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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:
ASSOCIATED THORACIC &
CARDIOVASCULAR SURGEONS, LTD.,
Debtor.

Address: PO Box 14390
Scottsdale, AZ 85267-4390

Taxpayer ID No(s): xx-xxx9055

Chapter 11 Proceedings

Case No. 2:16-bk-11909-BKM
Case No. 2:16-bk-11910-BKM

(Jointly Administered)

(This pleading relates to both Debtors)

**DEBTORS' FIRST JOINT DISCLOSURE
STATEMENT**

In re:
HERMAN PANG,
Debtor.

Address: PO Box 14390
Scottsdale, AZ 85267-4390

Taxpayer ID No(s): xx-xxx7388

I. INTRODUCTION

This document is the disclosure statement of the debtors, Associated Thoracic & Cardiovascular Surgeons, Ltd. ("ATCS") and Herman Pang ("Pang") (jointly, the "Debtors"), in the above entitled Chapter 11 bankruptcy proceeding. This Disclosure Statement is submitted by the Debtors pursuant to 11 U.S.C. §1125.

11 U.S.C. §1125(b) prohibits the solicitation of acceptances or rejections of a plan of reorganization unless such plan is accompanied by a copy of the Disclosure Statement which has

1 been approved by the Bankruptcy Court.

2 The purpose of this Disclosure Statement is to provide creditors and interested parties in this
3 bankruptcy proceeding with such information as may reasonably be deemed sufficient to allow
4 creditors and interested parties to make an informed decision regarding the Debtors' Joint Plan of
5 Reorganization ("Plan"), a copy of which is attached hereto and incorporated herein as Exhibit "A".
6

7 Unless otherwise noted, those portions of the Plan and this Disclosure Statement providing
8 factual information concerning the Debtors, their assets and liabilities, have been prepared from
9 information submitted by the Debtors and their retained professionals. The Debtors, and other
10 professionals employed by the Debtors, have utilized all relevant, non-privileged information
11 provided by the Debtors in preparing this Disclosure Statement and the Plan.

12 This Disclosure Statement contains information that may influence your decision to accept
13 or reject the Debtors' proposed Plan. Please read this document with care.
14

15 The financial information contained in this Disclosure Statement has not been subjected to
16 an audit by an independent certified public accountant. For that reason, the Debtors are not able to
17 warrant or represent that the information contained in this Disclosure Statement is without any
18 inaccuracy. To the extent practicable, the information has been prepared from the Debtors'
19 financial books and records and great effort has been made to ensure that all such information is
20 fairly representative.

21 This Disclosure Statement and the Plan will classify all creditors into Classes. The
22 treatment of each Class of creditors will be set forth in this Disclosure Statement and in the Plan.
23 You should carefully examine the treatment of the Class to which your Claim will be assigned.
24

25 This Disclosure Statement requires approval by the Bankruptcy Court after notice and a
26 hearing pursuant to 11 U.S.C. §1125(b). Once approved, the Disclosure Statement will be
27 distributed with the Debtors' proposed Plan for voting. Approval of the Disclosure Statement by
28 the Bankruptcy Court does not constitute either certification or approval of the Debtors' Plan by the

1 Bankruptcy Court or that the Disclosure Statement is without any inaccuracy.

2 The Bankruptcy Court will confirm the Plan if the requirements of Section 1129 of the
3 Bankruptcy Code are satisfied. The Bankruptcy Court must determine whether the Plan has been
4 accepted by each impaired class entitled to vote on the Plan. Impaired classes entitled to vote on the
5 Plan are those classes of claims whose legal, equitable or contractual rights are altered, as defined
6 under Section 1124 of the Bankruptcy Code. An impaired class of claims is deemed to have
7 accepted the Plan if at least two thirds in amount of those claims who vote and more than one half
8 in number of those claims who vote have accepted the Plan. An impaired class of interests is
9 deemed to have accepted the Plan if the Plan has been accepted by at least two thirds in amount of
10 the allowed interests who vote on the Plan.

12 Even if each class of creditors does not accept the Plan, the Plan can be confirmed under
13 §1129(b) of the Code, so long as one impaired class of creditors accepts the Plan. This is referred to
14 as the “cram down” provision. The failure of each class to accept the Plan could very well result in
15 a conversion of this case to a Chapter 7 or dismissal of the Chapter 11, and the secured creditors
16 repossessing its collateral and disposing of it in a commercially reasonable manner with no
17 obligation to unsecured creditors.

19 Only the votes of those creditors or interested parties whose ballots are timely received will
20 be counted in determining whether a class has accepted the Plan.

21 **II. DEFINITIONS**

22 The definitions set forth in Article I of the Plan apply in this Disclosure Statement except to
23 the extent other definitions are set forth in this Disclosure Statement.

24 **III. THE DEBTORS AND EVENTS PRECIPITATING THE CHAPTER 11**

25 ATCS filed a voluntary petition under Chapter 11 of the Bankruptcy Code on October 17,
26 2016. Pang filed a voluntary petition under Chapter 11 of the Bankruptcy Code on October 17,
27 2016. ATCS and Pang shall be referred to jointly herein as the “Debtors.”
28

1 Because ATCS is owned, operated and managed by Pang and much of ATCS's obligations
2 were guaranteed by Pang, the Debtors filed a motion to have these cases jointly administered.

3 ATCS was incorporated on September 18, 1970. ATCS is owned and operated by Pang.
4 Pang is the sole shareholder and President of ATCS. ATCS operates under a trade name of
5 EnteBella Medical. A separate entity called EnteBella Medical LLC was previously formed to be
6 the operating entity for the med-spa, but that entity was not put into use, and instead ATCS simply
7 uses EnteBella Medical as a business name. ATCS operates as a medical practice. Established in
8 1970, ATCS has an extensive patient base. ATCS is a mature company that has made it through the
9 worst of times. ATCS continues to procure patients and has a promising and productive future.
10 ATCS has the patient base, the dedicated work force and the drive to succeed. Further, Pang is
11 prominent in his field as a medical services provider.
12

13 Herman Pang is double board certified in Cardiothoracic and Vascular Surgery. Pang is a
14 fellow of the American College of Surgeons, American College of Chest Physicians and a member
15 of the Society of Thoracic Surgeons. Pang graduated with honors from Loma Linda University
16 School of Medicine. After receiving his medical degree in 1980, he completed a residency in
17 General Surgery at Loma Linda University where he was also an instructor of surgery. His
18 residency in Cardiothoracic Surgery was completed at the University of California at Irvine in 1988.
19 He is a Diplomat of the American Board of Surgery and a Diplomat of the American Board of
20 Thoracic Surgery. Pang recently experienced a personal medical issue, which set back ATCS in its
21 operations. Fortunately, Pang was able to resolve that medical issue and is now back to full-time
22 work in the business. The results of that medical issue caused a down-turn in the revenues of the
23 business leaving the Debtors no choice but to file a Chapter 11 Bankruptcy.
24

25 ATCS and Pang were also the target of various pre-bankruptcy lawsuits. ATCS was
26 working to resolve each of those lawsuits, but the stress of that effort, along with Pang's personal
27 medical issues, proved to be too much for the revenues of the business to pay his ongoing expenses.
28

1 Because Pang had guaranteed much of ATCS' debts, ATCS and Pang needed to file bankruptcy
2 together.

3 **IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11**

4 A. Administrative Proceedings

5 On October 17, 2016, ATCS filed a voluntary petition for relief under Chapter 11 of the
6 Bankruptcy Code commencing Case No. 2:16-bk-11909-BKM. On October 17, 2016, Pang filed a
7 voluntary petition for relief under Chapter 11 of the United States Code commencing Case No.
8 2:16-11910-BKM. An Order authorizing joint administration of both cases under the ATCS case
9 was signed by this Court on October 26, 2016. The first meetings of creditors in both cases were
10 held on November 22, 2016 at 9:00 a.m. and 9:30 a.m.

11 B. Retention of Professionals

12 ATCS retained Aiken Schenk Hawkins & Ricciardi P.C. ("ASHR") to act as its bankruptcy
13 counsel. An Order approving ASHR was signed by the Court on October 18, 2016. Pang retained
14 ASHR to act as its bankruptcy counsel. An Order approving ASHR was signed by the Court on
15 October 27, 2016.

16 On October 28, 2016, the Debtors filed a petition for Authority to Ullmann & Company P.C.
17 ("Ullmann") as the accountant for the Debtors. Ullmann will assist the Debtors without limitation,
18 preparation of tax returns. On October 31, 2016, the Court signed an Order approving the retention
19 of the accountant.

20 On November 1, 2016, Pang filed a Petition to Retain Jeffrey Pollitt and the firm of Jeffrey
21 G. Pollitt PC ("Pollitt") as special counsel in connection with his forthcoming post-petition spousal
22 support modification proceedings, Herman Pang vs. Kimberly Ann DiRoberts ("DiRoberts"),
23 Maricopa County Superior Court Case No. FN2010-001396. On November 4, 2016, DiRoberts
24 filed an Objection to the retention of Pollitt as Special Counsel for Pang. A hearing was held on
25 November 30, 2016. On December 9, 2016, the Court signed an Order approving the retention of

1 Pollitt as special counsel for Pang.

2 On November 22, 2016, the Debtors filed a Petition to Retain Jay A. Fradkin and the law
3 firm of Jennings, Strouss & Salmon, PLC (“JSS”) as special counsel in connection with the
4 proceedings currently pending in the Arizona Court of Appeals, Elena Prohntichi vs. Herman Pang
5 and Associated Thoracic & Cardiovascular Surgeons, Ltd., Case No. 1 CA-CV 16-0481 (the
6 “Prohntichi Case”) and with the proceedings currently pending in the Maricopa County Superior
7 Court, Mariya and Elisei Ganea vs. Herman Pang and Associated Thoracic & Cardiovascular
8 Surgeons, Ltd., et. al, Case No. CV2016-050642 (the “Ganea Case”) and to assist in any similar
9 matters that may arise in the future. On November 29, 2016, the Court signed an Order approving
10 the retention of JSS as special counsel for the Debtors.
11

12 On December 12, 2016, ATCS filed a Petition to Retain James R. Taylor and the law firm of
13 Milligan Lawless, P.C. (“Milligan”) as special counsel to provide legal advice regarding general
14 corporate and health care law matters, including but not limited to proceedings currently pending in
15 the U.S. District Court for the District of Arizona, United States of America ex rel. Brenda Johns vs.
16 Associated Thoracic & Cardiovascular Surgeons, Ltd. and Dr. Herman Pang Case No. 2:16-cv-
17 00897-JAT (“Brenda Johns Case”). On December 13, 2016, the Court signed an Order approving
18 the retention of Milligan as special counsel for ATCS.
19

20 On December 21, 2016, ATCS and Pang filed a Petition to Retain Stephen W. Myers and
21 the law firm of Myers & Jenkins P.C. (“Myers”) as special counsel to provide legal advice
22 regarding matters before the Arizona Medical Board, as well as advice regarding compliance with
23 applicable statutes and regulations and standard of care applicable to the practice of medicine. On
24 December 21, 2016, the Court signed an Order approving the retention of Myers as special counsel
25 for ATCS and Pang. Mr. Myers has moved to a new law firm and his new firm’s name is Mitchell
26 Stein Carey, P.C. The Court signed an order authorizing the change of counsel on May 30, 2017.
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1 C. Motion For Joint Administration

2 On October 18, 2016, ATCS filed a motion to have its Chapter 11 case jointly administered
3 with Pang's Chapter 11 case. On October 26, 2016, an Order was signed by the Court granting the
4 motion. The cases are now jointly administered under ATCS' Case No. 2:16-bk-11909-BKM.

5 D. Motion to Approve Use of Cash Collateral

6 On October 18, 2016, ATCS filed an Emergency Motion for Authorization to Use Cash
7 Collateral. Pursuant to the Motion, ATCS requested an order authorizing the use of cash collateral
8 in accordance with the budget attached to the Motion. On October 25, 2016, First Fidelity Bank,
9 N.A. ("First Fidelity") filed a Notice of Non-Consent to Use of Cash Collateral. A hearing was held
10 on October 25, 2016. On October 26, 2016, the Court entered an Order Approving the Debtor's
11 Emergency Motion for Authorization to Use Cash Collateral on an Interim Basis. A continued
12 hearing was held on November 1, 2016. A Stipulated Order Authorizing Debtor's Interim Use of
13 First Fidelity's Cash Collateral was entered on November 22, 2016. A continued hearing was held
14 on November 30, 2016. Cash collateral issues have been and will be ongoing throughout the
15 bankruptcy proceeding and ATCS continues to operate under an extension of the cash collateral
16 orders.

17 E. Motion to Set Last Day to File Proofs of Claim

18 On October 28, 2016, the Debtors filed a Motion to set January 5, 2017 as the bar date for
19 creditors to file claims. On October 31, 2016, the Court signed an Order setting January 5, 2017 as
20 the claims bar date.

21 F. Appointment of Unsecured Creditors Committee

22 On December 5, 2016, the United States Trustee's Office filed a statement concerning its
23 inability to appoint a committee of unsecured creditors.

24 G. ASHR's Fee Applications

25 ASHR will file applications for fees and costs incurred in its representation of the Debtors.

1 Orders approving ASHR's applications for fees will be signed by the Court to reflect the fees and
2 costs that are payable. ASHR will be filing additional fee applications from time to time during this
3 proceeding. Because this matter is ongoing, interested parties should review the Court's docket for
4 the current status of this matter.

5 H. Fee Applications for Accountant

6 The Debtors' accountant will file applications for fees and costs incurred in its
7 representation of the Debtors. Orders approving the accountant's applications for fees will be
8 signed by the Court to reflect the fees and costs that are payable. The accountant will be filing
9 additional fee applications from time to time during this proceeding. Because this matter is
10 ongoing, interested parties should review the Court's docket for the current status of this matter.

