

Dean M. Dinner (SBN 10216)
Dean.Dinner@sackstierney.com
SACKS TIERNEY P.A.
4250 N. Drinkwater Blvd., 4th Floor
Scottsdale, AZ 85251-3693
Telephone: 480.425.2600
Facsimile: 480.970.4610

Attorneys for Community Medical Services

UNITED STATES BANKRUPTCY COURT
DISTRICT OF ARIZONA

In Re:

NEW HOPE BEHAVIORAL HEALTH
CENTER, INC.,
Debtor.

No. 2:13-bk-14261-BKM

Chapter 11

**COMMUNITY MEDICAL SERVICES
HOLDINGS, LLC DISCLOSURE
STATEMENT FOR PLAN
OF REORGANIZATION**

**NO REPRESENTATIONS CONCERNING THE DEBTOR OR THE PLAN ARE
AUTHORIZED OTHER THAN THOSE STATED HEREIN. YOU SHOULD NOT RELY ON
ANY REPRESENTATIONS OR INDUCEMENTS CONCERNING THE PLAN OTHER
THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT.**

**AN ACCOUNTANT HAS NOT REVIEWED THE INFORMATION CONTAINED IN THIS
DISCLOSURE STATEMENT OR ITS EXHIBITS. COMMUNITY MEDICAL SERVICES
CANNOT WARRANT OR REPRESENT THAT THE INFORMATION IS WITHOUT ANY
ERROR. HOWEVER, THE INFORMATION IS ACCURATE TO THE BEST OF THE
COMMUNITY MEDICAL SERVICES' KNOWLEDGE AND BELIEF.**

I. INTRODUCTION TO DISCLOSURE STATEMENT

1.1. Purpose of Disclosure Statement.

This document is the Disclosure Statement by proponent Community Medical Services Holdings, LLC ("CMS") ("CMS Disclosure Statement") in regard to the bankruptcy estate of New Hope Behavioral Health Center, Inc. (the "Debtor" or "New Hope"). This Disclosure Statement is submitted by the CMS pursuant to 11 U.S.C. § 1125. The purpose of this Disclosure Statement is to provide the holders of claims against the Debtor with adequate information about the Debtor, CMS

1 and the CMS Plan of Reorganization (the “Plan”) to make an informed judgment about the merits of
2 approving the Plan.

3 1.2 Debtor’s Plan.

4 CMS’S PLAN ACCOMPANIES THIS DISCLOSURE STATEMENT AS EXHIBIT “A.” THE
5 READER IS URGED TO REVIEW THE PLAN CAREFULLY IN CONJUNCTION WITH THIS
6 DISCLOSURE STATEMENT. IF THERE IS ANY CONFLICT BETWEEN THE PROVISIONS
7 OF THIS DISCLOSURE STATEMENT AND THOSE OF THE DEBTOR’S PLAN, THE
8 PROVISIONS OF THE PLAN SHALL CONTROL.

9 1.3 Voting Process and Deadline.

10 This Disclosure Statement requires approval by the Bankruptcy Court after notice and
11 hearing. Once approved, the Disclosure Statement will be distributed with the Debtor’s proposed
12 Plan, along with a ballot, for voting on the Plan. To vote to accept or reject the Plan, creditors and
13 interest holders of the Debtor in any of the impaired classes should indicate their acceptance or
14 rejection of the Plan and otherwise complete the Ballot pertaining to the Plan. See the “Summary of
15 Plan” contained herein and the Classification and Treatment of Claims and Interests contained in the
16 copy of the Plan attached hereto to determine whether you are a member of an impaired class. Any
17 creditor or equity holder holding claims in more than one impaired class must file separate Ballots
18 for each such class. Additional Ballots may be obtained by written request to the CMS’s attorney at
19 the following address:

20
21 Dean M. Dinner
22 SACKS TIERNEY P.A.
23 4250 N. Drinkwater Blvd., 4th Floor
24 Scottsdale, AZ 85251-3693
25 Dean.Dinner@sackstierney.com

26 You are urged to fill in, date, sign, and promptly process your Ballot or Ballots. Please be sure to
27 properly complete the form and to legibly identify the name of the claimant or interest holder. The
28 holders of claims and interests may vote on the Plan by filling out the accompanying Ballot for
Accepting or Rejecting the CMS Plan and mailing it to:

Dean M. Dinner
SACKS TIERNEY P.A.
4250 N. Drinkwater Blvd., 4th Floor
Scottsdale, AZ 85251-3693

SIGNED AND COMPLETED BALLOTS MUST BE RECEIVED, NOT MERELY MAILED, ON OR BEFORE THE DEADLINE ESTABLISHED BY THE BANKRUPTCY COURT. SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED.

ANY BALLOTS RECEIVED AFTER THE DEADLINE MAY BE EXCLUDED FROM THE CALCULATION IN DETERMINING WHETHER THE CREDITORS AND INTEREST HOLDERS OF A PARTICULAR CLASS HAVE VOTED TO ACCEPT OR REJECT THE CMS' PLAN.

1.4 Importance of Your Vote.

As a creditor or interest holder your vote is important. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of claims in each impaired class of claims voting on the Plan; and if it is accepted by the holders of two-thirds in amount of interests in each impaired class of equity interests voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan if the Court finds that it accords fair and equitable treatment to the class or classes rejecting it.

1.5 Confirmation Process.

After the votes are tallied, the Court will hold a hearing on the confirmation of the Plan and may enter a Confirmation Order if it finds that the requirements for confirmation have been met. Confirmation of the Plan means that the Court has approved the Plan. For the Plan to be confirmed, votes by each impaired Class representing at least two-thirds in amount of the allowed Claims voting in each Class and greater than one-half in number of individual creditors for such class (of those actually casting votes) must be submitted in favor of acceptance of the proponent's Plan.

If the required acceptance of impaired classes of claims or interests is not obtained, § 1129(b)(1) of the Bankruptcy Code nevertheless permits the Bankruptcy Court to confirm the Plan upon request of the Debtor, if the Court finds that the Plan does not discriminate unfairly against and

1 accords fair and equitable treatment to the impaired class or classes rejecting it and that the Plan
2 otherwise meets the requirements for confirmation including satisfying a Chapter 7 Liquidation
3 Analysis (discussed more fully below). At the hearing on confirmation of the Plan, the Bankruptcy
4 Court will hear any timely filed objections from a party in interest to confirmation of the Plan.

5 1.6 Confirmation Hearing.

6 The Bankruptcy Court will set a hearing on approval of this Disclosure Statement, which will
7 be noticed to creditors and interested parties in accordance with the Bankruptcy Code and Rules of
8 Bankruptcy Procedure, and a hearing on confirmation of the Debtor's Plan will be set by the
9 Bankruptcy Court thereafter.

10 1.7 Binding Effect of Plan.

11 When confirmed by the Bankruptcy Court, the CMS Plan will bind all holders of Claims or
12 equity interests in the Debtor, whether or not they are entitled to vote, or did vote, on the Plan, and
13 whether or not they received or retained any distributions of property under the Plan.

14 **II. DEFINITIONS**

15 The Definitions set forth in Article I of the CMS Plan apply in this Disclosure Statement,
16 except to the extent other definitions are set forth in this Disclosure Statement.

17 **III. EVENTS LEADING TO AND SIGNIFICANT EVENTS DURING CHAPTER 11**

18 **The following information set forth in 3.1 – 3.8 is based upon the Debtor's October 2017**
19 **Disclosure Statement (See discussion of Debtors' Disclosure Statement and Plan set forth in**
20 **section 3.10 below):**

21 3.1 The Debtor and Events Precipitating this Case.

22 New Hope is an Arizona corporation owned by David and Sylvia Campbell (the
23 "Campbells"), with its principal operations in Mesa, Arizona. New Hope operates an outpatient
24 behavioral healthcare clinic that specializes in substance abuse treatment services. New Hope
25 partners with health care professionals to manage the very difficult and delicate task of withdrawing
26 their opiate dependent patients. New Hope currently operates in two locations in Arizona. [Note that
27 the Tucson location had already been closed with the assistance of CMS by the date of filing of
28

1 **Debtors Amended Disclosure Statement]**. It initially opened in Mesa, Arizona in 1988, and an
2 additional location was later opened in Tucson, Arizona.

