joseph
2 Cotterman, at the address and telephone number listed above.

3 **C. Summary of Voting Requirements.**

4 In order for the Plan to be confirmed, the Plan must be accepted by at least one (1)
5 impaired Class of Claims. For a Class of Claims to accept the Plan, votes representing at
6 least two-thirds in claim amount and a majority in number of the Claims voted in that Class
7 (not including votes of insiders) must be cast to accept the Plan.

8 **IT IS IMPORTANT THAT HOLDERS OF ALLOWED IMPAIRED**
9 **CLAIMS EXERCISE THEIR RIGHTS TO VOTE TO ACCEPT OR**
10 **REJECT THE PLAN. MEDONE BELIEVES THAT THE**
11 **TREATMENT OF CREDITORS UNDER THE PLAN IS THE BEST**
12 **ALTERNATIVE FOR CREDITORS, AND THE DEBTORS**
13 **RECOMMEND THAT THE HOLDERS OF ALLOWED CLAIMS**
14 **VOTE IN FAVOR OF THE PLAN.**

15 The specific treatment of each Class under the Plan is described in the Plan and is
16 summarized in this Disclosure Statement.

17 **XXVI.**
18 **LIQUIDATION ANALYSIS**

19 MedOne's Liquidation Analysis was set forth above in the section regarding its
20 current assets. In summary, the secured claims against all of MedOne's assets exceed the
21 value of its assets by a factor of some fifty to one. Unencumbered Estate assets include
22 only the value of any potential Avoidance Claims, which will be available and distributed
23 to unsecured creditors under the Plan the same as they would be in a Chapter 7 liquidation.

24 With ABT's support, the Plan provides for ABT to waive its lien against all estate
25 assets in exchange for only a portion of the funds tendered by AZHP. Under the Plan, as
26 much as \$130,000 plus the recoveries on Avoidance Claims, will be applied toward funding
distributions on Allowed administrative, priority unsecured, and general unsecured claims.
None of that \$130,000 would be available for any of those claims in a Chapter 7 liquidation,

1 and ABT's secured claim would receive the entirety of the net liquidation proceeds of all
2 estate assets. Accordingly, MedOne believes that the Plan provides unsecured creditors
3 significantly more than they would receive in a Chapter 7 liquidation.

4 **XXVII.**
5 **CONFIRMATION OF THE PLAN**

6 **A. Confirmation Hearing**

7 Section 1128(a) of the Bankruptcy Code provides that the Bankruptcy Court, after
8 notice, will hold a Confirmation Hearing on the Plan. The Confirmation Hearing will be
9 held at the United States Bankruptcy Court, 230 N. First Avenue, Phoenix, Arizona, on
10 _____, 2018, at _____ a.m./p.m. **THE HEARING MAY BE ADJOURNED**
11 **FROM TIME TO TIME BY THE COURT WITHOUT FURTHER NOTICE**
12 **EXCEPT FOR AN ANNOUNCEMENT MADE AT THE HEARING.**

13 **B. Objections to Confirmation**

14 Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may
15 object to confirmation of the Plan, regardless of whether it is entitled to vote. Objections
16 to confirmation of the Plan are governed by Bankruptcy Rule 9014. **IF AN OBJECTION**
17 **TO CONFIRMATION IS NOT TIMELY MADE, THE COURT NEED NOT**
18 **RECEIVE OR CONSIDER IT. ALL OBJECTIONS TO CONFIRMATION OF THE**
19 **PLAN MUST BE FILED WITH THE BANKRUPTCY COURT AND SERVED ON**
20 **COUNSEL FOR THE DEBTORS AT THE ADDRESSES SET FORTH ABOVE, ON**
21 **THE UNITED STATES TRUSTEE, AND ON ANY PARTY-IN-INTEREST WHO**
22 **HAS REQUESTED NOTICE IN THE DEBTOR'S BANKRUPTCY CASE, BY**
23 _____, 2018.

24 **C. Requirements for Confirmation of the Plan**

25 1. Confirmation Under Section 1129(a) of the Bankruptcy Code. At the
26 Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of

1 Section 1129(a) of the Bankruptcy Code have been satisfied, in which event the Bankruptcy
2 Court will enter an order confirming the Plan. Such requirements include, among others:

3 a. That MedOne has complied with the applicable provisions of Chapter
4 11, including the provisions of Sections 1122 and 1123 of the Bankruptcy Code
5 governing classification of claims and interests and contents of a plan of
6 reorganization.

7 b. That the Plan has been proposed in good faith and not by any means
8 forbidden by law.