11 I. Fee Applications for Special Counsel

12 Special Counsel for the Debtors will file applications for fees and costs incurred in their
13 representation of the Debtors. Orders approving special counsel's applications for fees will be
14 signed by the Court to reflect the fees and costs that are payable. Special Counsel will be filing
15 additional fee applications from time to time during this proceeding. Because this matter is
16 ongoing, interested parties should review the Court's docket for the current status of this matter.

17 J. Stipulation for Claim Treatment with Angiodynamics

18 On December 19, 2016, ATCS filed a Stipulation for Claim Treatment Angiodynamics
19 regarding Angiodynamics' 503(b)(9) claim and General Unsecured Claim relating to the kits used
20 with the Angio laser. Pursuant to the Stipulation, the Parties agreed that \$61,114.29 shall be the
21 amount of Angiodynamics' 503(b)(9) claim for purposes of the Stipulation and the Debtors' Plan of
22 Reorganization. Angiodynamics may apply the \$61,114.29 immediately upon payment by ATCS
23 and the entry of an order approving the Stipulation. The parties agree that the remaining balance in
24 the amount of \$44,507.02 shall be Angiodynamics' Allowed Unsecured Claim (the "Allowed
25 Unsecured Claim") and will be paid in accordance with the terms of ATCS's plan for the treatment of
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1 allowed general unsecured claims. Angiodynamics acknowledged that while ATCS had not yet
2 filed its Disclosure Statement or Plan of Reorganization, it is extremely likely that the distributions
3 to general unsecured creditors will be nominal. The Stipulation shall be binding upon and inure to
4 the benefit of the Parties' respective assigns and successors, including trustees and receivers. The
5 Stipulation shall serve as, and have the same effect as, the filing of a proof of claim in the event of
6 the conversion of this case to one under Chapter 7 of the Bankruptcy Code. On January 13, 2017,
7 the Court entered an Order approving the Stipulation.
8

9 K. Motions to Sell Personal Property Free and Clear of Liens, Claims and Interests

10 On November 20, 2016, ATCS filed a Motion to Sell Personal Property Free and Clear of
11 Liens, Claims and Interests. By its motion, ATCS sought an order approving the sale of that certain
12 Quanta QSQ laser (the "Equipment") free and clear of all liens, claims, and interests to Med Rep
13 Pro and/or its nominee for \$15,000.00, payable in cash or readily available funds at closing. There
14 are no liens encumbering the Equipment. The Court entered an Order approving the sale on January
15 18, 2017.
16

17 On March 14, 2017, Pang filed a Motion to Sell Personal Property Free and Clear of Liens,
18 Claims and Interests. By its motion, Pang sought an order approving the sale of the Vanguard Total
19 Stock Market Index Fund Admiral Shares (the "Shares") free and clear of all liens, claims, and
20 interests. The Debtor will sell the Shares on the open market for \$18,514.83. The funds can then be
21 used to pay ongoing expenses. The Court entered an Order approving the sale on April 15, 2017.
22

23 L. Elena Prohntichi's Motion to Modify Stay

24 On January 10, 2017, Elena Prohntichi ("Prohntichi") filed a Motion to Modify Stay (the
25 "Motion") to proceed with her civil litigation pending in state court. The Debtors filed an Objection
26 to the Motion. A preliminary hearing was held on February 28, 2017. The Court scheduled oral
27 argument on the Motion for April 20, 2017. On March 27, 2017 Prohntichi filed a Supplement to
28 Motion to Modify Stay. On April 13, 2017, the Debtors filed a Response to the Supplement. This

1 matter will be heard simultaneously with the Debtors Motion to Dismiss Complaint filed by Ms.
2 Prohntichi. Ultimately the Court granted this Motion allowing this litigation to proceed in state
3 court. The parties are to keep the Court informed of any progress in that litigation.

4 M. Motion to Extend Lease Assumption or Rejection Deadline

5 On January 18, 2017, ATCS filed a Motion to Extend the Lease Assumption or Rejection
6 Deadline (the "Motion"). By its Motion, ATCS sought an Order extending the deadline that ATCS
7 has to reject or assume any leases for 90 days from February 14, 2017 to May 15, 2017. On
8 February 14, 2017, the Court entered an Order approving the Motion.

9 N. Motion to Approve Post-Petition Financing Under §364

10 On January 20, 2017, the Debtors filed a Motion to Approve Post-Petition Financing Under
11 §364. By this Motion, the Debtors requested the Court enter an order authorizing Pang to withdraw
12 up to \$100,000.00 from his IRA as post-petition financing for ATCS. Healthcare Realty Services,
13 Inc. and First Fidelity Bank, N.A. filed objections to the Motion. Kim DiRoberts filed a Joinder in
14 Healthcare Realty Services, Inc.'s objection. A hearing was held on February 11, 2017 wherein the
15 Motion was approved by the Court. An Order Granting the Motion was entered on February 15,
16 2017.

17 O. Sabrina Larson's Motion for Enlargement of Time to File Proof of Claim

18 On January 23, 2017, Sabrina Larson filed a Motion for Enlargement of Time to File Proof
19 of Claim Pursuant to Rule 9006(b)(1). On February 2, 2017, Sabrina Larson filed a Supplement to
20 the Motion. The Debtors filed an Objection to the Motion. A hearing was held on February 16,
21 2017 wherein the Motion was approved by the Court. An Order Granting the Motion was entered
22 on March 3, 2017.

23 P. Nondischargeability Action Filed by Brenda Johns, Relator (Adv. 17-104)

24 On January 23, 2017, Brenda Johns, acting as Plaintiff and Relator on behalf of the
25 governments of the United States of America and the State of Arizona, filed a Complaint against
26

1 ATCS to contest the dischargeability and to fix the amount of damages and civil penalties on behalf
2 of United States of America and the State of Arizona arising from alleged false statements and
3 claims for Medicare and AHCCCS payments made and presented by the Debtors. On January 24,
4 2017, the Court entered an Order to Pay Filing Fee. On January 26, 2017, Brenda Johns filed a First
5 Amended Complaint. On February 21, 2017, the parties filed a Stipulation to Consolidate the
6 Adversary Proceedings and Extend the Answer Deadline. On February 23, 2017, the Court entered
7 an Order approving the Stipulation. The parties have entered into settlement discussions. Because
8 this matter is ongoing, interested parties should review the Court's docket for the current status of
9 this matter.
10

11 Q. Nondischargeability Action Filed by Brenda Johns, Relator (Adv. 17-105)

12 On January 23, 2017, Brenda Johns, acting as Plaintiff and Relator on behalf of the
13 governments of the United States of America and the State of Arizona, filed a Complaint against
14 Pang to contest the dischargeability and to fix the amount of damages and civil penalties on behalf
15 of United States of America and the State of Arizona arising from alleged false statements and
16 claims for Medicare and AHCCCS payments made and presented by the Debtors. On January 24,
17 2017, the Court entered an Order to Pay Filing Fee. On January 26, 2017, Brenda Johns filed a First
18 Amended Complaint. On February 21, 2017, the parties filed a Stipulation to Consolidate the
19 Adversary Proceedings and Extend the Answer Deadline. On February 23, 2017, the Court entered
20 an Order approving the Stipulation. The parties entered into settlement discussions. Because this
21 matter is ongoing, interested parties should review the Court's docket for the current status of this
22 matter.
23

24 R. Nondischargeability Action Filed by Sabrina Larson (Adv. 17-106)

25 On January 23, 2017, Sabrina Larson filed a Complaint to Determine Dischargeability of
26 Debt. On February 23, 2017, Pang filed an Answer to the Complaint. The parties are pursuing
27 discovery at this time. Because this matter is ongoing, interested parties should review the Court's
28

1 docket for the current status of this matter.

2 S. Nondischargeability Action Filed by Elena Prohntichi (Adv. 17-108)

3 On January 23, 2017, Elena Prohntichi filed a Complaint for Nondischargeability of Debt.
4 Elena Prohntichi brought this action based on alleged physical injuries and other damages she
5 alleged she suffered as a result of actions of Pang. On February 22, 2017, Pang filed a Motion to
6 Dismiss the Complaint. On March 27, 2017, Prohntichi filed a Response to the Motion to Dismiss
7 Complaint. The Court determined to hold this litigation in abeyance while the litigation in state
8 court proceeds. The parties are to report any progress in the state court litigation to the court.
9 Because this matter is ongoing, interested parties should review the Court's docket for the current
10 status of this matter.
11

12 T. Motion to Reject Equipment Lease with First Data Merchant Services Corp.

13 On February 1, 2017, ATCS filed a Motion to Reject Equipment Lease Agreement with
14 First Data Merchant Services Corp. By this Motion, the Debtors requested the Court enter an order
15 rejecting certain Equipment Lease Agreements identified as Lease No. 052-1388627-000 and 052-
16 1387951-000 (the "Leases") for FD 130 credit card terminals. Subsequent to filing this motion, the
17 parties entered into settlement discussions. On June 13, 2017, the Debtors filed a Stipulation for
18 Claim Treatment with First Data Merchant Services LLC ("FDMS") and Wells Fargo Merchant
19 Services, LLC ("WFMS"). Pursuant to the Stipulation, the Parties agree ATCS shall retain two of
20 the four credit card terminals and the processing agreements related to those two units. The two
21 units ATCS will retain are: (1) Lease No. 052-1388627-000 (ATCS Peoria location) and (2) Lease
22 No. 052-1387951-000 (ATCS Scottsdale location) (the "Leases"). ATCS will also retain the
23 processing accounts identified as Merchant ID 483170561995 and Merchant ID 483170560997 (the
24 "Processing Accounts"), which are associated with the Leases. The payment terms for these the
25 Leases and related Processing Accounts will remain unchanged from the terms under the existing
26 equipment lease agreements and related merchant processing agreements. Because ATCS has
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1 overpaid for four units from and after the bankruptcy filing, ATCS shall receive a credit against its
2 account for one unit from and after the petition date through February 28, 2017, and shall receive a
3 credit against its account for two units from and after February 28, 2017. Such credits shall be
4 given immediately upon execution of the Stipulation. The equipment associated with the remaining
5 two units and related servicing agreements will be rejected and the equipment shall be mailed by
6 ATCS or ATCS' counsel (whomever has possession of the equipment) to the following address:
7 TASQ Technology, Attn: LEASE NUMBER, 1169 Canton Road, Marietta, GA 30066. ATCS, or
8 through counsel, shall provide FDMS with the corresponding tracking information for FDMS's
9 records. The Stipulation shall be binding upon and inure to the benefit of the Parties' respective
10 assigns and successors, including trustees and receivers. The terms of the Stipulation shall control
11 and resolve any claim FDMS and WFMS may have against any guarantor. The Debtors shall file a
12 Plan of Reorganization and Disclosure Statement (the "Plan"). The Plan shall incorporate the terms
13 and conditions of the Stipulation and, accordingly, the treatment afforded to the Allowed Unsecured
14 Claim therein, which is hereby impaired, shall also constitute the treatment of its claim under the
15 Plan. Any inconsistency between the Stipulation and the Plan shall be resolved in favor of the
16 Stipulation. The Parties shall bear their own attorneys' fees and costs in entering into the
17 Stipulation.

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20 U. Stipulation for Claim Treatment with Heartland Business Credit

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22 On February 3, 2017, the Debtors filed a Stipulation for Claim Treatment with Heartland
23 Business Credit ("Heartland") regarding Heartland's claim secured by Harmony XL and related
24 accessories (the "Equipment"). Pursuant to the Stipulation, the Parties agree that \$34,200.00 is the
25 value of the Equipment and also shall be the value of Heartland's secured claim as of the Petition
26 Date as to the Equipment (the "Allowed Secured Claim") for purposes of this Stipulation and the
27 Debtors' Joint Plan of Reorganization. The Allowed Secured Claim shall be fully amortized and
28 paid with interest at 4.5%, and ATCS shall continue to pay Heartland's Allowed Secured Claim

1 going forward in monthly payments of \$3,643.30. These payments shall apply to the Allowed
2 Secured Claim for all payments from and after the Petition Date until the Allowed Secured Claim
3 and interest thereon is paid in full. ATCS may prepay the Allowed Secured Claim without penalty
4 at any time. Heartland shall release its lien on the Equipment once its Allowed Secured Claim has
5 been paid. The balance of Heartland's claim of \$169,824.80 shall be allowed in full and treated as a
6 general unsecured claim in the Debtors' Joint Plan of Reorganization, and any subsequent
7 amendments, supplements and/or modifications thereto ("Allowed Unsecured Claim"). Heartland's
8 Allowed Unsecured Claim shall be paid pro-rata with any other unsecured creditors, and the parties
9 acknowledge that the payments to unsecured creditors will likely be nominal at best.
10