3 In 2002, after many years of success, New Hope began to struggle and fell behind on its
4 employment tax obligations. New Hope was never able to catch up on the past due tax obligations
5 and incurred additional tax liabilities in each year since 2002. The tax claims now include substantial
6 penalties and interest. As owners, the Campbells are personally liable for the trust fund portion of
7 the taxes. Although there is a strong market need for New Hope's services in the Phoenix and Tucson
8 areas, and in recent years New Hope's patient volume has increased markedly, it became clear that
9 New Hope could not continue operating without the help of a Chapter 11 bankruptcy filing. By
10 restructuring their debts, the Debtor should be able to emerge from bankruptcy and continue to
11 provide top quality behavioral healthcare services to the community.

12 3.2 Administrative Proceedings.

13 The Campbells filed their Chapter 11 petition on August 2, 2013. New Hope filed its Chapter
14 11 petition on August 19, 2013. On September 24, 2013, a first meeting of creditors was held in the
15 New Hope case. On October 22, 2013, the Debtor and the Campbells filed a motion for joint
16 administration of the New Hope and Campbell cases. On November 13, 2013, the Court entered an
17 Order authorizing joint administration of the cases.

18 During the course of this case, David and Sylvia Campbell separated and Davis Miles
19 McGuire Gardner, PLLC withdrew as counsel for the Campbells. On November 22, 2016, the Court
20 entered an Order severing the jointly administered cases.

21 3.3 Retention of Professionals by Debtors.

22 On August 6, 2013, the Campbells filed an application for approval of the employment of
23 Davis Miles McGuire Gardner, PLLC (the "Firm") as counsel in this bankruptcy case. The Court
24 signed an Order approving the retention of the Firm on August 13, 2013.

25 New Hope filed an application to employ the Firm on August 19, 2013. The Court signed an
26 order on October 31, 2013 approving the employment of the Firm as of August 22, 2013.

27 3.4 New Hope's First-Day Motions.

1 On August 19, 2013, New Hope filed multiple first-day motions in addition to its application
2 for approval of the Firm as counsel in this bankruptcy case. New Hope filed a motion to authorize
3 payment of pre-petition wages and a motion to determine adequate assurance of payment for future
4 utility service. An emergency hearing on the first-day motions was held on August 22, 2013. The
5 Court signed final orders regarding utilities and pre-petition wages on November 1, 2013.

6 3.5 Adequate Protection Stipulation with IRS.

7 Debtor reached a stipulated agreement with the Internal Revenue Service regarding adequate
8 protection of its security interests. The Court approved the stipulation on February 9, 2014. Debtor
9 has been making monthly adequate protection payments to the IRS throughout this case.

10 3.6 Assumption/Approval of Leases.

11 On February 21, 2014, the Court signed an Order Approving New Lease Agreement
12 regarding New Hope's lease of property located at 2001 Orange Grove Rd., Tucson, Arizona.

13 On March 21, 2014, the Court signed on Order Approving Assumption of Unexpired
14 Nonresidential Lease regarding New Hope's lease of the property located at 215 S. Power Rd., Mesa,
15 Arizona.

16 3.7 Current Management of Debtor.

17 David R. Campbell and Sylvia Campbell are the 100% owners of Debtor. Debtor is managed
18 by Mindi Woodruff, RN, BHT, CCS-P. The Campbells have authorized Ms. Woodruff to manage
19 the Debtor in the ordinary course of its business, including hiring employees, entering into contracts,
20 issuing checks to pay vendors, employees, and other expenses, and binding the Debtor in this Chapter
21 11 case. David R. Campbell continues to participate in Debtor's operations on a limited basis and
22 remains the qualifying party on the Debtor's behavioral health license. **(Upon information and**
23 **belief, The Campbell's no longer participate in the management of the Debtor).** Ms. Woodruff
24 is also willing and able to become the qualifying party to the business license, if necessary.

25 3.8 Closure of Tucson Office.

26 In July 2017, the Debtor concluded the process of winding up its Tucson Clinic **[with the**
27 **assistance of CMS]**, including the transition of all Tucson patients to other behavioral health clinics,
28 and closed its Tucson location. New Hope continues to operate its Mesa location.

1 **3.9 Additional background information:**

2 During the course of this case the Campbell's decided to dissolve their marital union. Upon
3 information and belief, a domestic dispute erupted which resulted in a criminal complaint being filed
4 against the Debtor, David Campbell. Debtor/Wife Sylvia Campbell obtained a restraining order
5 keeping David Campbell away from the marital residence and precluding him from directly
6 communicating with her. Further, Mr. Campbell allegedly used funds from the Debtor to pay his
7 criminal defense fees leaving the Debtor with inadequate funds to pay its post-petition obligations
8 including substantial tax liabilities and licensing and service fees to Netmart.. Ms. Woodruff is the
9 Campbells' daughter.

10 **3.10 Debtors' Disclosure Statements and Plans of Reorganization**

11 Approximately three years after filing its Chapter 11 petition, the Debtor filed a Disclosure
12 Statement and Plan of Reorganization [DE 100 and 102 respectively]. Following objections to the
13 Debtor's Disclosure Statement and Plan, the Debtor filed a First Amended Disclosure Statement and
14 First Amended Plan on September 27, 2016 [DE 136 and 137 respectively]. Objections were filed to
15 the First Amended Plan and the Debtor chose not to proceed forward with the First Amended Plan.
16 On or about October 11, 2017 the Debtor filed an Amended Disclosure Statement and Plan [DE 232
17 and 233 respectively]. The Amended Disclosure Statement dated October 11, 2017 is referred to as
18 the "October 2017 Disclosure Statement". The Amended Plan dated October 11, 2017 is referred to
19 as the "October 2017 Plan".

20 Among other things the Debtors' October 2017 Plan provided:

- 21 a. Payment of the IRS Priority \$434,369.31 Claim (Class 2) through payment of
22 \$50,000 on the Effective Date and the balance in monthly installment over sixty (60) months with
23 3% interest;
- 24 b. Payment of the ADOR Priority \$12,496.04 Claim (Class 3) through payment of \$730
25 a month with a final payment in the amount of \$784.54 including 4% interest;
- 26 c. Payment of the ADOES Priority \$5,730.24 Claim (Class 4) through equal monthly
27 installments of principal and interest at 12% over sixty (60) months;
- 28

d. Payment of the IRS \$136,067 Secured Claim (Class 5) through equal monthly installments of principal and interest at 3% over seventy-four (74) months;

e. Payment of Allowed Unsecured Claims of Creditors (Class 6) by making monthly payments over a period of 90 months in the total amount of approximately \$205,695. The payments are without interest and the plan doesn't say when or how the payments are to be made other than from Excess Cash Flow. Debtor indicates that the payment represents repayment of approximately 77% of their claims.

f. Retention of equity by the Campbells for \$5,000 subject to cancellation of the equity and issuance of new equity if the Debtor received a higher and better offer. In accordance with bidding procedures approved by the Court, the Debtor received two higher and better offers. The Campbell's daughter, Ms. Woodruff, submitted a bid of \$20,000 and CMS submitted a bid of \$21,000 increased to \$100,000 at the confirmation hearing on May 2, 2018. In light of the competing bid from CMS, the Debtor chose not to move forward with confirmation of the October 2017 Plan at the May hearing.

3.11 CMS Background

CMS is a CARF-accredited DEA licensed substance use disorder treatment program, including opiate dependent patients, providing services in the form of outpatient medication-assisted treatment and private one-on-one and group counseling, and Intensive Out-Patient therapy (IOP) to those seeking help with their substance use disorders. CMS, either directly or as the parent entity, has a total of 14 clinic's throughout the United States and is the largest opiate treatment provider in Arizona.