9 c. That any payment made or promised by MedOne to any Person for
10 services, costs, or expenses in connection with the Bankruptcy Case or the Plan has
11 been approved by or is subject to approval by the Bankruptcy Court as reasonable.

12 d. That MedOne has disclosed the identity and affiliations of Persons
13 proposed to serve as officers after confirmation.

14 e. That one or more of the impaired Classes of Claims has voted to accept
15 the Plan.

16 f. That the Plan is in the best interests of holders of Claims and Equity
17 Interests; that is, each holder of an Allowed Claim or Allowed Equity Interest either
18 has accepted the Plan or will receive on account of its Claim or Equity Interest
19 property with a value, as of the Effective Date, that is not less than the amount that
20 the holder of such Claim or Equity Interest would receive if MedOne were liquidated
21 under Chapter 7 of the Bankruptcy Code on the Effective Date.

22 g. That the Plan is feasible; that is, confirmation is not likely to be
23 followed by the need for liquidation or further reorganization of MedOne unless that
24 is provided for in the Plan.

25
26

1 2. The Plan Satisfies Bankruptcy Code Requirements.

2 a. Best Interests Test and Liquidation Analysis. Under the best interests
3 test, the Plan is confirmable if, with respect to each impaired Class of Claims or
4 Equity Interests, each holder of an Allowed Claim or Allowed Equity Interest in such
5 Class either: (i) has accepted the Plan; or (ii) will receive or retain under the Plan,
6 on account of its Claim or Interest, property of a value, as of the Effective Date, that
7 is not less than the amount such holder would receive or retain if MedOne were
8 liquidated under Chapter 7 of the Bankruptcy Code. As discussed above, MedOne
9 believes the distributions to Creditors under the Plan will exceed the recoveries that
10 Creditors would receive in a Chapter 7 liquidation of MedOne. MedOne believes
11 that at worst, the Plan provides an equal, and in all likelihood a significantly better,
12 return to Creditors than they would otherwise receive under Chapter 7, and therefore
13 the best interests of creditors test is met.

14 b. Feasibility of the Plan. Section 1129(a)(11) of the Bankruptcy Code
15 includes what is commonly described as the “feasibility” standard. In order for the
16 Plan to be confirmed, the Bankruptcy Court also must determine that the Plan is
17 feasible - that is, that the need for further reorganization or a subsequent liquidation
18 of MedOne is not likely to result following confirmation of the Plan. As set forth in
19 this Disclosure Statement and in the Plan, MedOne believes the Plan is feasible, in
20 that it provides for distributions based on funds in large part already tendered by
21 AZHP, in part on funds to be tendered on the Effective Date, and in part on
22 Avoidance Claim recoveries.

23 Unlike those cases where distributions are funded from future operating
24 revenue of a reorganized debtor, there is no future uncertainty whether the AZHP
25 contribution that will partially fund creditor distributions will materialize. While
26 there is always some uncertainty as to the risk and amount of litigation including

1 Avoidance Claim recoveries, any such uncertainty would be inherent in Chapter 7
2 as well as Chapter 11. The pursuit and recovery of such claims is therefore feasible
3 in both Chapter 11 and Chapter 7.

4 c. Acceptance by an Impaired Class. Because the Plan impairs some
5 Classes of Claims, Section 1129(a)(10) of the Bankruptcy Code requires that, for the
6 Plan to be confirmed, at least one impaired Class must accept the Plan by the
7 requisite vote without counting the votes of any “insiders” (as that term is defined in
8 Section 101(31) of the Bankruptcy Code) contained in that Class. By agreement
9 with ABT, MedOne believes that at least one impaired Class – ABT - will vote to
10 accept the Plan.

11 d. Confirmation Under Section 1129(b) of the Bankruptcy Code.
12 Although Section 1129(a)(8) of the Bankruptcy Code requires that the Plan be
13 accepted by each Class that is impaired by the Plan, Section 1129(b) of the
14 Bankruptcy Code provides that the Bankruptcy Court may still confirm the Plan at
15 the request of MedOne if all requirements of Section 1129(a) of the Bankruptcy Code
16 are met except for Section 1129(a)(8) and if, with respect to each Class of Claims or
17 Equity Interests that (a) is impaired under the Plan, and (b) has not voted to accept
18 the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable.” This
19 provision commonly is referred to as a “cramdown.” MedOne has requested
20 cramdown confirmation of the Plan with respect to any such non-accepting Class of
21 Creditors. MedOne believes that, with respect to such Class or Classes, the Plan
22 meets the requirements of Section 1129(b) of the Bankruptcy Code.