11 On March 23, 2017, the Debtors filed an Amended Stipulation for Claim Treatment with
12 Heartland Business Credit ("Heartland") regarding Heartland's claim secured by Harmony XL and
13 related accessories (the "Equipment"). The Debtors and Heartland previously entered into a
14 Stipulation for Claim Treatment regarding Heartland's claim secured by the Equipment (DE #146).
15 But with the decision to shut down the Scottsdale Road facility, ATCS could no longer go forward
16 on that Stipulation. Pursuant to the Stipulation, the Parties agree that \$34,000.00 is the value of the
17 Equipment being retained by ATCS and also shall be the value of Heartland's secured claim as of
18 the Petition Date as to the Equipment (the "Allowed Secured Claim") for purposes of this
19 Stipulation and the Debtors' Joint Plan of Reorganization. The returned platform will be sold by
20 Heartland and the sale proceeds will be used to pay down on Heartland's claim prior to the
21 calculation of the Allowed Secured Claim. The Allowed Secured Claim shall be established as of
22 the Petition Date. The post-petition payments already by ATCS (\$7,286.60) shall be credited
23 against the Allowed Secured Claim. Further, ATCS will pay monthly payments going forward of
24 \$1,000 per month for the first year, and then \$2,000 per month for the second year until the Allowed
25 Secured Claim is paid off, without interest. All of these payments shall apply to the Allowed
26 Secured Claim for all payments from and after the Petition Date until the Allowed Secured Claim is
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1 paid in full. ATCS may prepay the Allowed Secured Claim without penalty at any time. The
2 balance of Heartland's claim of \$170,024.80 (minus however much Heartland obtains for the
3 platform it is receiving) shall be allowed in full and treated as a general unsecured claim in the
4 Debtors' Joint Plan of Reorganization, and any subsequent amendments, supplements and/or
5 modifications thereto ("Allowed Unsecured Claim"). Heartland's Allowed Unsecured Claim shall
6 be paid pro-rata with any other unsecured creditors, and the parties acknowledge that the payments
7 to unsecured creditors will likely be nominal at best. ATCS shall be deemed current on its
8 obligations to Heartland upon the entry of an Order granting the Stipulation. Once the Allowed
9 Secured Claim is paid in full pursuant to the terms of this Stipulation, Heartland shall release any
10 and all rights or interests it may have in the Equipment. On April 19, 2017, the Court entered an
11 Order approving the Stipulation.
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14 V. Motions to Extend Plan Filing Deadlines

15 On February 9, 2017, the Debtors filed a Motion to Extend Plan Filing Deadlines. By their
16 Motion, the Debtors seek an Order pursuant to 11 U.S.C. §1121(d) to extend the deadline within
17 which the Debtors have to file a Plan an additional 90 days from February 14, 2017 to May 15,
18 2017 and to extend the period within which the Debtors have the exclusive right to solicit
19 acceptances of the Plan an additional 90 days from April 15, 2017 to July 14, 2017. On March 8,
20 2017, the Court entered an Order approving the Motion.
21

22 On May 8, 2017, the Debtors filed a Motion to Extend Plan Filing Deadlines. By their
23 Motion, the Debtors seek an Order pursuant to 11 U.S.C. §1121(d) to extend the deadline within
24 which the Debtors have to file a Plan an additional 91 days from May 15, 2017 to August 14, 2017
25 and to extend the period within which the Debtors have the exclusive right to solicit acceptances of
26 the Plan an additional 90 days from July 14, 2017 to October 12, 2017. Healthcare Realty Services,
27 Inc. filed an objection to the Motion. A hearing is presently set on June 27, 2017. This issue will
28 be ongoing until the Plan and Disclosure Statement are filed, so Creditors and parties-in-interest

1 should consult the Court's docket for the current status of this issue.

2 W. Objections to Claims

3 On March 14, 2017, ATCS filed an Objection to the Proof of Claim filed by Elena
4 Prohnitchi (Claim No. 11). The proof of claim alleged a general unsecured claim relating to
5 Prohnitchi's medical negligence lawsuit against ATCS. ATCS requested the Court to disallow the
6 claim or in the alternative, should this Court choose not to disallow the Claim, it should be held in
7 abeyance until Prohnitchi has prosecuted her appeal, exhausted her remedies at the state court level
8 and then resolved her nondischargeability action. On March 28, 2017, Prohnitchi filed a Response
9 to the Objection. On April 10, 2017, ATCS filed its Reply in Support of its Objection to the Proof
10 of Claim filed by Elena Prohnitchi. A preliminary hearing on the Objection, Response and Reply
11 was held on April 20, 2017. On May 5, 2017, the Court entered an Order Disallowing the Claim
12 filed by Elena Prohnitchi.
13

14
15 On March 14, 2017, Pang filed an Objection to the Proof of Claim filed by Elena Prohnitchi
16 (Claim No. 9 in Pang's Chapter 11 Case). The proof of claim alleged a general unsecured claim
17 relating to Prohnitchi's medical negligence lawsuit against Pang. Pang requested the Court to
18 disallow the claim or in the alternative, should this Court choose not to disallow the Claim, it should
19 be held in abeyance until Prohnitchi has prosecuted her appeal, exhausted her remedies at the state
20 court level and then resolved her nondischargeability action. On March 28, 2017, Prohnitchi filed a
21 Response to the Objection. On April 10, 2017, Pang filed its Reply in Support of its Objection to
22 the Proof of Claim filed by Elena Prohnitchi. A preliminary hearing on the Objection, Response
23 and Reply was held on April 20, 2017. On May 5, 2017, the Court entered an Order Disallowing
24 the Claim filed by Elena Prohnitchi.
25

26 On April 28, 2017, ATCS filed an Objection to the Proof of Claim filed by Mariya and
27 Elisei Ganea (jointly "Ganea") (Claim No. 27). The proof of claim alleged a general unsecured
28 claim relating to Ganea's medical negligence lawsuit against ATCS. However, Ganea's claim has

1 not been reduced to a judgment or award and their suit may never result in an enforceable claim
2 against ATCS. ATCS requested the Court to disallow the claim or otherwise hold the claim in
3 abeyance until the State Court Case has been completely litigated.

4 On April 28, 2017, Pang filed an Objection to the Proof of Claim filed by Mariya and Elisei
5 Ganea (jointly "Ganea") (Claim No. 24, as amended). The proof of claim alleged a general
6 unsecured claim relating to Ganea's medical negligence lawsuit against Pang. However, Ganea's
7 claim has not been reduced to a judgment or award and their suit may never result in an enforceable
8 claim against Pang. Pang requested the Court to disallow the claim or otherwise hold the claim in
9 abeyance until the State Court Case has been completely litigated.

11 X. Motion to Reject Lease with Dunlogin Group, LLC

12 On February 24, 2017, ATCS filed a Motion to Reject Lease with Dunlogin Group, LLC.
13 By this Motion, the Debtors requested the Court enter an order rejecting that certain Lease for office
14 space located at 15425 N. Scottsdale Rd., Suite 120, Scottsdale, Arizona 85254. This was the space
15 for the med-spa for which EnteBella Medical, LLC was formed. However, the Debtor determined
16 that this operation was not profitable and determined to shut down this location. An Order Granting
17 the Motion was entered on March 28, 2017. As a result of this lease rejection, ATCS's operations
18 were consolidated from three locations into two.

20 Y. Stipulation for Claim Treatment with Bank of America, N.A.

21 On March 29, 2017, ATCS filed a Stipulation for Claim Treatment with Bank of America,
22 N.A. ("B of A") regarding B of A's claim secured by Icon Control Module, Max G HP Icons, 1540
23 HP Icon, Skintel Melanin Reader and Acleara Systems (collectively, the "Equipment"). Pursuant to
24 the Stipulation, the Parties agree that \$20,000.00 is the value of the Equipment and also shall be the
25 value of B of A's secured claim as of the Petition Date as to the Equipment (the "Allowed Secured
26 Claim") for purposes of the Stipulation and the Debtors' Joint Plan of Reorganization. ATCS shall
27 pay the Allowed Secured Claim over 1 year, with 3.85% interest, in 12 monthly payments of
28

1 \$1,701.63. Payments shall commence May 1, 2017, and shall continue on the first date of each
2 month thereafter until paid in full. The May 1, 2017 payment shall be made by ATCS to B of A and
3 sent via mail to B of A c/o Eric R. von Helms, Kohner, Mann & Kailas, S.C., 4650 North Port
4 Washington Road, Milwaukee, Wisconsin 53212. Each subsequent monthly payment shall be sent
5 via mail to B of A at 2059 Northlake Parkway, 3N, Tucker, Georgia 30084, or by such other means
6 or address subsequently designated by B of A in writing. ATCS may prepay the Allowed Secured
7 Claim without penalty at any time. B of A shall release its lien on the Equipment once its Allowed
8 Secured Claim has been paid. ATCS shall be deemed current on its obligations to B of A upon the
9 entry of an Order granting the Stipulation. Once the Allowed Secured Claim is paid in full pursuant
10 to the terms of the Stipulation, B of A shall release any and all rights or interests it may have in the
11 Equipment. The terms of the Stipulation shall control and resolve any claim B of A may have
12 against any guarantor. B of A's execution of the Stipulation shall also constitute its vote to accept
13 the Plan so long as the Plan incorporates the terms of the Stipulation. On April 25, 2017, the Court
14 entered an Order approving the Stipulation.

17 Z. Stipulation for Claim Treatment with First Bank Richmond, N.A. d/b/a First Federal
18 Leasing

19 On April 6, 2017, the Debtors filed a Stipulation for Claim Treatment with First Bank
20 Richmond, NA d/b/a First Federal Leasing ("First Federal") regarding First Federal's claim secured
21 by VASER lipo system and related accessories (collectively, the "Equipment"). ATCS was paying
22 First Federal monthly payments after the Petition Date of \$2,126.88 per month (a total of two
23 payments for a total of \$4,253.76). But with the decision to shut down the Scottsdale Road facility,
24 ATCS ceased making those payments. Pursuant to the Stipulation, the Parties agree that \$32,000.00
25 is the value of the Equipment and also shall be the value of First Federal's secured claim as of the
26 Petition Date as to the Equipment (the "Allowed Secured Claim") for purposes of the Stipulation
27 and the Debtors' Joint Plan of Reorganization. The Allowed Secured Claim shall be established as
28

1 of the Petition Date. The post-petition payments already by ATCS (\$4,253.76) shall be credited
2 against the Allowed Secured Claim. Further, ATCS will pay monthly payments going forward of
3 \$1,000 per month, commencing May 1, 2017, for the first year, and then \$2,000 per month for the
4 second year until the Allowed Secured Claim is paid off, without interest. All of these payments
5 shall apply to the Allowed Secured Claim for all payments from and after the Petition Date until the
6 Allowed Secured Claim is paid in full. Payments shall be made by ATCS to First Federal and sent
7 via mail to First Bank Richmond, NA d/b/a first Federal Leasing, PO Box 1145, Richmond, IN
8 47375-1145, or by such other means or address subsequently designated by First Federal in writing.
9
10 ATCS may prepay the Allowed Secured Claim without penalty at any time. First Federal shall
11 release its lien on the Equipment once its Allowed Secured Claim has been paid. The balance of
12 First Federal's claim of \$12,694.48 shall be allowed in full and treated as a general unsecured claim
13 in the Debtors' Joint Plan of Reorganization, and any subsequent amendments, supplements and/or
14 modifications thereto ("Allowed Unsecured Claim"). First Federal's Allowed Unsecured Claim
15 shall be paid pro-rata with any other unsecured creditors, and the parties acknowledge that the
16 payments to unsecured creditors will likely be nominal at best. ATCS shall be deemed current on
17 its obligations to First Federal upon the entry of an Order granting the Stipulation. Once the
18 Allowed Secured Claim is paid in full pursuant to the terms of the Stipulation, First Federal shall
19 release any and all rights or interests it may have in the Equipment. The terms of the Stipulation
20 shall control and resolve any claim First Federal may have against any guarantor. First Federal
21 shall provide ATCS with written confirmation that it has updated its billing system in accordance
22 with the terms of the Stipulation within one month after the date of the first \$1,000 Payment. First
23 Federal will not be able to provide monthly statements going forward, and ATCS shall just pay First
24 Federal monthly in accordance with the terms of the Stipulation. First Federal's execution of this
25 Stipulation shall also constitute its vote to accept the Plan so long as the Plan incorporates the terms
26 of the Stipulation. On May 3, 2017, the Court entered an Order approving the Stipulation.
27
28

1 AA. Mariya and Elisei Ganea's Motion for Relief from Automatic Stay to Pursue Medical
2 Malpractice Litigation in State Court

3 On April 14, 2017, Mariya and Elisei Ganea (jointly "Ganea") filed a Motion for Relief
4 from the Automatic Stay to Pursue Medical Malpractice Litigation in State Court (the "Motion") to
5 proceed with Ganea's civil litigation pending in state court. The Debtors filed an Objection to the
6 Motion. On May 12, 2017, Ganea filed an Amended Motion and a Response to the Debtors'
7 Objection.
8

9 BB. Motions to Assume Leases

10 On May 11, 2017, the Debtors filed a Motion to Assume and Assign Lease. By their
11 Motion, the Debtors move this Court for the entry of an order approving the assumption and
12 assignment of the non-residential property lease (the "Lease") between Pang and Healthcare Realty
13 Services Incorporated, as agent for HR-Pima, LLC (the "Landlord") for the property located at 8415
14 N. Pima Rd., Suite 100, Scottsdale, AZ 85258 (the "Property") and to be assigned to ATCS.
15 Healthcare Realty Services, Inc. filed an objection to the Motion. Because this matter is ongoing,
16 interested parties should review the Court's docket for the current status of this matter.
17

18 On May 11, 2017, the Debtors filed a Motion to Assume Lease. By their Motion, the
19 Debtors moves this Court for the entry of an order approving the assumption of the non-residential
20 property lease (the "Lease") between ATCS and Plaza Medical & Research Center Phase II, LLC
21 (the "Landlord") for the property located at 13090 N. 94th Dr., Suite 202, Peoria, AZ 85381 (the
22 "Property").
23

24 CC. Notice of Default Re: Post-Petition Spousal Payments

25 On May 19, 2017, Pang's ex-wife, Kim DiRoberts, filed a Notice of Default Re: Post-
26 Petition Spousal Payments stating Pang was delinquent on his post-petition spousal maintenance
27 payments in the amount of \$18,800.00. On May 23, 2017, Pang filed a Response to the Notice of
28 Default stating the Notice of Default was premature as Pang has been making partial payments to

1 DiRoberts and is awaiting a ruling from the state court on a Verified Petition to Modify Spousal
2 Maintenance that may alter the amount due such that there is no default. Because this matter is
3 ongoing, interested parties should review the Court's docket for the current status of this matter.