IV. DESCRIPTION OF ASSETS AND LIABILITIES OF NEW HOPE

Except where noted in brackets and bold the following information set forth in 3.1 – 3.8 is taken from the Debtors' October 2017 Disclosure Statement:

New Hope's property is listed in its Schedules A and B. Claims against New Hope are set forth in its Schedules D, E, and F, as amended. The following is a summary of the assets and liabilities of New Hope.

4.1 Personal Property.

1 *Cash on Hand.* New Hope had cash in its petty cash drawer on the Petition Date in the amount
2 of \$175. **[A month and a half after the voting on Debtors' Amended October 2017 Plan was to**
3 **have taken place Debtor's revealed in their March Operating Report and in a Motion to**
4 **Continue Equity Auction [DE #311] that it had \$329,000 in cash on hand as opposed to the**
5 **\$175 listed in the Amended Disclosure Statement].**

6 *Security Deposits.* New Hope had a cash deposit with Salt River Project in the amount of
7 \$1,040 related to utility services.

8 *Accounts Receivable.* New Hope had accounts receivable in the total amount of \$113,532
9 from Magellan Health Services arising from a state-funded contract and from Cenpatico arising from
10 another state-funded contract.

11 *Business Licenses.* New Hope has DEA and OBHL licenses to operate its Mesa and Tucson
12 clinics worth an estimated \$1,080. **[Tucson facility is closed].**

13 *Miscellaneous Inventory, Equipment, and Supplies.* New Hope has inventory, office and
14 medical supplies, and miscellaneous furniture and office equipment worth approximately \$20,230.

15 4.2 Financial Reports.

16 During the course of this bankruptcy case, New Hope has filed its Monthly Operating
17 Reports, as required by the Office of the U.S. Trustee and the Bankruptcy Code and Rules, and has
18 paid quarterly fees as they have come due. **[Many of these reports were filed late and the April**
19 **2018 report hasn't been filed as of the date of this Disclosure Statement].**

20 4.3 Administrative Expenses of New Hope.

21 New Hope anticipates administrative expenses consisting primarily of attorney's fees for the
22 Firm. To date, New Hope has incurred post-petition fees and costs in the approximate amount of
23 \$200,000. New Hope estimates that it will incur additional attorney's fees of approximately \$20,000
24 through confirmation of the Plan.

25 4.4 Priority Claims of New Hope.

26 The Arizona Department of Economic Security filed an unsecured priority proof of claim in
27 the amount of \$5,730.24 based on unpaid taxes for 2013.

28 The Arizona Department of Revenue filed an unsecured priority proof of claim in the amount

of \$12,496.04 based on estimated withholding taxes for 2012-2013.

The Internal Revenue Service filed a proof of claim which asserts an unsecured priority claim of \$434,369.31 related to withholding taxes from 2003-2013. **[Debtors Amended October 2017 Plan proposed to pay the IRS \$50,000 on the Effective Date with the balance to be paid in equal monthly installments over 60 months from the Effective Date of the Amended October 2017 Plan].**

[Netsmart administrative claim - Debtor acknowledged that post-petition it failed to pay licensing and/or service fees to Netsmart in the sum of \$58,702. On or about April 10, 2018 Debtor tendered payment of \$13,417.60 to Netsmart leaving a remaining amount through March 2018 of \$47,690.40, and still owes Netsmart \$1,198 per month on the Debtor's fifteen outstanding software licenses, which Debtor proposed to pay off over 36 months].

4.5 Secured Claims.

The Internal Revenue Service filed a secured proof of claim in the amount of \$136,067 related to a pre-petition tax lien. **[On or about March 23, 2018, before revealing that the Debtor had almost \$329,000 on hand, the Debtor entered into a stipulation with the IRS, which stipulation was approved by the Court [DE #288]. Among other things the stipulation acknowledged that the IRS has a secured claim in the total amount of \$62,590.82, which Debtor agreed would be paid in equal monthly installments over 60 months from the Effective Date of the Amended October 2017 Plan].**

4.6 Unsecured Claims.

The anticipated Allowed Unsecured Claims of New Hope are reflected in the chart in Section 7.2(G), below.

V. SUMMARY OF PLAN

The following statements concerning the Plan are merely a summary of the Plan for informational purposes only and do not purport to change or supersede any of the specific contractual language of the Plan. THE PLAN IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE CONTENTS OF THE PLAN AND THE CONTENTS OF THIS DISCLOSURE STATEMENT.

The Debtor will retain control of its assets and use its income and contributions to make the payments set forth herein. Any funds remaining in the Plan Fund shall be turned over to the Debtor upon payment of all Allowed Claims in accordance with the terms of this Plan, or to the duly appointed and acting Chapter 7 Trustee if this case is converted to a case under Chapter 7.

VI. CLASSIFICATION OF CLAIMS AND INTERESTS

A. Class 1 – Administrative Claims of New Hope. Class 1 consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(2) for Administrative Claims related to New Hope.

B. Class 2 – Allowed Priority Tax Claim of IRS. Class 2 consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) for tax claims of the Internal Revenue Service owed by New Hope.

C. Class 3 – Allowed Priority Tax Claim of Arizona Dept. of Revenue. Class 3 consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) for tax claims of the Arizona Department of Revenue (“ADOR”) owed by New Hope.

D. Class 4 – Allowed Priority Tax Claim of Arizona Dept. of Economic Security. Class 4 consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) for tax claims of the Arizona Department of Economic Security (“ADOES”) owed by New Hope.

E. Class 5 – Secured Claim of IRS. Class 5 consists of the Allowed Secured Claim of the IRS, secured by an interest in New Hope’s inventory, equipment, and accounts.

F. Class 6 – Allowed Unsecured Claims. Class 6 consists of the Allowed Unsecured Claims of Creditors of New Hope. The following represents the general unsecured creditors and the estimated amounts of their claims, which New Hope expects to pay as part of Class 6, provided that such creditor, if necessary, files a timely proof of claim and debtor does not object to such claim.

Claim No.	Creditor	Amount
6	Arizona Dept. of Economic Security	\$329.09
1	Arizona Dept. of Revenue	\$1,844.96
3	Dell Financial Services	\$5,805.34
2	Internal Revenue Service	\$255,129.95
5	Lab Corp	\$2,623.50
7	SRP	\$871.63
		\$266,604.47

G. Class 7 – Allowed Interest of New Hope. Class 7 consists of the Allowed Interest of New Hope which is held by the Campbells.

VII. TREATMENT AND IMPAIRMENT OF CLAIMS AND INTERESTS

A. Class 1 – Administrative Claims of New Hope.

Class 1 claims consists of all allowed Administrative Claims for actual and necessary costs and expenses of administration entitled to priority under 507(a)(2) of the Bankruptcy Code. This Class includes, without limitation, post-petition tax claims, Debtor's attorneys' fees, approved accounting fees, and fees due the United States Trustee, if any. New Hope estimated that outstanding Class 1 claims will be no more than \$20,000. New Hope will pay the Class 1 Claims in full within ten (10) business days after the Effective Date. **Class 1 is unimpaired.**

B. Class 2 – Allowed Priority Tax Claims of IRS (New Hope).

Class 2 consists of Allowed Priority Claim of the IRS for taxes under 11 U.S.C. § 507(a)(8). The IRS filed a proof of claim regarding its Priority Tax Claim in the amount of \$434,369.31. A portion of the IRS claim is for Trust Fund taxes (Civil Penalties) for which the Campbells are also liable. Debtor currently has approximately \$329,000 in cash pursuant to its monthly operating reports on file with the Court. CMS has no control over such funds until and unless this Plan is confirmed and goes effective. Thus, Debtors cash on hand could substantially decrease between the two time periods. Debtor shall make a lump sum payment of not less than \$100,000 and not more than \$150,000 to the IRS within ten (10) business days after the Effective Date. The payment will be \$100,000 if the Debtors available cash (cash on hand less outstanding post-petition expenses and excluding any contributions from CMS) has been reduced to less than \$200,000 prior to the Effective Date and shall be \$150,000 if the available cash is greater than \$200,000. The remaining balance of the Allowed Class 2 Claim will be paid in monthly installments over a period of thirty-six (36) months, with interest payable at the rate of 4% per annum. Class 2 is impaired.