23 (1) Unfair Discrimination. A plan of reorganization “does not
24 discriminate unfairly” if: (i) the legal rights of a non-accepting class are
25 treated in a manner that is consistent with the treatment of other classes whose
26 legal rights are related to those of the non-accepting class; and (ii) no class

1 receives payments in excess of that which it is legally entitled to receive on
2 account of its Claims or Equity Interests. MedOne asserts that under the Plan:
3 (i) all classes of impaired Claims are being treated in a manner that is
4 consistent with the treatment of other similar classes of Claims; and (ii) no
5 Class of Claims will receive payments or property with an aggregate value
6 greater than the sum of the Allowed Claims in the Class. Accordingly,
7 MedOne believe that the Plan does not discriminate unfairly as to any
8 impaired Class of Claims or Equity Interests.

9 (2) Fair and Equitable Test. The Bankruptcy Code establishes
10 different “fair and equitable” tests for Secured Creditors, Unsecured
11 Creditors, and holders of Equity Interests, as follows:

12 (a) Secured Creditors. With respect to a secured claim, “fair
13 and equitable” means that a plan provides that either (A) the holder of
14 the secured claim in an impaired class retains the liens securing such
15 claim, whether the property subject to such liens is retained by the
16 debtor or transferred to another entity, to the extent of the amount of
17 such allowed claim, and that the holder of such claim receives on
18 account of such claim deferred cash payments totaling at least the
19 amount of such allowed claim, of a value, as of the effective date, of
20 at least the value of such holder’s interest in the estate’s interest in such
21 property; (B) for the sale, subject to Section 363(k) of the Bankruptcy
22 Code, of any property that is subject to the liens securing such claim,
23 free and clear of such liens, with such liens to attach to the proceeds of
24 such sale, and the treatment of such liens on proceeds under clauses
25 (A) and (C); or (C) the realization by such holder of the “indubitable
26 equivalent” of such claim.

1 (b) Unsecured Creditors. With respect to an unsecured
2 claim, “fair and equitable” means that a plan provides that either (A)
3 each impaired unsecured creditor receives or retains property of a
4 value, as of the effective date, equal to the amount of its allowed claim;
5 or (B) the holders of claims and equity interests that are junior to the
6 claims of the dissenting class will not receive or retain any property
7 under the plan.

8 (c) Equity Security Interest Holders. With respect to
9 holders of equity interests, “fair and equitable” means that a plan
10 provides that either (A) each holder will receive or retain under the
11 plan property of a value, as of the effective date, equal to the greater
12 of: (1) the fixed liquidation preference or redemption price, if any, of
13 such interest; or (2) the value of such interest; or (B) the holders of
14 equity interests that are junior to the non-accepting class will not
15 receive any property under the plan.

16 MedOne believes the Plan complies with the Claims priority established by the
17 Bankruptcy Code and thus the “fair and equitable” test of the Bankruptcy Code (including
18 the absolute priority rule) is met with respect to the Secured Creditors and the Equity
19 Interest holders under the Plan.

20 **XXVIII.**
21 **ALTERNATIVES TO THE PLAN**

22 If the Plan is not confirmed, several different events could occur: (1) MedOne or a
23 third party could propose another plan providing for different treatment of certain Creditors;
24 (2) Secured Creditors could move for relief from the automatic stay to allow them to
25 foreclose their liens against their collateral, which may be granted by the Bankruptcy Court
26 if an alternative plan is not confirmed in a reasonable period of time; or (3) the Bankruptcy

1 Court (after appropriate notice and hearing) could dismiss the Bankruptcy Case or convert
2 such to a case under Chapter 7 if an alternative plan is not confirmed in a reasonable period
3 of time. MedOne believes that all of the foregoing alternatives would yield a lesser
4 distribution to unsecured creditors than does the Plan.

5 **XXIX.**
6 **RECOMMENDATION AND CONCLUSION**

7 MedOne believes that the Plan provides the best available alternative for maximizing
8 the recoveries that Creditors will receive from MedOne's Assets. Therefore, MedOne
9 recommends that all Creditors and Equity Security Interest holders that are entitled to vote
10 on the Plan vote to accept the Plan.

11 **DATED:** May 31, 2018.

12 RESPECTFULLY SUBMITTED this 31st day of May, 2018.

13 GALLAGHER & KENNEDY, P.A.

14
15 By: /s/ Joseph E. Cotterman

16 Joseph E. Cotterman
17 2575 East Camelback Road
18 Phoenix, AZ 85016-9225
19 Attorneys for Debtor MedOne
20 Healthcare, LLC

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