4 **V. DESCRIPTION OF ASSETS AND LIABILITIES OF ATCS**

5 ATCS has not obtained recent appraisals of any of its assets. The values ascribed to the
6 assets below are based on ATCS' best estimate and other factors such as the purchase price,
7 comparable sales and tax assessments.
8

9 A. Real Property

10 ATCS owns no real property. ATCS rents the two facilities where it operates its business.

11 B. Personal Property

12 1. Bank Accounts

13 ATCS held approximately \$855.22 in bank accounts at the time of the filing of its
14 petition for relief.
15

16 2. Security Deposits

17 Dunlogin Group, LLC held a deposit in the amount of \$3,500.00 for ATCS'
18 EnteBella location. Because that lease was rejected, Dunlogin applied this deposition to ATCS'
19 lease obligations. Healthcare Realty Services Incorporated holds a deposit in the amount of
20 \$14,000.00 for ATCS' Scottsdale location. Plaza Medical & Research Center Phase II, LLC holds a
21 deposit in the amount of \$9,000.00 for ATCS' Peoria location.
22

23 3. Accounts Receivable

24 ATCS listed accounts receivable in the amount of \$120,000.00 at the time of the
25 filing of its petition for relief, but this amount was the gross amount of the accounts receivable
26 without any discount for what ATCS would actually be paid from the insurance companies. This is
27 because typically, insurance companies do not pay on the gross amount and thus the accounts
28 receivable will be discounted for the actual value based upon what is likely collectable from the

1 insurance companies. In accordance with the Cash Collateral Order, the accounts receivable have
2 been collected in the ordinary course of business and used in the business operations. ATCS
3 believes the current value of the accounts receivable is the approximate amount of \$126,163.00.

4 4. Stock and Interests in Incorporated and Unincorporated Businesses

5 ATCS holds a 100% membership interest in Entebella Medical, LLC. ATCS
6 reflected the value of the membership interest in Entebella Medical, LLC as unknown in its
7 Schedule A/B. ATCS does not use this LLC in its operations. Instead, ATCS owns and operates
8 under the tradename "EnteBella Medical" and reflected an unknown value for the tradename in its
9 Schedule A/B as well. ATCS values this tradename at \$500.00 because it has some value to ATCS.

11 5. Inventory/Supplies

12 ATCS reflected miscellaneous medical and skincare/beauty supplies in the amount
13 of \$25,000.00 in its Schedule A/B. These supplies have been used in ATCS' business operations.

15 6. Office Equipment, Furnishings and Supplies

16 ATCS listed the following office furniture, equipment and supplies in its Schedule
17 A/B:

Miscellaneous office furnishings and equipment (Entebella location)	\$42,535.00
Miscellaneous office furnishings and equipment (Scottsdale location)	\$45,826.40
Miscellaneous office furnishings and equipment (Peoria location)	\$16,366.95
Angio Laser	\$21,261.12
Thermi Smooth	\$24,047.48
QSQ Plus C	\$0.00
Complete Podiatry Solution (Copoloff X-Ray Machine)	\$18,731.25
Zone Pro Ultrasound; Accessories	\$60,000.00
Vaser Lipo System	\$23,809.86
Harmony XL	\$40,000.00
Thermi RF	\$11,687.44
D-Actor 100 Ultra; Accessories (Shockwave)	\$12,331.93

26 7. Customer Lists, Mailing Lists or Other Compilations

27 ATCS listed its customer/patient lists valued at \$5,000.00 in its Schedule A/B.
28

1 8. 401(k)

2 ATCS listed a company owned 401(k) plan in its Schedule A/B. ATCS reflected the
3 value of the 401(k) plan as unknown. This account would have no value to ATCS.

4 9. Insurance

5 ATCS listed the following insurance policies in its Schedule A/B:

6	General Liability Insurance (The Hartford Account No. 10752738)	\$0
7	COBRA (CONEXIS/Wage Works Account No. 40382)	\$0
8	Group Dental/Vision Insurance (Secure Care Dental Account No. 10006441)	\$0
9	Professional Liability Insurance (Dr. Copoloff) (PPIC Account No. SPP0040309)	\$0
10	Workers Compensation Insurance (Berkshire Hathaway Account No. ASWC600710)	\$0

11 10. Causes of Action Against Third Parties

12 ATCS was successful in obtaining a judgment in the amount of \$130,422.53 against
13 Kymberli K. Williamson and Carolyn Williamson stemming from an action the Williamsons
14 brought in Maricopa County Superior Court Case No. CV2002-014646. The Williamsons took an
15 appeal of this case and on appeal, the appellate court reversed the judgment and sent the case back
16 for a new trial. During the process, the insurance company decided to settle the case with the
17 Williamsons not owing the judgment. Thus the judgment is uncollectible and has no value.

18 C. Financial Reports

19 ATCS' monthly operating reports are current and copies can be obtained from the Court's
20 electronic docket.
21

22 D. Administrative Expenses

23 ATCS and Pang anticipate their administrative expenses will consist primarily of attorneys'
24 fees for ASHR and various special counsels. ASHR received cashier's checks in the total amount
25 of \$32,821.50 from Pang for both cases to be jointly administered. ASHR applied \$3,434.00 for
26 both of the filing fees and offset \$19,387.50 for pre-petition fees that were owed before the filing of
27 the Debtors' proceedings. The Debtors have also retained various special counsels and accountants.
28

1 Counsel and accountants have received ongoing payments throughout the case. Counsel and
2 accountants estimate the remaining fees will be in the range of \$85,000.00, depending on creditor
3 activity in this case, and believe that to the extent it is not paid in full out of payments by the
4 Debtors, they will be paid out of ATCS' and Pang's post-petition earnings, and as to ATCS by the
5 equity infusion from the new ownership. There may be additional administrative expenses for
6 related costs such as experts and appraisal fees.

7
8 E. Priority Claims

9 ATCS listed the Arizona Department of Revenue and the Internal Revenue Service as
10 "Notice Only" in its Schedule E/F. ATCS believes that no tax obligations are owed.

11 The Internal Revenue Service ("IRS") filed an amended unsecured priority Proof of Claim
12 in the amount of \$8,024.49 based on unassessed FICA withholding taxes for the periods ended
13 9/30/16 and 12/31/16 and unassessed FUTA taxes for the period ended 12/31/16. This Proof of
14 Claim should be amended now that ATCS timely filed the appropriate tax returns. To the extent
15 necessary, ATCS will file an objection to the proof of claim.

16
17 F. Secured Claims

18 AngioDynamics Finance/Hitachi Capital America Corp filed a secured Proof of Claim in the
19 amount of \$70,309.20 related to ATCS' Angio Laser.

20 Bank Midwest/One Place Capital filed a secured Proof of Claim in the amount of
21 \$47,653.00 related to ATCS' Thermi Smooth.

22 Bank of America filed a secured Proof of Claim in the amount of \$15,573.13 related to its
23 UCC Financing Statement secured by ATCS' (1) Icon Control Module S/N 25-0552; (2)1540 HP
24 Icon S/N 149333-6; (3) Acleara System S/N AS11-0361, including other accessory equipment,
25 parts and components.

26
27 Everbank Commercial Finance, Inc. filed a secured Proof of Claim in the amount of
28 \$164,979.92 related to ATCS' Zone Pro Ultrasound and accessories.

1 First Bank Richmond/First Federal Leasing filed a secured Proof of Claim in the amount of
2 \$48,948.28 related to ATCS' Vaser Lipo System.

3 First Fidelity Bank, N.A. filed a secured Proof of Claim in the amount of \$150,377.07
4 related to its UCC Financing Statement secured by all of ATCS' assets.

5 Heartland Business Credit filed a secured Proof of Claim in the amount of \$204,024.80
6 related to its UCC Financing Statement secured by ATCS' Harmony XL.

7 Bank Midwest/One Place Capital filed a secured Proof of Claim in the amount of
8 \$30,740.00 related to ATCS' Thermi RF.

9 ATCS listed Bank of America, N.A. with a secured claim in the amount of \$0 related to
10 ATCS' QSQ Plus C.

11 ATCS listed Bank of Putnam County/ BFG Corporation with a secured claim in the amount
12 of \$155,988.38 related to its UCC Financing Statement secured by all of ATCS' assets that were
13 purchased with the credit card associated with this account that remain and were not otherwise
14 expensed. ATCS believes no collateral exists for this Claim and Bank of Putnam County did not
15 file a proof of claim.

16 ATCS listed Maricopa County Treasurer as "Notice Only". Maricopa County did not file a
17 proof of claim. ATCS believes no Claim exists.

18 ATCS listed Univest Capital, Inc. with a secured claim in the amount of \$24,663.85 related
19 to ATCS' D-Actor 100 Ultra (Shockwave) and accessories. Univest has not filed a proof of claim.

20
21
22
23 G. Unsecured Claims

24 ATCS anticipates the total amount of Allowed Unsecured Claims in this Class will be
25 approximately \$734,298.06 owed for business-related debt.

26 H. Claims Register

27 Attached hereto as Exhibit "B" is a chart reflecting the status of claims as ATCS is presently
28 aware.

1 **VI. DESCRIPTION OF ASSETS AND LIABILITIES OF PANG**

2 Pang has not obtained recent appraisals of any of his assets. The values ascribed to the assets
3 below are based on Pang's best estimate and other factors such as the purchase price, comparable
4 sales and tax assessments.

5 A. Real Property

6 1. 12980 N. 94th Way, Scottsdale, Arizona (APN 217-26-927)

7
8 Pang owns a single family residence located at 12980 N. 94th Way, Scottsdale,
9 Arizona 85260 (the "Residence"). Pang believes the current value of his Residence is \$700,000.00
10 based upon its current condition, the current market, and comparative sales. US Bank Home
11 Mortgage holds a first position deed of trust on the Residence and US Bank N.A. holds a second
12 position deed of trust on the Residence. When possible costs of sale are factored in, and after his
13 homestead exemption, Pang does not believe that any equity exists in the Residence for the benefit
14 of the bankruptcy estate.
15

16 B. Personal Property

17 1. Vehicles

18 Pang listed a 2014 Toyota Prius valued at \$10,000.00 in his Schedule A/B. Pang
19 believes the current value of the 2014 Toyota Prius is \$10,085.00 according to Kelley Blue Book.
20 Pang claims a \$6,000.00 exemption for this asset.

21 2. Miscellaneous Household Goods and Furnishings

22 Pang listed approximately \$6,000.00 in miscellaneous household goods, and
23 furnishings in his Schedule A/B. All of these assets are exempt.
24

25 3. Electronics

26 Pang listed one desktop computer valued at \$500.00 and one laptop computer valued
27 at \$1,000.00 in his Schedule A/B. Pang claims a \$1,000.00 exemption for these assets.
28

1 4. Miscellaneous Books and Pictures

2 Pang listed approximately \$6,000.00 in miscellaneous books and pictures in his
3 Schedule A/B. All of these assets are exempt.

4 5. Sports and Hobby Equipment

5 Pang listed one road bicycle valued at \$100.00 and one tandem bicycle valued at
6 \$250.00 in his Schedule A/B. Pang also listed a billiards table valued at \$900.00, a piano valued at
7 \$4,500.00 and a camera valued at \$500.00. Pang claims a \$400.00 exemption for the piano. The
8 remaining assets are not exempt.
9

10 6. Firearms

11 Pang listed one Glock G17 Gen4 (9x19) TXY729 valued at \$350.00 in his Schedule
12 A/B. This asset is exempt.
13

14 7. Miscellaneous Wearing Apparel

15 Pang listed approximately \$500.00 in miscellaneous wearing apparel in his Schedule
16 A/B. All of these assets are exempt.

17 8. Non-Farm Animals

18 Pang listed two English bulldogs with an unknown value in his Schedule A/B. All of
19 these assets are exempt.

20 9. Other Personal Property

21 Pang listed wages/salary (75% or 30 times Federal Minimum Wage) with an
22 unknown value and food, fuel and provisions (6 month supply) valued at \$1,500.00 in his Schedule
23 A/B. All of these assets are exempt.
24

25 10. Bank Accounts

26 Pang held approximately \$400.00 in personal bank accounts at the time of the filing
27 of his petition for relief herein. Pang claims \$300.00 exemption for one personal bank account.
28

11. Stock and Interests in Incorporated and Unincorporated Businesses

Pang listed ownership in the following companies in his Schedule A/B:

Entity Name	Ownership Percentage	Current Value of Pang's Interest
Cardiosolutions, Inc., a Delaware corporation (50,576 Series B Convertible Preferred Stock)	Unknown	\$0
TestSmart Rx (membership interest)	0.2%	\$0
Associated Thoracic & Cardiovascular Surgeons, Ltd., an Arizona corporation	100%	\$0

There is no market for the Cardiosolutions, Inc. shares and TestSmart RX membership interest and Pang has not been able to find anyone that would buy them. These assets are not exempt but have no value. As to ATCS, Pang will be giving up his ownership in ATCS as part of the Plan process, so that there is no value to Pang for this asset.

12. Retirement or Pension Accounts

Pang listed the following interests in IRAs in his Schedule A/B:

Account Type	Institution Name	Petition Date Value	Current Value
IRA	Merrill Lynch IRA Acct. No. x5586	\$43,481.52	\$0
IRA	Charles Schwab IRA Acct. No. x5590	\$109,747.28	\$0
IRA	Oakmark Funds IRA Acct. No. x3225	\$81,574.77	\$0
IRA	Vanguard IRA Account	\$16,180.06	\$0
IRA	Wells Fargo	\$0	\$173,893.00

These assets are exempt. Pang borrowed against his retirement accounts to provide ongoing capital for ATCS during the bankruptcy proceeding. Presently, the balance owed to Pang is \$77,000.00. It is unlikely that ATCS will be able to repay any more of this debt in the future, given the distributions that need to be paid to the creditors of ATCS.