With the exception of the Plan treatment provisions set forth above the remaining terms of the stipulation between the IRS and the Debtor contained in the agreement at DE#288, including the default provisions, discharge and non-discharge provisions and non-application of stay provisions

are incorporated herein. However, nothing herein shall constitute an assumption of liability or create liability for CMS its members, officers, directors, employees, representatives, attorneys, successors or assigns for such tax claims.

C. Class 3 – Allowed Priority Tax Claims of ADOR (New Hope).

Class 3 consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) for tax claims of the ADOR owed by Debtor. The ADOR filed a proof of claim regarding its Priority Tax Claim in the amount of \$12,496.04. Debtor shall make a lump sum payment of \$5,000 to the ADOR within ten (10) business days after the Effective Date. The remaining balance of the Allowed Class 3 Claim will be paid in monthly installments over a period of thirty-six (36) months, with interest payable at the rate of 4% per annum with said monthly installments beginning one month after the Effective Date and continuing each month thereafter until paid in full. Class 3 is impaired.

With the exception of the Plan treatment provisions set forth above the remaining terms of the stipulation between the ADOR and the Debtor contained in the agreement at DE#148, including any default provisions, discharge and non-discharge provisions, and non-application of stay provisions are incorporated herein. However, nothing herein shall constitute an assumption of liability or create liability for CMS its members, officers, directors, employees, representatives, attorneys, successors or assigns for such tax claims.

D. Class 4 – Allowed Priority Tax Claims of ADOES (New Hope).

Class 4 consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) for tax claims of the Arizona Department of Economic Security owed by New Hope. The Arizona Department of Economic Security filed a proof of claim regarding its Priority Tax Claim in the amount of \$5,730.24. Debtor shall make a lump sum payment of \$2500.00 to the ADOES within ten (10) business days after the Effective Date. The remaining balance of the Allowed Class 4 Claim will be paid in monthly installments over a period of thirty-six (36) months, with interest payable at the rate of 12% per annum with said monthly installments beginning one month after the Effective Date and continuing each month thereafter until paid in full. Class 4 is impaired.

Notwithstanding any provision in the Plan to the contrary, the Debtor is not prohibited from paying any penalties owed to the Arizona Department of Economic Security under the Plan. Tax

1 penalties are not dischargeable and any unpaid portion of such penalties upon Plan completion will
2 remain owing.

3 Debtor's failure to comply with the Plan provisions concerning the liability owed to the
4 Arizona Department of Economic Security, shall constitute a default of the Plan, which includes, but
5 is not limited to, the failure to make the full and timely payment(s) to the Arizona Department of
6 Economic Security, file a tax document with the Arizona Department of Security, or pay a post-
7 petition tax liability timely to the Arizona Department of Economic Security. If the Debtor fails to
8 cure any monetary default to the Arizona Department of Economic Security with certified funds,
9 together with any outstanding returns, within ten (10) calendar days after written notice of the default
10 from the Arizona Department of Economic Security or its agents, to the Debtor's attorney of record,
11 the entire balance due the Arizona Department of Economic Security shall be immediately due and
12 owing. Further, in the event of a default, the Arizona Department of Economic Security may enforce
13 the entire amount of its claim, exercise any and all rights and remedies under applicable non-
14 bankruptcy law which includes, but is not limited to, state tax collection procedures, and obtain any
15 other such relief deemed appropriate by the Bankruptcy Court. Class 4 is impaired.

16 However, nothing herein shall constitute an assumption of liability or create liability for CMS
17 its members, officers, directors, employees, representatives, attorneys, successors or assigns for such
18 tax claims.

19 E. Class 5 – Secured Claim of IRS.

20 Class 5 consists of the Allowed Secured Claim of the IRS, secured by an interest in New
21 Hope's inventory, equipment, and accounts. The IRS filed a secured proof of claim in the amount
22 of \$136,067.00. Debtor shall make a lump sum payment of \$75,000 to the IRS within ten (10)
23 business days after the Effective Date. The remaining balance of the Allowed Class 2 Claim will be
24 paid in monthly installments over a period of thirty-six (36) months, with interest payable at the rate
25 of 4% per annum. The IRS shall retain a lien securing its collateral until its Class 5 Claim is paid in
26 full. Class 5 is impaired.

27 With the exception of the Plan treatment provisions set forth above the remaining terms of
28 the stipulation between the IRS and the Debtor contained in the agreement at DE#288, including the

1 default provisions, discharge and non-discharge provisions and non-application of stay provisions
2 are incorporated herein. However, nothing herein shall constitute an assumption of liability or create
3 liability for CMS its members, officers, directors, employees, representatives, attorneys, successors
4 or assigns for such tax claims.

5 F. Class 6 – Allowed Unsecured Claims.

6 Class 6 consists of the Allowed Unsecured Claims of Creditors of New Hope. Debtor
7 currently has approximately \$329,000 in cash according to its operating reports filed with the Court.
8 CMS has no control over such funds until and unless this Plan is confirmed and goes effective. Thus,
9 Debtors cash on hand could substantially decrease between the two time periods. Depending on the
10 Debtors available cash as of the Effective Date the Allowed Unsecured Creditors will be paid as
11 follows:

12 a. In the event that the Debtors available cash is less than \$100,000 as of the Effective
13 Date then each Allowed Unsecured Creditors will be paid their pro rata share of \$50,000
14 (approximately 20% return) within ten (10) business days after the Effective Date and their pro rata
15 share of \$100,000 payable within 36 months of the Effective Date (approximately 60% return);

16 b. In the event that the Debtors available cash is more than \$100,000 but less than
17 \$200,000 as of the Effective Date then each Allowed Unsecured Creditors will be paid their pro rata
18 share of \$100,000 within ten (10) business days after the Effective Date and their pro rata share of
19 \$100,000 payable within 36 months of the Effective Date (approximately 60% return);

20 b. In the event that the Debtors available cash is more than \$200,000 but less than
21 \$250,000 as of the Effective Date then each Allowed Unsecured Creditors will be paid their pro rata
22 share of \$140,000 within ten (10) business days after the Effective Date and their pro rata share of
23 \$100,000 payable within 36 months of the Effective Date (approximately 90% return); and

24 c. In the event that the Debtors available cash is \$300,000 or more as of the Effective
25 Date then each Allowed Unsecured Creditors will be paid their pro rata share of \$200,000 within ten
26 (10) business days after the Effective Date and their pro rata share of \$67,000 payable within 24
27 months of the Effective Date (approximately 100% return);.

28 G. Class 7 – Allowed Interest of New Hope.

Class 7 consists of the Allowed Interests of New Hope held by the Campbells.

1. Treatment. All Equity Interests shall all be terminated as of the Confirmation Date, including without limitation any interests of the Campbells.

2. New Value Contribution. On or before ten (10) business days after the Effective Date, CMS will contribute \$200,000 to the estate/Reorganized Debtor as a new value payment to be used to pay creditors under this Plan and provide additional capital for the Reorganized Debtor. The New Value Contribution will be contributed to the Reorganized Debtor in exchange for 100% ownership of the 100,000 shares of new stock in Reorganized Debtor, which shall constitute the total issued and outstanding stock in the company.

Class 7 is impaired by the Plan and its members are deemed to reject the plan pursuant to 11 U.S.C. § 1126(g).

VIII. LIQUIDATION ANALYSIS

Except where noted in brackets and bold the following information set forth in this section is taken from the Debtor's Amended Disclosure Statement dated October 17, 2017:

The following is a Liquidation Analysis indicating what New Hope believes creditors would receive in the event of liquidation. The figures for "market value" and "liquidation value" are New Hope's best estimate on what the assets are worth on a market or liquidation basis

Asset	Market Value	Liquidation Value ¹	Secured Claim	Equity
Petty Cash	175	175	175	0
Checking account	0	0	0	0
SRP deposit	1040	1040	1040	0
Training manuals	10	9	0	9
A/R – Magellan	107,832	97,049	107,832	0
A/R – Cenpatico	5,700	5,130	5,700	0
Licenses	1,080	972	0	972
Inventory	21,395	19,255	21,395	0
				\$972

¹ The Debtors assumed a 10% cost of sale on liquidation of The Debtors' non-liquid assets.