13. Trusts

Pang listed an interest in the Herman Pang 2012 Revocable Trust dated March 14, 2012. The trust is nothing more than an estate planning device and has no value to the bankruptcy estate. It does not own an interest in any assets that are not otherwise already disclosed in Pang's

1 Schedules and herein.

2 14. Licenses

3 Pang listed an Arizona Medical License. Pang listed the value as \$0 because this
4 license is unmarketable. Pang does not believe that this license holds any value for the benefit of
5 the bankruptcy estate other than as a means for him to earn an income.
6

7 15. Tax Refunds

8 Pang listed his 2015 federal and state income tax refunds in an unknown amount in
9 his Schedule A/B. Pang anticipates he will soon receive his refunds in the amount of \$28,181.93
10 (federal) and \$7,612.00 (state) and these funds will be used in paying ongoing operating expenses
11 and attorneys' fees.
12

13 16. Insurance

14 Pang listed the following insurance policies in his Schedule A/B:

15 Company Name	Beneficiary	Surrender or Refund Value
16 First Penn Pacific Life Insurance Company Policy No. T100848497 (term policy)	Elizabeth & Rebecca Pang	\$0.00
17 Paul Revere Life Insurance Company (disability policy)	N/A	\$0.00
18 Farmers Insurance Umbrella Policy No. x6348	N/A	\$0.00
19 Farmers Auto Insurance Policy No. x2468	N/A	\$0.00
20 Lafayette Life Insurance Policy No. x9882	Elizabeth & Rebecca Pang	\$12,509.54

21 These assets are exempt.

22 17. Claims Against Third Parties

23 Pang listed a judgment in the amount of \$130,422.53 against Kymberli K. Williamson and
24 Carolyn Williamson because Pang won the jury trial of the case. The Williamsons appealed the
25 judgment and were successful in having the case remanded to the trial court. During the remand
26 process, the insurance company settled with the Williamsons so that this judgment is no longer a
27 claim against them.
28

1 Pang also listed a judgment against Elena Prohnitchi because he was successful at trial on
2 the litigation brought by Prohnitchi. Prohnhnitich appealed the jury verdict and that case is presently
3 pending on appeal.

4 C. Exemptions

5 Pang listed various exemptions for personal property in his Schedule C. At this time no
6 objections to exemptions have been filed and the time for filing objections has passed.

7 D. Financial Reports

8 Pang's monthly operating reports are current and copies can be obtained from the Court's
9 electronic docket.

10 E. Administrative Expenses

11 ATCS and Pang anticipate their administrative expenses will consist primarily of attorneys'
12 fees for ASHR and various special counsels. ASHR received cashier's checks in the total amount
13 of \$32,821.50 from Pang for both cases to be jointly administered. ASHR applied \$3,434.00 for
14 both of the filing fees and offset \$19,387.50 for pre-petition fees that were owed before the filing of
15 the Debtors' proceedings. The Debtors have also retained various special counsels and accountants.
16 Counsel and accountants have received ongoing payments throughout the case. Counsel and
17 accountants estimate the remaining fees will be in the range of \$85,000.00, depending on creditor
18 activity in this case, and believe that to the extent it is not paid in full out of payments by the
19 Debtors, they will be paid out of ATCS' and Pang's post-petition earnings, and as to ATCS by the
20 equity infusion from the new ownership. There may be additional administrative expenses for
21 related costs such as experts and appraisal fees.

22 F. Priority Claims

23 Pang listed the Arizona Department of Revenue and the Internal Revenue Service as "Notice
24 Only" in his Schedule E/F. Pang believes that no tax obligations are owed.

1 G. Secured Claims

2 Toyota Financial Services filed a secured Proof of Claim in the amount of \$21,926.43
3 related to its lien on Pang's 2014 Toyota Prius.

4 US Bank Home Mortgage filed a secured Proof of Claim in the amount of \$298,232.99
5 related to its first position lien on Pang's Residence.

6 US Bank N.A. filed a secured Proof of Claim in the amount of \$281,487.95 related to its
7 second position lien on Pang's Residence.

8 Pang listed Maricopa County Treasurer as "Notice Only" in his Schedule D.

9 H. Domestic Support Obligations

10 Pang is required to pay spousal support. Kimberly Ann DiRoberts filed an Unsecured
11 Priority Proof of Claim in the amount of \$6,000.00 for unpaid spousal support owed as of the
12 Petition Date. This obligation has been paid in the ordinary course and Pang is current on his
13 spousal support obligations. Post-petition, Pang has been making partial payments to DiRoberts
14 and is awaiting a ruling from the state court on a Verified Petition to Modify Spousal Maintenance
15 to determine the amount Pang will actually owe DiRoberts on an ongoing basis. Because this
16 litigation is ongoing, parties in interest should refer to the docket in that proceeding.

17 I. Unsecured Claims

18 Pang anticipates the total amount of Allowed Unsecured Claims in this Class will be
19 approximately \$522,947.25 owed for business-related debt, lines of credit, personal guarantees and
20 credit card purchases. These claims will be paid a pro-rata distribution of Pang's Excess Cash Flow
21 up to the value of Pang's Liquidation Equity after all senior Allowed Claims have been paid.

22 J. Claims Register

23 Attached hereto as Exhibit "C" is a chart reflecting the status of claims as Pang is presently
24 aware.

1 **VII. CLASSIFICATION, IMPAIRMENT AND TREATMENT OF CLAIMS AND**
2 **INTERESTS**

3 THE FOLLOWING STATEMENTS CONCERNING THE PLAN ARE MERELY A
4 SUMMARY OF THE PLAN AND ARE NOT COMPLETE. THE STATEMENTS ARE
5 QUALIFIED ENTIRELY BY EXPRESS REFERENCE TO THE PLAN. CREDITORS ARE
6 URGED TO CONSULT WITH COUNSEL OR EACH OTHER IN ORDER TO UNDERSTAND
7 THE PLAN FULLY. THE PLAN IS COMPLETE, INASMUCH AS IT PROPOSES A LEGALLY
8 BINDING AGREEMENT BY THE DEBTOR. AN INTELLIGENT JUDGMENT CANNOT BE
9 MADE WITHOUT READING IT IN FULL.

8 **VIII. CLASSIFICATION OF CLAIMS AND INTERESTS**

9 **A. Class 1-ATCS**

10 Class 1-A consists of Allowed Priority Claims under 11 U.S.C. §507(a)(2) (Administrative
11 Claims related to ATCS).

12 Class 1-B consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8) (Tax Claims
13 related to ATCS).

14 Class 1-C consists of the Allowed Priority Claims under 11 U.S.C. §507(a)(4) (Wage
15 Claims related to ATCS).

16 Class 1-D consists of the Allowed Secured Claim of the Maricopa County Treasurer relating
17 to personal property taxes related to ATCS.

18 Class 1-E consists of the Allowed Secured Claim of First Fidelity Bank N.A. (“First
19 Fidelity”) related to its lien on cash, inventory, and accounts receivables of ATCS.

20 Class 1-F consists of the Allowed Secured Claim of Bank of Putnam County/Bankers
21 Healthcare Group, Inc. (“Putnam/BHG”) related to its potential lien on various assets of ATCS.

22 Class 1-G consists of the Allowed Secured Claim of Byline Financial Group formerly
23 known as Baytree Finance Group (“BFG”) related to its lien on an x-ray machine.

24 Class 1-H consists of the Allowed Secured Claim of AngioDynamics Finance
25 (“AngioDynamics”) related to its lien on ATCS’ 4 Angio lasers.

26 Class 1-I consists of the Allowed Secured Claim of One Place Capital, a division of Bank
27
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1 Midwest (“Midwest”) related to its lien on ATCS’ Thermi Smooth.

2 Class 1-J consists of the Allowed Secured Claim of Bank of America, N.A. (“B of A”)
3 related to its lien on ATCS’ Icon Control Module, Max G HP Icons, 1540 HP Icon, Skintel Melanin
4 Reader and Acleara Systems.

5 Class 1-K consists of the Allowed Secured Claim of Everbank Commercial Finance, Inc.
6 (“Everbank”) related to its lien on ATCS’ 6 Zonare Ultrasound units and related accessories.
7

8 Class 1-L consists of the Allowed Secured Claim of First Federal Leasing (“First Federal”)
9 related to its lien on ATCS’ Vaser Lipo System.

10 Class 1-M consists of the Allowed Secured Claim of Heartland Business Credit
11 (“Heartland”) related to its lien on ATCS’ Harmony XL.

12 Class 1-N consists of the Allowed Secured Claim of One Place Capital, a division of Bank
13 Midwest (“One Place”) related to its lien on ATCS’ Thermi RF.

14 Class 1-O consists of the Allowed Secured Claim of Univest Capital, Inc. (“Univest”)
15 related to its lien on ATCS’ D-Actor 100 Ultra and accessories (Shockwave).
16

17 Class 1-P consists of the Allowed Secured Claim of Financial Pacific Leasing, Inc./ Oak
18 Capital Group, Inc./ Telco Communication Systems Ltd. (“Telco”) related to its lien on ATCS’ 2-
19 ESI Communications Server Base Units; 21-ESI 55D Telephones; 12-ESI UIP Licenses; 2-ESI 482
20 Combo Cards (collectively, the “ Pima Telephone System”).
21

22 Class 1-Q consists of the Allowed Unsecured Claim of United States ex rel. Brenda Johns
23 (“Johns”) related to Adversary Proceeding 2:17-ap-00104-BKM as to ATCS.

24 Class 1-R consists of the Allowed Unsecured Claims of Administrative Convenience
25 Unsecured Claims of Creditors of ATCS in the amount of \$1,000.00 or less, or that wish to elect to
26 reduce their claim to \$1,000.00, and receive a payment of a total of 25% of their Allowed
27 Unsecured Claim in order to be paid ahead of general unsecured creditors not making the election.
28

Class 1-S consists of the Allowed Unsecured Claims of Creditors of ATCS.

1 Class 1-T consists of the Allowed Interest of ATCS.

2 **B. Class 2-Pang**

3 Class 2-A consists of Allowed Priority Claims under §507(a)(1) (Domestic Support
4 Obligations related to Pang).

5 Class 2-B consists of Allowed Priority Claims under 11 U.S.C. §507(a)(2) (Administrative
6 Claims related to Pang).

7 Class 2-C consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8) (Tax Claims
8 related to Pang).

9 Class 2-D consists of the Allowed Secured Claim of Maricopa County related to real
10 property taxes for Pang's Residence.

11 Class 2-E consists of the Allowed Secured Claim of US Bank Home Mortgage ("US Bank")
12 related to its first position lien on Pang's Residence.

13 Class 2-F consists of the Allowed Secured Claim of US Bank related to its second position
14 lien on Pang's Residence.

15 Class 2-G consists of the Allowed Secured Claim of Windrose Estates Homeowners
16 Association ("Windrose") related to homeowners' association dues and assessments on Pang's
17 Residence.

18 Class 2-H consists of the Allowed Secured Claim of Toyota Financial Services ("Toyota")
19 related to Pang's 2014 Toyota Prius.

20 Class 2-I consists of the Allowed Unsecured Claim of Brenda Johns ("Johns") related to
21 Adversary Proceeding 2:17-ap-00105-BKM as to Pang.

22 Class 2-J consists of the Allowed Unsecured Claim of Sabrina Larson ("Larson") related to
23 Adversary Proceeding 2:17-ap-00106-BKM as to Pang.

24 Class 2-K consists of the Allowed Unsecured Claim of Elena Prohntichi ("Prohntichi")
25 related to Adversary Proceeding 2:17-ap-00108-BKM as to Pang.

1 Class 2-L consists of the Allowed Unsecured Claims of Administrative Convenience
2 Unsecured Claims of Creditors of ATCS in the amount of \$500.00 or less, or that wish to elect to
3 reduce their claim to \$500.00, and receive a payment of a total of 25% of their Allowed Unsecured
4 Claim in order to be paid ahead of general unsecured creditors not making the election.

5 Class 2-M consists of the Allowed Unsecured Claims of Creditors of Pang.

6 Class 2-N consists of the Allowed Interest of Pang.

7
8 **IX. IMPAIRMENT OF CLASSES**

9 Classes 1-A, 1-B, 1-C, 2-A, 2-B and 2-C are unimpaired under the Plan. All other classes
10 are impaired, as that term is defined in 11 U.S.C. §1124.

11 **X. TREATMENT OF CLASSES**

12 **A. Class 1-ATCS**

13 **1. Class 1-A: Administrative Claims Related to ATCS**

14 Class 1-A consists of Allowed Priority Claims under 11 U.S.C. §507(a)(2)
15 (Administrative Claims) related to ATCS. Unless they agree to an alternative form of treatment, the
16 Allowed Claims of Class 1-A shall be paid in full, in cash, by the earlier of the Effective Date or the
17 date that such are allowed and ordered paid by the Court. Any Class 1-A Claim not allowed as of
18 the Effective Date shall be paid as soon thereafter as they are allowed by the Court according to the
19 terms of this Class. The Allowed Administrative Claim of counsel for ATCS that has not been paid
20 as of the Effective Date, shall be paid in monthly payments of principal and interest by ATCS,
21 before any distributions to any other unsecured classes, with interest at 8%, until paid in full.