1 **[Debtor's revealed in their March Operating Report and in a Motion to Continue Equity**
2 **Auction [DE #311] that it had \$329,000 in cash on hand as opposed to the \$175 listed in their**
3 **Amended Disclosure Statement. Using this amount, in liquidation the IRS Secured Claim**
4 **would get paid in full, administrative claims would be paid in full, priority would receive**
5 **partial payment and unsecured claimants wouldn't receive any payment].**

6 Creditors should note that on a liquidation basis, full market value for assets cannot be obtained.
7 Further, there are costs associated with a liquidation of assets that must be paid out of any sale
8 proceeds. The liquidation analysis does not contain an estimation of any tax liability which could be
9 associated with liquidation. Creditors should note that after payment of Administrative and Priority
10 Claims, no Liquidation Equity remains for the benefit of General Unsecured Claims.

11 Accordingly, there is not a required distribution in favor of General Unsecured Claims under
12 the Liquidation Analysis. However, the Plan provides for payment of a majority of New Hope's
13 General Unsecured Claims from its Excess Cash Flow. This analysis is provided only for
14 informational purposes since the Debtor's Plan does not contemplate liquidation in this fashion.

15 **IX. NEW HOPE INCOME PROJECTIONS**

16 **Except where noted in brackets and bold the following information set forth in this**
17 **section is taken from the Debtor's Amended Disclosure Statement dated October 17, 2017:**

18 New Hope has operated profitably while in bankruptcy and continues to be engaged in the
19 business of providing behavioral health services to the greater Mesa and Tucson communities. A
20 profit and loss statement for New Hope for January through September 2017 is attached to **[Debtors'**
21 **October 2017 Disclosure Statement]** as Exhibit "C". This P&L shows that after paying all
22 necessary business expenses, minus certain administrative expenses related to attorneys' fees and
23 quarterly trustee's fees which will conclude shortly after confirmation of the Plan, New Hope has
24 had a net profit of approximately \$24,862 over the past year—which amounts to monthly net income
25 of \$2,762. New Hope anticipates that future years will result in significantly higher net income
26 because New Hope will not incur attorneys' fees and quarterly trustee's fees. New Hope's income
27 projections for 2018-2022 are displayed in a projected income and expense spreadsheet attached to
28 **[Debtors' October 2017 Disclosure Statement]** as Exhibit "D." Based on its 2017 P&L and 2018-

2022 budget, New Hope anticipates that on a monthly basis it will generate at least \$8,200 in net income, with the amount of projected net income increasing over the course of the Plan, which amounts will be distributed to Allowed Claims.

[CMS operates numerous clinics on a profitable basis. Currently, through subsidiaries CMS operates 14 treatment clinics. CMS believes that its post-confirmation results will be better than those obtained by the Debtor during the course of this case.]

X. IMPLEMENTATION

10.1 Plan Funding. Funds to be used to make Cash payments under the CMS Plan have been or will be generated from (i) cash on hand; (ii) the Reorganized Debtor's operations and (iii) the new value contribution by CMS.

10.2 Distributions on Account of Claims Allowed as of the Effective Date. Except as otherwise provided in the CMS Plan, a Final Order, or as agreed to by the relevant parties, initial Distributions under the CMS Plan on account of Claims Allowed on or before the Effective Date shall be made on the dates set forth in the CMS Plan. Liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases or assumed by the Debtors prior to the Effective Date shall be paid or performed in the ordinary course of business in accordance with the terms and conditions of any controlling agreements, course of dealing, course of business, or industry practice.

10.3 Payments and Distributions on Disputed Claims. Notwithstanding any provision otherwise in the Plan and except as otherwise agreed by the relevant parties: (1) no payments and no Distributions—partial or otherwise—shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order and (2) any Person that holds both an Allowed Claim and a Disputed Claim shall not receive any distribution on the Allowed Claim unless and until all objections to the Disputed Claim have been resolved by settlement or Final Order and all Claims of such holder have been Allowed.

10.3.1 Reserve of Funds for Payment of Disputed Claims. On the Effective Date, after calculating Distributions to holders of Allowed Claims and potential Distributions to holders of Disputed Claims under the CMS Plan, the Reorganized Debtor shall in its sole discretion establish

appropriate reserves for potential payment of General Unsecured Claims, and the Reorganized Debtor shall in its sole discretion establish appropriate reserves for potential payment of all other Claims. As Disputed Claims are Allowed, the Reorganized Debtor shall distribute Cash to holders of Allowed Claims in accordance with the terms of the Plan and the Trust Agreement, and the reserve fund shall be adjusted. The Reorganized Debtor may (but is not required to) request estimation for any Disputed Claim that is contingent or unliquidated.

10.3.2 Limits on Distributions. Notwithstanding anything in the applicable holder's Proof of Claim or otherwise to the contrary, the holder of a Claim shall not be entitled to receive or recover a Distribution under the Plan on account of a Claim in excess of: (a) the amount stated in the holder's Proof of Claim, if any, as of the payment date set forth in the CMS Plan, plus interest thereon to the extent provided for by the CMS Plan; (b) if the Claim is denominated as contingent or unliquidated as of the Distribution Record Date, the amount identified on Debtors' Schedules for such Claim, or such other amount as may be estimated by the Bankruptcy Court prior to the Confirmation Hearing; or (c) if a Claim has been estimated, the amount reserved to satisfy such Claim after such estimation.

10.3.3 Unclaimed Distributions. Any distributions under the Plan that are unclaimed for six months will be returned to the Debtor.

10.3.4 Contingencies. At any time during the duration of this Plan, the Debtor reserves the right to sell or refinance all or any part of its Assets for any amount which would permit the full or partial distributions required by the Plan. In such event, the Debtor will retain any surplus funds following distribution in full to eligible classes.

10.4 Post-Confirmation Management. The post-confirmation manager of the Reorganized Debtor as of the Effective Date shall be Todd Stingley, who also serves as the CFO of CMS. His compensation from the Reorganized Debtor shall be not more than \$50,000/year during the first two years of the CMS Plan.

10.5 Administration Pending Effective Date. Before the Effective Date, the Debtors will continue to operate their businesses, subject to all applicable requirements of the Bankruptcy Code and the Bankruptcy Rules. After the Effective Date, Reorganized Debtor may operate its business, and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the

1 Bankruptcy Rules, but subject to the continuing jurisdiction of the Bankruptcy Court as set forth in
2 Article XIX.

3 10.6 Post-Confirmation Fees; Final Decree. The Reorganized Debtor is to be responsible for
4 paying any post-confirmation fees under 28 U.S.C. § 1930(a)(6) and the filing of post-confirmation
5 reports, until a final decree is entered. A final decree is to be entered as soon as practicable after
6 distributions have commenced under the CMS Plan.

7 10.7 Payments Effective on Tender. Whenever the Plan requires a payment to be made, such
8 payment will be deemed made and effective upon tender thereof by the Reorganized Debtor to the
9 Creditor to which payment is due. If any Creditor refuses a tender, the amount tendered and refused
10 will be held by the Reorganized Debtor for the benefit of that Creditor pending final adjudication of
11 the dispute. However, when and if the dispute is finally adjudicated and the Creditor receives the
12 funds previously tendered and refused, the Creditor will be obliged to apply the funds in accordance
13 with the Plan as of the date of the tender; and while a dispute is pending and after adjudication
14 thereof, the Creditor will not have the right to claim interest or other charges or to exercise any other
15 right which would be enforceable by the Creditor if the Reorganized Debtor failed to pay the tendered
16 payment.