22 **2. Class 1-B: Tax Claims Related to ATCS**

23 Class 1-C consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8)-tax claims
24 of ATCS. ATCS believes that no Claims exist in this Class. As provided in 11 U.S.C.
25 §1129(a)(9)(C), unless they agree to an alternative form of treatment, the Allowed Priority Claims
26 of Class 1-B shall be paid in full, in cash, in regular installment payments of a total value, as of the
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1 Effective Date of the Plan, equal to the Allowed Priority Claim, over a period ending five (5) years
2 after the Petition Date, and in a manner that is not less favorable than the most favored non-priority
3 unsecured claim provided for by the Plan (other than cash payments made to a class of creditors
4 under §1122(b)). Any Allowed Priority Claims will receive interest at the Tax Claim Rate. Any
5 Class 1-B Claim not allowed as of the Effective Date shall be paid as soon thereafter as they are
6 allowed by the Court according to the terms of this Class.
7

8 **3. Class 1-C: Wage Claims Related to ATCS**

9 Class 1-C consists of Allowed Priority Claims under 11 U.S.C. §507(a)(4) relating to
10 wages, salaries and commissions, including vacation, severance and sick leave pay owing to
11 employees up to \$10,000.00 per person earned within 180 days immediately preceding the filing of
12 the original petition, or the cessation of business, whichever occurred first. ATCS believes these
13 Claims have been paid in the ordinary course of business of ATCS and no further Claims exist in
14 this Class. In the event any remaining Allowed Priority Claims remain in this Class, these Allowed
15 Priority Claims shall be paid in quarterly payments, with interest at the Tax Claim Rate, paid over
16 one year from the Effective Date of the Plan.
17

18 **4. Class 1-D: Allowed Secured Claim of Maricopa County Treasurer**

19 Class 1-D consists of the Allowed Secured Claim held by the Maricopa County
20 Treasurer related to real or personal property taxes for ATCS. Maricopa County Treasurer has not
21 filed a proof of claim, and ATCS believes that no taxes are owed in this Class. ATCS does not own
22 any real property. To the extent any Allowed Secured Claim exists in this Class, Maricopa County
23 shall file a proof of claim no later than the Effective Date of the Plan so that ATCS can determine if
24 it will file an objection to that proof of claim, or no Claims will exist in this Class and Maricopa
25 County shall have no further Claim against ATCS. ATCS shall pay any Allowed Secured Claim in
26 this Class as follows: (a) All pre-petition taxes that became due prior to the Effective Date which
27 were not paid as of the Effective Date, shall be paid in equal monthly installments over a period of
28

1 twelve (12) months from the Effective Date, and shall bear interest at the state law rate from the
2 date the taxes came due, (b) all post-petition taxes due prior to the Effective Date shall be paid in
3 the ordinary course of business and shall be paid in full by the Effective Date, (c) the Reorganized
4 Debtor shall pay any taxes which accrue and become due after the Effective Date as said amounts
5 become due and payable pursuant to state law, (d) the Reorganized Debtor may prepay any of these
6 Allowed Secured Claims at any time without penalty; and (e) Maricopa County shall retain its
7 lien(s) until its claims are paid in full.

9 **5. Class 1-E: Allowed Secured Claim of First Fidelity**

10 Class 1-E consists of the Allowed Secured Claim held by First Fidelity Bank, N.A.
11 (“First Fidelity”) related to its lien against ATCS’ cash, inventory, and accounts receivable. First
12 Fidelity filed a secured proof of claim in the amount of \$150,377.07. The parties shall agree or the
13 Court shall determine the amount of First Fidelity’s Allowed Secured Claim. ATCS asserts that
14 First Fidelity’s Allowed Secured Claim as of the Petition Date was \$150,377.07 and shall treat this
15 amount as First Fidelity’s Allowed Secured Claim subject to recalculation upon further order of the
16 Court. ATCS has been paying First Fidelity adequate protection payments since the Petition Date
17 (since November 2016 in the monthly payment amount of \$4,000.00 per month). These payments
18 shall apply to the Allowed Secured Claim as set forth herein. The Allowed Secured Claim shall be
19 fully amortized and paid with interest at 4.5%, with the amortization beginning as of November
20 2016, which is the date of ATCS’ first \$4,000.00 monthly payment to First Fidelity after the
21 Petition Date. Adequate protection payments made prior to November 2016 shall apply to interest
22 only. ATCS shall continue to pay First Fidelity’s Allowed Secured Claim going forward in
23 monthly payments of \$4,000.00 per month (the “Payment”) due by the 15th day of each month. The
24 Payment shall continue monthly hereafter until the Allowed Secured Claim and interest thereon is
25 paid in full. ATCS estimates that the final payment will be paid on November 15, 2020.
26 Payments shall be made by ATCS to First Fidelity and sent via mail to First Fidelity Bank, N.A.,
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1 Attn: Bill Robson, 6332 N. 32nd St., Phoenix, AZ 85018, or by such other means or address
2 subsequently designated by First Fidelity in writing. ATCS may prepay the Allowed Secured Claim
3 without penalty at any time. First Fidelity shall release its lien on any collateral once its Allowed
4 Secured Claim has been paid. ATCS shall be deemed current on its obligations to First Fidelity
5 upon the Confirmation Order and First Fidelity shall reflect this status in all credit reporting. First
6 Fidelity shall send ATCS monthly statements. If ATCS fails to tender the payments as required
7 hereunder or if a tendered payment is not honored by First Fidelity, then First Fidelity shall provide
8 written notice to ATCS at PO Box 14390, Scottsdale, AZ 85267-4390, and if the default occurs
9 while the above-captioned bankruptcy proceeding remains active, to ATCS' counsel at 2390 East
10 Camelback Road, Ste. 400, Phoenix, Arizona, 85016, indicating the nature of the default. If ATCS
11 fails to cure the default with certified funds after the passage of 10 calendar days from the date said
12 written notice is received by ATCS and its counsel if applicable, First Fidelity may file a declaration
13 of such uncured event of default with the Court. ATCS may use, sell or refinance the collateral at
14 any time without penalty in the ordinary course of its business. ATCS shall be deemed current on its
15 obligations to First Fidelity upon the entry of the Confirmation Order. Once the Allowed Secured
16 Claim is paid in full as reflected herein, First Fidelity shall release any and all rights or interests it
17 may have in the collateral. The terms herein resolve any claim First Fidelity may have against any
18 guarantor. First Fidelity shall provide ATCS with monthly statements beginning with the month
19 after the date of the first \$4,000.00 payment. To the extent either party must seek relief from the
20 Court to compel compliance with the terms herein, the prevailing party shall be entitled to recover
21 its attorneys' fees.

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25 **6. Class 1-F: Allowed Secured Claim of Putnam/BHG**

26 Class 1-F consists of the Allowed Secured Claim held by Bank of Putnam
27 County/Bankers Healthcare Group, Inc. ("Putnam/BHG"). This obligation was, in effect, a secured
28 credit card/line of credit with a purchase money secured interest in any collateral purchased with the

1 card/line of credit. Putnam/BHG did not file a proof of claim and ATCS reflected its claim at
2 \$155,988.38 in its bankruptcy schedules, but as a contingent and disputed amount because ATCS
3 had not received any detailed accounting of the claim from Putnam/BHG prior to the bankruptcy
4 filing. ATCS believes that all purchases through this credit were expensed items, such that no
5 collateral exists for this Claim beyond any secured interest that is held by First Fidelity.
6 Putnam/BHG shall release its lien on any collateral and any Claim it asserts shall be treated fully in
7 Class 1-S.
8

9 **7. Class 1-G: Allowed Secured Claim of BFG**

10 Class 1-G consists of the Allowed Secured Claim held by Byline Financial Group,
11 formerly known as Baytree Finance Group (“BFG”), related to its lien against an x-ray machine
12 used by Dr. Copoloff in his practice. Dr. Copoloff is no longer with ATCS, ATCS has no use for
13 the x-ray machine and has contacted BFG to recover it. To date, BFG has done nothing to recover
14 the x-ray machine. The x-ray machine is quite large and taking up considerable space in ATCS’
15 Peoria facility. BFG shall have until the Effective Date of the Plan to make arrangements to recover
16 the x-ray machine. If BFG fails to recover the x-ray machine by the Effective Date of the Plan,
17 BFG shall be deemed to have abandoned the x-ray machine and ATCS shall thereafter be free to
18 dispose of the x-ray machine as it sees fit with no liability whatsoever to BFG. BFG has not filed a
19 proof of claim in any amount. ATCS reflected BFG’s Claim at \$37,462.50 in its bankruptcy
20 schedules, but reflected the debt as disputed because Dr. Copoloff should be the obligor on this
21 debt, not ATCS. Any Claim that BFG may assert prior to Confirmation, which ultimately may
22 become an Allowed Secured Claim, shall be treated as an Allowed Unsecured Claim in accordance
23 with Class 1-S. If BFG fails to assert any Claim by Confirmation, BFG shall be forever barred from
24 asserting a Claim against ATCS or any guarantor, with the exception of Dr. Copoloff.
25
26

27 **8. Class 1-H: Allowed Secured Claim of AngioDynamics**

28 This Class consists of the Allowed Secured Claim held by Hitachi Capital America

1 Corp. d/b/a AngioDynamics Finance (“AngioDynamics”) which is secured by a lien on ATCS’ 4
2 Angio lasers. AngioDynamics filed a secured proof of claim in the amount of \$70,309.20. ATCS
3 asserts that the value of the 4 Angio lasers is \$4,000.00 (\$1,000.00 each) and thus AngioDynamics’
4 Allowed Secured Claim is \$4,000.00. AngioDynamics shall retain its first position lien on the 4
5 Angio lasers until its Allowed Secured Claim is paid as set forth herein. AngioDynamics’s Allowed
6 Secured Claim shall be reamortized as of the Effective Date and paid in monthly payments
7 amortized over 2 years from the Effective Date with interest at 4.5%, for a monthly payment
8 amount of \$174.59, with the first payment being due on the Effective Date of the Plan and paid
9 monthly thereafter until its Allowed Secured Claim has been paid. ATCS estimates that the final
10 payment will be two years from the Effective Date. ATCS may prepay this obligation without
11 penalty at any time. AngioDynamics shall release its lien on the 4 Angio lasers once its Allowed
12 Secured Claim has been paid or refinanced. ATCS may sell or refinance the 4 Angio lasers at any
13 time without penalty in the ordinary course of its business and AngioDynamics shall release its lien
14 on the collateral being sold, so long as the net sale proceeds are used to pay down AngioDynamics’s
15 Allowed Secured Claim. The balance of AngioDynamics’s Claim of \$66,309.20 shall be allowed in
16 full and treated as a general unsecured claim in Class 1-S (“Allowed Unsecured Claim”). ATCS
17 shall be deemed current on its obligations to AngioDynamics upon the entry of the Confirmation
18 Order. Once the Allowed Secured Claim is paid in full, as reflected herein, AngioDynamics shall
19 release any and all rights or interests it may have in the collateral. If ATCS fails to tender the
20 payments as required herein, or if a tendered payment is not honored by AngioDynamics, then
21 AngioDynamics shall provide written notice to ATCS at PO Box 14390, Scottsdale, AZ 85267-
22 4390 and if the default occurs while the above-captioned bankruptcy proceeding remains active, to
23 ATCS’ counsel at 2390 East Camelback Road, Ste. 400, Phoenix, Arizona, 85016, indicating the
24 nature of the default. If ATCS fails to cure the default with certified funds after the passage of 10
25 calendar days from the date said written notice is received by ATCS and its counsel if applicable,
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1 AngioDynamics may file a declaration of such uncured event of default with the Court. The terms
2 herein shall control and resolve any claim AngioDynamics may have against any guarantor.
3 AngioDynamics shall provide ATCS with monthly statements beginning with the month after the
4 date of the first \$174.59 payment. To the extent either party must seek relief from the Court to
5 compel compliance with the terms herein, the prevailing party shall be entitled to recover its
6 attorneys' fees.
7

8 **9. Class 1-I: Allowed Secured Claim of Midwest**

9 This Class consists of the Allowed Secured Claim held by One Place Capital, a
10 division of Bank Midwest ("Midwest"), which is secured by a lien on ATCS' Thermi Smooth 250
11 ("Thermi Smooth"). Midwest filed a secured proof of claim in the amount of \$47,653.00. ATCS
12 asserts that the value of the Thermi Smooth and, therefore, Midwest's Allowed Secured Claim is
13 \$25,000.00 as of the Petition Date. Midwest shall retain its first position lien on the Thermi Smooth
14 until its Allowed Secured Claim is paid as set forth herein. Midwest's Allowed Secured Claim shall
15 be reamortized as of the Petition Date and paid in monthly payments of \$1,247.65 from and after
16 the Petition Date with interest at 4.5%, until its Allowed Secured Claim has been paid. ATCS
17 estimates that the final payment will be on March 12, 2019. ATCS may prepay this obligation
18 without penalty at any time. Midwest shall release its lien on the Thermi Smooth once its Allowed
19 Secured Claim has been paid or refinanced. ATCS may sell or refinance the Thermi Smooth at any
20 time without penalty in the ordinary course of its business and Midwest shall release its lien on the
21 collateral being sold, so long as the net sale proceeds are used to pay down Midwest's Allowed
22 Secured Claim. The balance of Midwest's Claim of \$22,653.00 shall be allowed in full and treated
23 as a general unsecured claim in Class 1-S ("Allowed Unsecured Claim"). ATCS shall be deemed
24 current on its obligations to Midwest upon the entry of the Confirmation Order. Once the Allowed
25 Secured Claim is paid in full as reflected herein, Midwest shall release any and all rights or interests
26 it may have in the collateral. If ATCS fails to tender the payments as required herein, or if a
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1 tendered payment is not honored by Midwest, then Midwest shall provide written notice to ATCS at
2 PO Box 14390, Scottsdale, AZ 85267-4390, and if the default occurs while the above-captioned
3 bankruptcy proceeding remains active, to ATCS' counsel at 2390 East Camelback Road, Ste. 400,
4 Phoenix, Arizona, 85016, indicating the nature of the default. If ATCS fails to cure the default with
5 certified funds after the passage of 10 calendar days from the date said written notice is received by
6 ATCS and its counsel if applicable, Midwest may file a declaration of such uncured event of default
7 with the Court. The terms herein shall control and resolve any claim Midwest may have against any
8 guarantor. Midwest shall provide ATCS with monthly statements beginning with the month after
9 the date of the first \$1,247.65 payment. To the extent either party must seek relief from the Court to
10 compel compliance with the terms herein, the prevailing party shall be entitled to recover its
11 attorneys' fees.
12