17 10.8 Effectuating Documents; Further Transactions; Timing. The Debtors are authorized and
18 directed to execute, deliver, file, or record such contracts, instruments, releases, and other agreements
19 or documents, and to take such actions as may be necessary or appropriate to effectuate and further
20 evidence the terms and conditions of the CMS Plan, and any securities issued in accordance with the
21 Plan. All transactions required to occur on the Effective Date under the terms of the CMS Plan will
22 be deemed to have occurred simultaneously.

23 10.9 Post Confirmation Oversight.

24 Immediately upon entry of a Confirmation CMS shall have the right to place an employee or
25 representative at Debtor's Mesa location to provide management transition oversight including access
26 to information regarding Debtors bank accounts, payments, distributions and expenses. Further, the
27 Court may appoint a patient care Ombudsmen to monitor the care provided to patients of the Debtor
28 pending the Effective Date of the CMS Plan.

XI. COMPLIANCE WITH BANKRUPTCY CODE

In order to confirm the Plan, the Bankruptcy Court must make a series of determinations concerning the Plan, including those set forth below. The Debtor believes that each of these conditions has been met and will seek rulings of the Bankruptcy Court to this effect at the confirmation hearing.

In addition, the Bankruptcy Code requires that the Plan be accepted by requisite votes of holders of claims and interests. If any member of an impaired class does not accept the Plan, the bankruptcy Court must find that confirmation of the Plan is in the “best interests” of such entities.

A. Classification of Claims and Interest. The Bankruptcy Code requires that a plan of reorganization place each creditor’s claim and each interest holder’s interest in a class with other claims or interests that are “substantially similar” to one another. The Debtor believes that the Plan’s classification meets the Bankruptcy Code standard.

B. Section 1111(b) Election. Section 1111(b) of the Bankruptcy Code provides that as a general rule, a secured claim is to be accorded a treatment in the Chapter 11 Plan that is the same as would be received if it were a recourse claim, regardless of whether or not the claim is non-recourse by agreement or applicable law. Section 1111 also provides an opportunity for a partially secured creditor whose claim is treated by the proposed Plan as partially secured and partially unsecured to acquiesce in such bifurcation of their claim or, alternatively, to elect to treat the claim as fully secured.

C. Technical Requirements. To be confirmed, the contents of a plan must comply with the technical requirements of Chapter 11 of the Bankruptcy Code, and the Debtor believes this requirement has been satisfied.

D. Good Faith. To be confirmed the Bankruptcy Court must find that the Debtor has proposed the Plan in good faith. In the instant case, this requirement is met because the Plan contemplates a bona fide reorganization in which creditors will be paid an amount on behalf of their claims that is greater than would be received through liquidation or conversion to a Chapter 7 proceeding.

E. Disclosure. The Bankruptcy Court must find that the Debtor’s disclosures concerning

1 the Plan have been adequate and have included information concerning all payments made or
2 promised in connection with the Plan and the bankruptcy case, as well as the identity, affiliations,
3 and compensation to be paid to all officers, directors, and other insiders. The Debtor believes this
4 requirement has been met by this Disclosure Statement.

5 F. Feasibility. The Plan may not be confirmed if the Bankruptcy Court finds that
6 confirmation is likely to be followed by the liquidation of the reorganized debtor or the need for
7 further financial reorganization. The Debtor believes that they will be able to meet their obligations
8 under the Plan and continue to operate the business without further reorganization.

9 G. Best Interests. Notwithstanding acceptance of the CMS Plan by creditors and interest
10 holders impaired under the CMS Plan, if a claimant or interest holder does not accept the CMS Plan,
11 then the Bankruptcy Court must independently determine that the CMS Plan is in the best interests
12 of that claimant's or interest holder's class. To meet this test, the Court must determine that each
13 claim or interest in the impaired class will receive under the CMS Plan, as of the Effective Date,
14 property of a value at least equal to the value that each such holder would receive in the Debtor's
15 liquidation under Chapter 7 of the Bankruptcy Code. In this case, the Debtor's liquidation analyses
16 demonstrate that this requirement has been met.

17 **XII. TAX CONSEQUENCES OF PLAN**

18 In 1978, a massive revision of the bankruptcy laws was enacted as the Bankruptcy Code now
19 in effect. In turn, the impact of the Bankruptcy Code on the existing tax laws led to the enactment of
20 the Bankruptcy Tax Act of 1980, P.L. 96-589, 94 Stat. 3389 (1980). This Act made a number of
21 significant changes in the law regarding, inter alia, the way in which a bankruptcy estate is taxed,
22 whether the occurrence of a bankruptcy filing interrupts a debtor's taxable year, whether income and
23 deductions belong to the debtor or the estate, and whether individual losses are available to the estate.
24 CLAIMANTS ARE ADVISED TO CONSULT WITH THEIR TAX ADVISORS CONCERNING
25 THE INDIVIDUAL TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED IN
26 THIS PLAN, INCLUDING STATE AND LOCAL TAX CONSEQUENCES.

27 **XIII. VOTING/CONFIRMATION/ALTERNATIVES**

28

1 A. Voting. A creditor may vote either to accept or reject the Plan. Only the votes of
2 impaired classes will be counted in connection with confirmation of the Plan, since classes of claims
3 and interests which are not impaired are deemed to have accepted the Plan. In determining
4 acceptance of the Plan, votes will be counted only if submitted by a party with an Allowed Claim or
5 an Allowed Interest, and the ballot for voting on the Plan does not constitute a proof of claim for this
6 purpose. A claim to which an objection has been filed is not an Allowed Claim unless and until the
7 Bankruptcy Court has ruled on the objection; and although holders of disputed claims will receive
8 ballots, their votes will not be counted unless the Bankruptcy Court temporarily allows such claims
9 for the purpose of voting on the Plan.

10 B. Confirmation. For the CMS Plan to be approved, it must either (i) be accepted by at
11 least two-third in amount and more than one-half in number of the creditors of each impaired class,
12 or (ii) be approved by the Court as being in the best interest of all parties within a particular class
13 despite the failure to receive the required votes (i.e., “cramdown”).

14 The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by
15 holders of two-thirds in dollar amount and a majority in number of claims of that class, counting
16 only those members of the class who actually vote. The Bankruptcy Code defines acceptance of a
17 plan by a class of interests (equity securities) as acceptance by two-thirds of the number of shares,
18 counting only those shares actually voted.

19 Classes of claims and interests that are unimpaired under the Plan are conclusively deemed
20 to have accepted the Plan. A class of creditors or interest holders is unimpaired if the Plan (i) does
21 not alter the legal, equitable or contractual rights between the Debtor and the creditor or interest
22 holder (with the exception of reinstating the claim by curing any defaults), or (ii) pays the claimant
23 the full amount of the claim or interest by cash payment on the Effective Date. Classes of claim and
24 interests that receive no distribution under the Plan are deemed to have rejected the Plan.
25 Consequently, ballots are being sent only to those classes which are impaired but are to receive a
26 distribution under the Plan.

27 The Plan may be confirmed by the Bankruptcy court even if it is not accepted by all classes
28 of impaired claim, as long as at least one impaired class of claims has accepted.

1 C. Alternative to Confirmation. In the event this Plan is not confirmed, the Chapter 11
2 proceeding can be (i) continued for the submission of other plans, (ii) converted to Chapter 7, or (iii)
3 dismissed. In the event the Plan is not confirmed through acceptance of the claimholders, it is the
4 CMS's intention to seek confirmation through cramdown.

5 **XIV. INFORMATION/REPRESENTATIONS**

6 A. Source of Information. Unless otherwise stated, all of the information contained
7 herein is based on information supplied by the Debtor or its agents.

8 B. Conflicts. To the extent any information set forth in this Disclosure Statement
9 conflicts with any information set forth in the Debtor's schedules or statement of financial affairs,
10 this CMS Disclosure Statement will govern and will, to the extent necessary, constitute an
11 amendment to the affected schedules or statement of financial affairs.

12 C. Unauthorized Representations. Any representations or inducements made to secure
13 acceptance other than as contained in this Disclosure Statement should not be relied upon in arriving
14 at a decision, and such representations and inducements should be reported to counsel for the Debtor,
15 who in turn shall deliver such information to the Court for appropriate action.