13
14 **10. Class 1-J: Allowed Secured Claim of B of A**

15 This Class consists of the Allowed Secured Claim held by B of A which is secured
16 by a lien on ATCS' Icon Control Module, Max G HP Icons, 1540 HP Icon, Skintel Melanin Reader
17 and Acleara Systems (collectively, the "Equipment") pursuant to its UCC filing. B of A filed a
18 secured proof of claim in the amount of \$15,573.13. B of A also asserts attorneys' fees in excess of
19 \$5,000.00. The Debtors and B of A reached a Stipulation as to the treatment of B of A on this
20 Allowed Secured Claim. In the event of any inconsistency between the Plan and the Stipulation, the
21 terms of the Stipulation control. The Parties agree that \$20,000.00 is the value of the Equipment
22 and also shall be the value of B of A's secured claim as of the Petition Date as to the Equipment
23 (the "Allowed Secured Claim") for purposes of the Stipulation and the Debtors' Joint Plan of
24 Reorganization. ATCS shall pay the Allowed Secured Claim over 1 year, with 3.85% interest, in 12
25 monthly payments of \$1,701.63. Payments shall commence May 1, 2017, and shall continue on the
26 first date of each month thereafter until paid in full. ATCS estimates that the final payment will be
27 on June 12, 2018. The May 1, 2017 payment shall be made by ATCS to B of A and sent via mail to
28

1 B of A, c/o Eric R. von Helms, Kohner, Mann & Kailas, S.C., 4650 North Port Washington Road,
2 Milwaukee, Wisconsin 53212. Each subsequent monthly payment shall be sent via mail to B of A
3 at 2059 Northlake Parkway, 3N, Tucker, Georgia 30084, or by such other means or address
4 subsequently designated by B of A in writing. ATCS may prepay the Allowed Secured Claim
5 without penalty at any time. B of A shall release its lien on the Equipment once its Allowed
6 Secured Claim has been paid. ATCS shall be deemed current on its obligations to B of A upon the
7 entry of the Order granting the Stipulation. Once the Allowed Secured Claim is paid in full
8 pursuant to the terms of the Stipulation, B of A shall release any and all rights or interests it may
9 have in the Equipment. If ATCS fails to tender the payments as required under the Stipulation, or if
10 a tendered payment is not honored by B of A, then B of A shall provide written notice to ATCS at
11 PO Box 14390, Scottsdale, AZ 85267-4390, and if the default occurs while the above-captioned
12 bankruptcy proceeding remains active, to ATCS' counsel at 2390 East Camelback Road, Ste. 400,
13 Phoenix, Arizona, 85016, indicating the nature of the default. If ATCS fails to cure the default with
14 certified funds after the passage of 10 calendar days from the date said written notice is received by
15 ATCS and its counsel if applicable, B of A may file a declaration of such uncured event of default
16 with the Court and pursue its rights as it deems appropriate thereafter. The terms of the Stipulation
17 shall control and resolve any claim B of A may have against any guarantor. The Parties shall bear
18 their own attorneys' fees and costs in entering into the Stipulation beyond those attorneys' fees that
19 are allowed as part of B of A's Allowed Secured Claim. To the extent either party must seek relief
20 from the Court to compel compliance with the terms of the Stipulation, the prevailing party shall be
21 entitled to recover its attorneys' fees.
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25 **11. Class 1-K: Allowed Secured Claim of Everbank**

26 This Class consists of the Allowed Secured Claim held by Everbank Commercial
27 Finance, Inc. ("Everbank") which is secured by a lien on ATCS' 6 Zonare Ultrasound units and
28 related accessories. Everbank filed a secured proof of claim in the amount of \$164,979.92. ATCS

1 believes that the value of the 6 Zonare Ultrasound units and related accessories is \$60,000.00 total
2 (\$10,000.00 each). ATCS was paying Everbank monthly payments after the Petition Date of
3 \$3,586.52 for two months, for a total of \$7,173.04. But with the decision to shut down the
4 Scottsdale Road facility, ATCS ceased making those payments. Thus, Everbank's Allowed Secured
5 Claim shall be \$52,826.96 (\$60,000.00 minus \$7,173.04). Everbank shall retain its first position
6 lien on the 6 Zonare Ultrasound units and related accessories and will be paid its Allowed Secured
7 Claim of \$52,826.96 in monthly payments of \$1,000.00 per month, with interest at the rate of 4.5%,
8 from and after the Effective Date, with the first payment being due on the Effective Date and paid
9 monthly thereafter. ATCS estimates that the final payment will be paid May 12, 2022. ATCS may
10 prepay this obligation without penalty at any time. Everbank shall release its lien on the 6 Zonare
11 Ultrasound units and related accessories once its Allowed Secured Claim has been paid. ATCS
12 may sell or refinance the 6 Zonare Ultrasound units and related accessories (or any portion thereof)
13 at any time without penalty in the ordinary course of its business, and Everbank shall release its lien
14 on the collateral being sold, so long as the net sale proceeds are used to pay down Everbank's
15 Allowed Secured Claim. The balance of Everbank's Claim of \$104,979.92 shall be allowed in full
16 and treated as a general unsecured claim in Class 1-S ("Allowed Unsecured Claim"). ATCS shall
17 be deemed current on its obligations to Everbank upon the entry of the Confirmation Order. Once
18 the Allowed Secured Claim is paid in full as reflected herein, Everbank shall release any and all
19 rights or interests it may have in the collateral. If ATCS fails to tender the payments as required
20 herein, or if a tendered payment is not honored by Everbank, then Everbank shall provide written
21 notice to ATCS at PO Box 14390, Scottsdale, AZ 85267-4390, and if the default occurs while the
22 above-captioned bankruptcy proceeding remains active, to ATCS' counsel at 2390 East Camelback
23 Road, Ste. 400, Phoenix, Arizona, 85016, indicating the nature of the default. If ATCS fails to cure
24 the default with certified funds after the passage of 10 calendar days from the date said written
25 notice is received by ATCS and its counsel if applicable, Everbank may file a declaration of such

1 uncured event of default with the Court. The terms herein shall control and resolve any claim
2 Everbank may have against any guarantor. Everbank shall provide ATCS with monthly statements
3 beginning with the month after the date of the first \$1,000.00 payment. To the extent either party
4 must seek relief from the Court to compel compliance with the terms herein, the prevailing party
5 shall be entitled to recover its attorneys' fees.
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7 **12. Class 1-L: Allowed Secured Claim of First Federal**

8 This Class consists of the Allowed Secured Claim held by First Federal which is
9 secured by a lien on ATCS' VASER lipo system and related accessories (the "Equipment")
10 pursuant to its UCC filing. First Federal filed a secured proof of claim in the amount of \$48,948.28.
11 The Debtors and First Federal reached a Stipulation as to the treatment of First Federal on this
12 Allowed Secured Claim. In the event of any inconsistency between the Plan and the Stipulation, the
13 terms of the Stipulation control. ATCS was paying First Federal monthly payments after the
14 Petition Date of \$2,126.88 per month (a total of two payments for a total of \$4,253.76). But with
15 the decision to shut down the Scottsdale Road facility, ATCS ceased making those payments. The
16 Parties agree that \$32,000.00 is the value of the Equipment and also shall be the value of First
17 Federal's secured claim as of the Petition Date as to the Equipment (the "Allowed Secured Claim")
18 for purposes of the Stipulation and the Debtors' Joint Plan of Reorganization. The Allowed
19 Secured Claim shall be established as of the Petition Date. The post-petition payments already by
20 ATCS (\$4,253.76) shall be credited against the Allowed Secured Claim. Further, ATCS will pay
21 monthly payments going forward of \$1,000.00 per month, commencing May 1, 2017, for the first
22 year, and then \$2,000.00 per month for the second year until the Allowed Secured Claim is paid off,
23 without interest. All of these payments shall apply to the Allowed Secured Claim for all payments
24 from and after the Petition Date until the Allowed Secured Claim is paid in full. Payments shall be
25 made by ATCS to First Federal and sent via mail to First Bank Richmond, NA d/b/a first Federal
26 Leasing, PO Box 1145, Richmond, IN 47375-1145, or by such other means or address subsequently
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1 designated by First Federal in writing. ATCS may prepay the Allowed Secured Claim without
2 penalty at any time. First Federal shall release its lien on the Equipment once its Allowed Secured
3 Claim has been paid. The balance of First Federal's claim of \$12,694.48 shall be allowed in full
4 and treated as a general unsecured claim in Class 1-S, and any subsequent amendments,
5 supplements and/or modifications thereto ("Allowed Unsecured Claim"). First Federal's Allowed
6 Unsecured Claim shall be paid pro-rata with any other unsecured creditors. ATCS shall be deemed
7 current on its obligations to First Federal upon the entry of an Order granting the Stipulation. Once
8 the Allowed Secured Claim is paid in full pursuant to the terms of the Stipulation, First Federal
9 shall release any and all rights or interests it may have in the Equipment. If ATCS fails to tender
10 the payments as required under the Stipulation, or if a tendered payment is not honored by First
11 Federal, then First Federal shall provide written notice to ATCS at PO Box 14390, Scottsdale, AZ
12 85267-4390, and if the default occurs while the above-captioned bankruptcy proceeding remains
13 active, to ATCS' counsel at 2390 East Camelback Road, Ste. 400, Phoenix, AZ 85016, indicating
14 the nature of the default. If ATCS fails to cure the default with certified funds after the passage of
15 10 calendar days from the date said written notice is received by ATCS and its counsel if
16 applicable, First Federal may file a declaration of such uncured event of default with the Court. The
17 terms of the Stipulation shall control and resolve any claim First Federal may have against any
18 guarantor. First Federal shall provide ATCS with written confirmation that it has updated its billing
19 system in accordance with the terms of the Stipulation within one month after the date of the first
20 \$1,000.00 Payment. First Federal will not be able to provide monthly statements going forward,
21 and ATCS shall just pay First Federal monthly in accordance with the terms of the Stipulation. The
22 Parties shall bear their own attorneys' fees and costs in entering into the Stipulation. To the extent
23 either party must seek relief from the Court to compel compliance with the terms of the Stipulation,
24 the prevailing party shall be entitled to recover its attorneys' fees.
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1 **13. Class 1-M: Allowed Secured Claim of Heartland**

2 This Class consists of the Allowed Secured Claim held by Heartland which is
3 secured by a lien on ATCS' Harmony XL and related accessories (the "Equipment") pursuant to its
4 UCC filing. Heartland filed a secured proof of claim in the amount of \$204,024.80. The Debtors
5 and Heartland reached a Stipulation as to the treatment of Heartland on this Allowed Secured
6 Claim. In the event of any inconsistency between the Plan and the Stipulation, the terms of the
7 Stipulation control. ATCS was paying Heartland monthly payments after the Petition Date of
8 \$3,643.30 per month (a total of three payments for a total of \$7,286.60). But with the decision to
9 shut down the Scottsdale Road facility, ATCS ceased making those payments. Because of the
10 shutdown of the Scottsdale Road location, ATCS only has space for one of the two platforms
11 presently in its possession. ATCS will retain one of the two platforms, will allow Heartland to pick
12 up the other platform immediately upon execution of the Stipulation from the Pima Road location,
13 and ATCS will retain all of the hand pieces. The Parties agree that \$34,000.00 is the value of the
14 Equipment being retained by ATCS and also shall be the value of Heartland's secured claim as of
15 the Petition Date as to the Equipment (the "Allowed Secured Claim") for purposes of the
16 Stipulation and the Debtors' Joint Plan of Reorganization. The returned platform will be sold by
17 Heartland and the sale proceeds will be used to pay down on Heartland's claim prior to the
18 calculation of the Allowed Secured Claim provided for herein. The Allowed Secured Claim shall
19 be established as of the Petition Date. The post-petition payments already by ATCS (\$7,286.60)
20 shall be credited against the Allowed Secured Claim. Further, ATCS will pay monthly payments
21 going forward of \$1,000.00 per month for the first year and then \$2,000.00 per month for the
22 second year until the Allowed Secured Claim is paid off, without interest. All of these payments
23 shall apply to the Allowed Secured Claim for all payments from and after the Petition Date until the
24 Allowed Secured Claim is paid in full. Payments shall be made by ATCS to Heartland and sent via
25 mail to Heartland Business Credit, 390 Union Blvd., Suite 600, Lakewood, CO 80228, or by such
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1 other means or address subsequently designated by Heartland in writing. ATCS may prepay the
2 Allowed Secured Claim without penalty at any time. Heartland shall release its lien on the
3 Equipment once its Allowed Secured Claim has been paid. The balance of Heartland's claim of
4 \$170,024.80 (minus however much Heartland obtains for the platform it is receiving) shall be
5 allowed in full and treated as a general unsecured claim in the Debtors' Joint Plan of
6 Reorganization, and any subsequent amendments, supplements and/or modifications thereto
7 ("Allowed Unsecured Claim"). Heartland's Allowed Unsecured Claim shall be paid pro-rata with
8 any other unsecured creditors, and the parties acknowledge that the payments to unsecured creditors
9 will likely be nominal at best. ATCS shall be deemed current on its obligations to Heartland upon
10 the entry of an Order granting the Stipulation. Once the Allowed Secured Claim is paid in full
11 pursuant to the terms of the Stipulation, Heartland shall release any and all rights or interests it may
12 have in the Equipment. If ATCS fails to tender the payments as required under the Stipulation, or if
13 a tendered payment is not honored by Heartland, then Heartland shall provide written notice to
14 ATCS at PO Box 14390, Scottsdale, AZ 85267-4390, and if the default occurs while the above-
15 captioned bankruptcy proceeding remains active, to ATCS' counsel at 2390 East Camelback Road,
16 Ste. 400, Phoenix, Arizona, 85016, indicating the nature of the default. If ATCS fails to cure the
17 default with certified funds after the passage of 10 calendar days from the date said written notice is
18 received by ATCS and its counsel if applicable, Heartland may file a declaration of such uncured
19 event of default with the Court. The terms of the Stipulation shall control and resolve any claim
20 Heartland may have against any guarantor. Heartland shall provide ATCS with monthly statements
21 beginning with the month after the date of the first \$1,000 payment. The Parties shall bear their
22 own attorneys' fees and costs in entering into the Stipulation. To the extent either party must seek
23 relief from the Court to compel compliance with the terms of the Stipulation, the prevailing party
24 shall be entitled to recover its attorneys' fees.
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1 **14. Class 1-N: Allowed Secured Claim of One Place**