16 D. Disclaimer.
17 NO REPRESENTATIONS CONCERNING CMS OR THE CMS PLAN ARE AUTHORIZED
18 OTHER THAN AS SET FORTH HEREIN. YOU SHOULD NOT RELY ON ANY
19 REPRESENTATIONS OR INDUCEMENTS TO ACCEPT THE PLAN OTHER THAN THOSE
20 CONTAINED HEREIN.

21 AN ACCOUNTANT HAS NOT REVIEWED OR APPROVED THE INFORMATION
22 CONTAINED HEREIN. MUCH OF THE INFORMATION CONTAINED HEREIN WAS
23 DERIVED FROM THE DEBTOR, DEBTORS DISCLOSURE STATEMENTS AND HAS NOT
24 BEEN VERIFIED FROM INDEPENDENT SOURCES. CMS IS UNABLE TO WARRANT OR
25 REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY
26 INACCURACY, ALTHOUGH ALL SUCH INFORMATION IS ACCURATE TO THE CMS'S
27 BEST KNOWLEDGE, INFORMATION, AND BELIEF.

28 THE COURT HAS NOT VERIFIED THE ACCURACY OF THE INFORMATION

1 CONTAINED HEREIN. THE COURT'S APPROVAL OF THE DISCLOSURE STATEMENT
2 DOES NOT IMPLY THAT THE COURT ENDORSES OR APPROVES THE PLAN, BUT ONLY
3 THAT IF THE INFORMATION IS ACCURATE, IT IS SUFFICIENT TO PROVIDE AN
4 ADEQUATE BASIS FOR CREDITORS AND INTEREST HOLDERS TO MAKE INFORMED
5 DECISIONS WHETHER TO APPROVE OR REJECT THE CMS PLAN.

6 **XV. NON-ALLOWANCE OF PENALTIES AND FINES**

7 Except as otherwise provided under this CMS Plan, no distribution shall be made under this
8 CMS Plan on account of, and no allowed claim, whether secured, unsecured, priority, or
9 administrative, shall include any fine, penalty, exemplary or punitive damages, late charges, or other
10 monetary charge relating to or arising from any default or breach by Debtor, and any claim on
11 account thereof shall be deemed disallowed whether or not an objection to it is filed.

12 **XVI. EFFECT OF PLAN CONFIRMATION**

13 16.1. Vesting of Property. Confirmation of this Plan will vest all of the property of the
14 estate in the Reorganized Debtor. To the extent required by Section 1124(2) of the Bankruptcy Code,
15 to preserve the rights of a creditor holding a security interest in property of the estate, the lien or
16 encumbrance of that creditor shall, to the extent valid, be preserved.

17 16.2. Discharge. The order confirming the Plan will discharge the Debtor and the
18 Reorganized Debtor from any and all debts dischargeable under Section 1141(d) of the Bankruptcy
19 Code, and will otherwise have all effects provided for in such Section 1141 which are not expressly
20 inconsistent with the provisions of this CMS Plan. Such discharge will be effective as to each claim
21 set forth in this CMS Plan, regardless of whether or not a proof of claim was filed, whether or not
22 the claim is an Allowed Claim, or whether the holder of the claim votes to accept or reject the CMS
23 Plan.

24 16.3. Satisfaction of Claims. Upon confirmation of this CMS Plan, all creditors, equity
25 security holders, partners, and other parties in interest who have or assert any claim or cause of action
26 against the Debtor shall be deemed to have acknowledged that their respective claims are fully
27 satisfied by the distribution set forth herein, and each of the claims or causes of action, whether
28 liquidated or contingent, known or unknown, scheduled or unscheduled, filed or unfiled, asserted or

assertable, is declared and shall be, for all purposes, fully released and satisfied in full.

16.4. Parties Bound. The provisions of the Plan will bind the Debtor, all creditors, and all other parties in interest. The CMS Plan is intended to resolve significant controversies between the Debtor and creditors, for which litigation would have the effect of delaying reorganization, consuming scarce assets and potentially jeopardizing the entire reorganization. If the Court confirms the CMS Plan, a creditor whose claim against the Debtor is released pursuant to the terms of this Plan is bound by such terms, notwithstanding any objection to the CMS Plan or vote to reject the Plan.

16.5. Preservation of Bankruptcy Causes of Action. Any and all causes of action which the Debtor may have, or which may arise under any of the provision of the Bankruptcy Code, or which may be enforceable under any of the provisions of the Bankruptcy Code or any other law or statute, shall be preserved and this Court shall retain jurisdiction to dispose of such causes of action. All such causes of action shall belong to the Reorganized Debtor as part of the assets retained pursuant to confirmation. CMS is not aware of any such causes of action currently. However, any claims for misuse of estate assets, including improper use of the estates cash, patient records, or intangible property would fall into this category.

16.6. Stay in Effect. During the pendency of this Plan, and unless the Plan or the Bankruptcy Court otherwise expressly provides, all creditors will continue to be stayed from proceeding against the Reorganized Debtor or its assets.

16.7. Securities Exemption. Any satisfaction provided to any creditor or other party in interest pursuant to this CMS Plan, which might be deemed a security, is exempt from registration under federal and state securities laws pursuant to Section 1145 of the Bankruptcy Code. Absent registration or another exemption from the requirements of registration pursuant to the securities laws, the subsequent transfer of any such securities is not so exempt.

XVII. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS

A claim shall be an Allowed Claim, a Reserved-For Claim, or a Disallowed Claim, based on the following provisions:

1. Allowed Claims.

1 A Claim shall be an Allowed Claim only if, and to the extent, the Claim has been Timely
2 Submitted and is Allowable in accordance with the following:

3 a. Timely Submission: A Claim shall be considered Timely Submitted if at least
4 one of the following applies to such Claim: (a) The Claim is listed on the Schedules, is not listed as
5 contingent, unliquidated or disputed, and is not included within a Proof of Claim; (b) The Claim is
6 reflected in a Proof of Claim filed by the Bar Date applicable to Claims; or (c) the Claim has been
7 determined, by Final Order of the Bankruptcy Court, to be otherwise timely submitted; to be the
8 subject of a timely "informal proof of claim" or to be deemed timely submitted without a Proof of
9 Claim.

10 2. Allowable Claims.

11 A Claim shall be considered Allowable if at least one of the following applies to such claim:
12 (a) the Claim is Timely Submitted and is not the subject of a Timely Objection; or (b) the Claim has
13 been allowed, after consideration of all Timely Objections, by Final Order of the Bankruptcy Court.

14 3. Disallowed Claims.

15 A Claim shall be a Disallowed Claim if the Claim was not Timely Submitted, or has been
16 disallowed by Final Order of the Bankruptcy Court.

17 4. Reserved-For Claims.

18 A Claim shall be a Reserved-For Claim if the Claim is not an Allowed Claim or a Disallowed
19 Claim. Each Reserved-For Claim shall be considered, for purposes of establishing reserves therefor,
20 to be in an amount equal to (i) the amount listed on the Schedules, if no Proof of Claim has been
21 filed, or (ii) the amount listed on the Proof of Claim.

22 5. Aggregation of Multiple Claims.

23 Multiple Proofs of Claim within the same Class filed by one claimant, to the extent not
24 duplicative, shall be aggregated and shall constitute a single Allowed Claim.

25 6. Objections and Bar Date for Filing Objections.

26 Except as provided above, an objection shall be a Timely Objection if filed with the
27 Bankruptcy Court, and served upon the holder of such Claim pursuant to the Bankruptcy Code and
28 Bankruptcy Rules, no later than thirty (30) days after the Effective Date. The primary responsibility

1 for objecting to Claims shall be with the Reorganized Debtor.

2 7. Settlement of Claims.

3 Settlement of any objection to a Claim shall be permitted on the twenty-first (21st) day after
4 notice of the settlement has been provided to the Reorganized Debtor , the settling party, and any
5 other persons specifically requesting such notice, and if, on such date, there is no written objection
6 filed, such settlement shall be deemed approved. In the event a written objection to the settlement is
7 timely filed, the settlement must be approved by the Bankruptcy Court on notice to the objecting
8 party at a regularly scheduled hearing conducted pursuant to the Bankruptcy Rules.

9 8. Distributions on Account of Disputed Claims.

10 No Distributions shall be made on account of Disallowed Claims or a Reserved-For Claim.

11 9. Effect on Distributions of Reserved-For Claims.

12 If this Plan provides for a distribution pro rata to holders of Claims in a particular Class, when
13 Reserved-For Claims remain in such Class, the Reorganized Debtor shall calculate the amount
14 distributable to each holder of a Claim on a pro-rata basis considering Reserved-For Claims as
15 Allowed Claims.

16 10. Penalties and Fines.

17 Except as specifically provided by Final Order of the Bankruptcy Court, no distribution shall
18 be made on account of any fine, penalty, exemplary or punitive damages, late charges or other
19 monetary charge relating to or arising from any default or breach by the Debtor, and any claim on
20 account thereof shall be treated hereunder as such and disallowed to the extent of such fine, penalty,
21 exemplary or punitive damages, late charges or other default-related charge, wither or not an
22 objection is filed to it.

23 11. Delivery of Distributions.

24 Subject to Bankruptcy Rule 9010, distributions and deliveries to each holder of an Allowed
25 Claim will be made at the address of such holder as set forth on the respective Proof of Claim (or at
26 the last known address of such holder if no Proof of Claim is Filed or if the Debtor has been notified
27 of a change of address) as of the last business day prior to the Effective Date. If any holder's
28 distribution is returned as undeliverable, no further distribution to such holder will be made unless

1 and until the Reorganized Debtor is notified of such holder's then-current address, at which time all
2 missed distributions will be made to such holder without interest. The Debtor will be under no
3 obligation to attempt to locate the holder of any Allowed Claim or to recognize any purported transfer
4 or encumbrance on the rights of holders of Allowed Claims after the Confirmation Date. Amounts
5 of undeliverable distributions attempted by the Reorganized Debtor will be retained by the
6 Reorganized Debtor until such distributions are claimed or become Unclaimed Property. All Claims
7 for undeliverable distributions will be made on or before the first anniversary of the Effective Date.
8 After such date, all Unclaimed Property will revert to and become the property of the Reorganized
9 Debtor.

10 **XVIII. EXECUTORY CONTACTS**

11 Debtor rejects all executory contracts and unexpired leases, with the exception of the following:
12 Netsmart and the Mesa real property. Claims for any executory contracts or unexpired leases rejected
13 by the Debtor shall be filed no later than ten (10) days after the earlier of Confirmation or the date
14 the executory contract or unexpired lease is specifically rejected. Any such Claims not timely filed
15 and served shall be disallowed.

16 **XIX. MODIFICATION OF PLAN**

17 In addition to their modification rights under §1127 of the Bankruptcy Code, CMS may
18 amend or modify their Plan at any time prior to Confirmation without leave of the Court. CMS or
19 Reorganized Debtor may propose amendments and/or modifications of the CMS Plan at any time
20 subsequent to Confirmation with leave of the Court and upon notice to Creditors. After Confirmation
21 of the CMS Plan, the Reorganized Debtor may—with approval of the Court, as long as it does not
22 materially or adversely affect the interests of Creditors—remedy any defect or omission or reconcile
23 any inconsistencies in the CMS Plan or Confirmation Order, if necessary to carry out the purposes
24 and intent of the CMS Plan.

25 **XX. CLOSING OF THE CASE**

26 If the Court does not close the case on its own motion, the Reorganized Debtor will move the
27 Court to close this case once the CMS Plan is deemed substantially consummated. Until substantial
28 consummation, the Reorganized Debtor will be responsible for filing pre- and post-confirmation

reports required by the United States Trustee and paying the quarterly post-confirmation fees of the United State Trustee, in cash, pursuant to 28 U.S.C. §1930, as amended. Pursuant to 11 U.S.C. §1129(a)(12), all fees payable under section 1930 of title 28, as determined by the Court at the hearing on confirmation of the Plan, will be paid in cash on the Effective Date.

XXI. RETENTION OF JURISDICTION

The Court will retain jurisdiction until the CMS Plan has been fully consummated for, including but not limited to, the following purposes:

1. The Classification of Claims of any Creditors and the re-examination of any Claims which have been allowed for the purposes of voting, and for the determination of such objections as may be filed to the Creditor's Claims. The failure by the Reorganized Debtor to object to or examine any Claim for the purpose of voting shall not be deemed to be a waiver of the Reorganized Debtor's rights to object to or to reexamine the Claim in whole or in part.

2. To determine any Claims which are disputed by the Reorganized Debtor.

3. To determine all questions and disputes regarding title to the assets of the estate, and determination of all causes of action, disputes, or conflicts, whether or not subject to action pending as of the date of Confirmation, between the Debtor and any other party, including but not limited to, any rights of the Debtor to recover assets pursuant to the provisions of the Bankruptcy Code.

4. The correction of any defect, the curing of any omission, or any reconciliation of any inconsistencies in the CMS Plan, or the Confirmation Order, as may be necessary to carry out the purposes and intent of the CMS Plan.

5. The modification of the CMS Plan after Confirmation, pursuant to the Bankruptcy Rules and the Bankruptcy Code.

6. To enforce and interpret the terms and conditions of the CMS Plan.

7. The entry of an order, including injunctions, necessary to enforce the title, rights, and powers of the Reorganized Debtor, and to impose such limitations, restrictions, terms, and conditions of such title, right, and power that the Court may deem necessary.

8. The entry of an order concluding and terminating this case.

1 Dated this 1st day of June 2018

SACKS TIERNEY P.A.

4 By: /s/ Dean M. Dinner

Dean M. Dinner

Attorneys for Community Medical Services
Holdings, LLC

7 COPY OF THE FOREGOING

Emailed this 1st day of June 2018, to:

8 Pernell W. McGuire
9 M. Preston Gardner
James M. McGuire
10 Davis Miles McGuire Gardner
pgardner@davismiles.com
11 jmcguire@davismiles.com
pmcguire@davismiles.com

12 Patty Chan
13 Office of the United States Trustee
230 N. First Ave., #204
14 Phoenix, AZ 85003
patty.chan@usdoj.gov

15 Larry L. Watson
16 Office of the U.S. Trustee
230 North First Avenue, Suite 204
17 Phoenix, AZ 85003-1706
larry.watson@usdoj.gov

18 Grant L. Cartwright
19 Andrew A. Harnisch
May, Potenza, Baran & Gillespie, P.C.
20 201 N. Central Avenue, Suite 2200
Phoenix, AZ 85004-0608
21 gcartwright@maypotenza.com
aharnisch@maypotenza.com

22 Steve Kieselstein
23 Kieselstein Law Firm, PLLC
sk@kieselaw.com

24 Philip R. Wooten
25 Arizona Attorney General
2005 N Central Ave
26 Phoenix, AZ 85004
Philip.wooten@azag.gov

27 Paul M. Weiser
28 Buchalter

1 16435 North Scottsdale Road, Suite 440
Scottsdale, AZ 85254
2 pmw@andersonbrody.com

3 Matthew Allen Silverman
Office of the Attorney General
4 2005 N Central Ave
Phoenix, AZ 85004-1592
5 matthew.silverman@azag.gov

6 Jason D. Curry
U.S. Attorney's Office
7 Two Renaissance Square
40 N. Central Avenue, Suite 1800
8 Phoenix, AZ 85004
jason.curry@usdoj.gov

9 Ian Abraham Abaie
10 Arizona Attorney General's Office
1275 West Washington Street, Site 040a
11 Phoenix, AZ 85007

12 Arizona Department of Economic Security
Arizona Attorney General
13 1275 West Washington St
Phoenix, AZ 85005
14 eli.golob@azag.gov

15 Samanta Rivera
16
17
18
19
20
21
22
23
24
25
26
27
28