2 This Class consists of the Allowed Secured Claim held by One Place Capital, a
3 division of Bank Midwest (“One Place”), which is secured by a lien on ATCS’ Thermi RF. One
4 Place filed a secured proof of claim in the amount of \$30,740.00. ATCS asserts that the value of
5 the Thermi RF, and therefore One Place’s Allowed Secured Claim, is \$15,000.00 as of the Petition
6 Date. One Place shall retain its first position lien on the RF until its Allowed Secured Claim is paid
7 as set forth herein. One Place’s Allowed Secured Claim shall be reamortized as of the Petition
8 Date, and paid in monthly payments of \$1,783.84 from and after the Petition Date, with interest at
9 4.5%, until its Allowed Secured Claim has been paid. ATCS estimates that the final payment will
10 be paid on March 12, 2018. ATCS may prepay this obligation without penalty at any time. One
11 Place shall release its lien on the Thermi RF once its Allowed Secured Claim has been paid or
12 refinanced. ATCS may sell or refinance the Thermi RF at any time without penalty in the ordinary
13 course of its business and One Place shall release its lien on the collateral being sold, so long as the
14 net sale proceeds are used to pay down One Place’s Allowed Secured Claim. The balance of One
15 Place’s Claim of \$15,740.00 shall be allowed in full and treated as a general unsecured claim in
16 Class 1-S (“Allowed Unsecured Claim”). ATCS shall be deemed current on its obligations to One
17 Place upon the entry of the Confirmation Order. Once the Allowed Secured Claim is paid in full as
18 reflected herein, One Place shall release any and all rights or interests it may have in the collateral.
19 If ATCS fails to tender the payments as required herein, or if a tendered payment is not honored by
20 One Place, then One Place shall provide written notice to ATCS at PO Box 14390, Scottsdale, AZ
21 85267-4390, and if the default occurs while the above-captioned bankruptcy proceeding remains
22 active, to ATCS’ counsel at 2390 East Camelback Road, Ste. 400, Phoenix, Arizona, 85016,
23 indicating the nature of the default. If ATCS fails to cure the default with certified funds after the
24 passage of 10 calendar days from the date said written notice is received by ATCS and its counsel if
25 applicable, One Place may file a declaration of such uncured event of default with the Court. The
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1 terms herein shall control and resolve any claim One Place may have against any guarantor. One
2 Place shall provide ATCS with monthly statements beginning with the month after the date of the
3 first \$1,783.84 payment. To the extent either party must seek relief from the Court to compel
4 compliance with the terms herein, the prevailing party shall be entitled to recover its attorneys' fees.

5 **15. Class 1-O: Allowed Secured Claim of Univest**

6 This Class consists of the Allowed Secured Claim held by Univest Capital, Inc.
7 ("Univest") which is secured by a lien on ATCS' D-Actor 100 Ultra (Shockwave). Univest did not
8 file a proof of claim. ATCS reflected Univest's Claim at \$24,663.85 in its Schedules. ATCS
9 asserts that the value of the Shockwave and therefore Univest's Allowed Secured Claim is
10 \$15,000.00 as of the Petition Date. Univest shall retain its first position lien on the Shockwave until
11 its Allowed Secured Claim is paid as set forth herein. Univest's Allowed Secured Claim shall be
12 reamortized as of the Petition Date, and paid in monthly payments of \$486.15 from and after the
13 Petition Date, with interest at 4.5%, until its Allowed Secured Claim has been paid. ATCS
14 estimates that the final payment will be paid on March 12, 2020. ATCS may prepay this obligation
15 without penalty at any time. Univest shall release its lien on the Shockwave once its Allowed
16 Secured Claim has been paid or refinanced. ATCS may sell or refinance the Shockwave at any time
17 without penalty in the ordinary course of its business, and Univest shall release its lien on the
18 collateral being sold, so long as the net sale proceeds are used to pay down Univest's Allowed
19 Secured Claim. The balance of Univest's Claim of \$9,663.85 shall be allowed in full and treated as
20 a general unsecured claim in Class 1-S ("Allowed Unsecured Claim"). ATCS shall be deemed
21 current on its obligations to Univest upon the entry of the Confirmation Order. Once the Allowed
22 Secured Claim is paid in full as reflected herein, Univest shall release any and all rights or interests
23 it may have in the collateral. If ATCS fails to tender the payments as required herein, or if a
24 tendered payment is not honored by Univest, then Univest shall provide written notice to ATCS at
25 PO Box 14390, Scottsdale, AZ 85267-4390, and if the default occurs while the above-captioned

1 bankruptcy proceeding remains active, to ATCS' counsel at 2390 East Camelback Road, Ste. 400,
2 Phoenix, Arizona, 85016, indicating the nature of the default. If ATCS fails to cure the default with
3 certified funds after the passage of 10 calendar days from the date said written notice is received by
4 ATCS and its counsel if applicable, Univest may file a declaration of such uncured event of default
5 with the Court. The terms herein shall control and resolve any claim Univest may have against any
6 guarantor. Univest shall provide ATCS with monthly statements beginning with the month after the
7 date of the first \$486.15 payment. To the extent either party must seek relief from the Court to
8 compel compliance with the terms herein, the prevailing party shall be entitled to recover its
9 attorneys' fees.
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11 **16. Class 1-P: Allowed Secured Claim of Telco**

12 This Class consists of the Allowed Secured Claim held by Financial Pacific Leasing,
13 Inc./Oak Capital Group, Inc./Telco Communication Systems Ltd. ("Telco") which is secured by a
14 lien on ATCS' Pima Telephone System. Telco did not file a proof of claim. ATCS asserts that the
15 value of the Pima Telephone System is \$2,000.00 as of the Petition Date and thus Telco's Allowed
16 Secured Claim is \$2,000.00 as of the Petition Date. ATCS has been paying Telco since the Petition
17 Date monthly payments in the amount of \$379.64 plus additional amounts for a service contract in
18 the base amount of \$120.00 per month. Telco will retain its first position lien on the Pima
19 Telephone System until its Allowed Secured Claim is paid as set forth herein. Telco's Allowed
20 Secured Claim shall be reamortized as of the Petition Date and paid in monthly payments of
21 \$379.64 from and after the Petition Date, with interest at 4.5%, until its Allowed Secured Claim has
22 been paid. ATCS estimates that the final payment was paid in April 2017. ATCS may prepay this
23 obligation without penalty at any time. Telco shall release its lien on the Pima Telephone System
24 once its Allowed Secured Claim has been paid. ATCS will pay Telco any service charges it incurs
25 for the Pima Telephone System as they are incurred, with no minimum monthly payment amount
26 for any service contract. ATCS may sell the Pima Telephone System at any time without penalty in
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1 the ordinary course of its business, and Telco shall release its lien on the collateral being sold, so
2 long as the net sale proceeds are used to pay down Telco's Allowed Secured Claim. The balance of
3 Telco's Claim, if any, shall be allowed in full and treated as a general unsecured claim in Class 1-S
4 ("Allowed Unsecured Claim"). ATCS shall be deemed current on its obligations to Telco upon the
5 entry of the Confirmation Order. Once the Allowed Secured Claim is paid in full as reflected
6 herein, Telco shall release any and all rights or interests it may have in the collateral. If ATCS fails
7 to tender the payments as required herein, or if a tendered payment is not honored by Telco, then
8 Telco shall provide written notice to ATCS at PO Box 14390, Scottsdale, AZ 85267-4390, and if
9 the default occurs while the above-captioned bankruptcy proceeding remains active, to ATCS'
10 counsel at 2390 East Camelback Road, Ste. 400, Phoenix, Arizona, 85016, indicating the nature of
11 the default. If ATCS fails to cure the default with certified funds after the passage of 10 calendar
12 days from the date said written notice is received by ATCS and its counsel if applicable, Telco may
13 file a declaration of such uncured event of default with the Court. The terms herein shall control
14 and resolve any claim Telco may have against any guarantor. Telco shall provide ATCS with
15 monthly statements beginning with the month after the date of the first \$379.64 payment. To the
16 extent either party must seek relief from the Court to compel compliance with the terms herein, the
17 prevailing party shall be entitled to recover its attorneys' fees.

20 **17. Class 1-Q: Allowed Unsecured Claim of Brenda Johns**

21 On January 23, 2017, Brenda Johns ("Johns"), acting as Plaintiff and Relator on
22 behalf of the governments of the United States of America and the State of Arizona, filed a
23 Complaint against ATCS (Adv. 17-104) to contest the dischargeability and to fix the amount of
24 damages and civil penalties on behalf of United States of America and the State of Arizona arising
25 from alleged false statements and claims for Medicare and AHCCCS payments made and presented
26 by the Debtors. On January 26, 2017, Brenda Johns filed a First Amended Complaint. On February
27 21, 2017, the parties filed a Stipulation to Consolidate the Adversary Proceedings and Extend the
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1 Answer Deadline. On February 23, 2017, the Court entered an Order approving the Stipulation.
2 The parties have entered into settlement discussions. Class 1-Q consists of the Allowed Non-
3 Dischargeable Claim in favor of Johns that the parties may establish by agreement or the Court may
4 determine. Any Allowed Unsecured Claim that Johns may hold, shall first be treated on a pro-rata
5 basis with the other Allowed Unsecured Claims provided for in Class 1-S. Upon the completion of
6 the payments set forth in Class 1-S, the remaining balance of Johns' Allowed Non-Dischargeable
7 Claim shall continue to receive a pro-rata distribution of ATCS' Excess Cash Flow until Johns'
8 Allowed Non-Dischargeable Claim along with any other Creditor that holds a Non-Dischargeable
9 Claim, until such Allowed Non-Dischargeable Claim is satisfied in full. To the extent that the terms
10 of the Plan conflict with the terms of any Stipulation that may be executed between ATCS and
11 Johns, the terms of the Stipulation shall control and shall be integrated into the Plan.
12

13 **18. Class 1-R: Allowed Administrative Convenience Unsecured Claims**

14 Class 1-R consists of Allowed Unsecured Claims of Creditors whose Allowed
15 Unsecured Claim is \$1,000.00 or less, or that make an election to reduce their Allowed Unsecured
16 Claim to \$1,000.00, so that they can be treated in accordance with Class 1-R. Class 1-R Creditors
17 shall be paid a pro-rata share from ATCS' Excess Cash Flow, on a semi-annual basis (with
18 payments to be sent out for the prior half-year by February 15 and August 15), until they have been
19 paid 25% of the amount of their Allowed Unsecured Claim, but after all senior Allowed Claims
20 have been paid in accordance with the terms of the Plan and before any payments are made pursuant
21 to Class 1-S. This Class is intended for administrative convenience pursuant to 11 U.S.C. §1122(b).
22

23 **19. Class 1-S: Allowed Unsecured Claims of Creditors of ATCS**

24 This Class consists of the Allowed Unsecured Claims of Creditors of ATCS. Class
25 1-S Creditors may elect (at their sole option) to be treated in accordance with Class 1-R or they
26 shall be treated in accordance with Class 1-S. Class 1-S Creditors shall be paid a pro-rata share
27 from ATCS' Excess Cash Flow, on a semi-annual basis (with payments to be sent out for the prior
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1 half-year by February 15 and August 15), after all senior Allowed Claims (including Class 1-R)
2 have been paid in accordance with the terms of the Plan, until the Allowed Unsecured Claims have
3 been paid in total the value of ATCS' liquidation equity as calculated in ATCS' Disclosure
4 Statement.

5
6 **20. Class 1-T: Allowed Interest of ATCS**

7 This Class consists of the Allowed Interest of ATCS held by Pang. Pang shall not
8 retain his Allowed Interest in ATCS. 100% of the Allowed Interest in ATCS, post-Confirmation,
9 shall be purchased by Pang's brother, Dr. Norman Pang. Dr. Norman Pang will purchase all of the
10 ownership of ATCS for the purchase price of \$100,000.00 and will become the sole shareholder of
11 ATCS going forward. These funds will be used to pay the Allowed Administrative Claims and
12 Allowed Priority Claims of ATCS that are due on the Effective Date and have not otherwise already
13 been paid and to provide operating capital for ATCS. Pang will become an employee of ATCS
14 going forward and his salary will continue at the same rate of his present salary, subject to potential
15 increase or bonus at the sole discretion of Dr. Norman Pang.

17 **B. Class 2-Pang**

18 **1. Class 2-A: Domestic Support Obligations of Pang**

19 Class 2-A consists of Allowed Priority Claims under 11 U.S.C. §507(a)(1)
20 (Domestic Support Obligations). Kimberly DiRoberts filed an Unsecured Priority Proof of Claim in
21 the amount of \$6,000.00; however, Pang has paid this obligation in the ordinary course. This Class
22 consists of any domestic support obligations owed by Pang as of the Confirmation Date and that
23 have priority status under 11 U.S.C. §507(a)(1). Pursuant to 11 U.S.C. §1129(a)(9)(B), any
24 Allowed Claims in this Class shall be paid in monthly payments of principal and interest over a
25 period of five years from the Effective Date, with interest at the Plan Rate. The Debtor may prepay
26 these obligations without penalty. Pang asserts that he is current on any domestic support
27 obligations that would be classified as priority claims; however, Pang could not afford to continue
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1 to pay support obligations in the amount that was previously ordered by the state court, so Pang
2 filed a request for modification of his support obligations in the state court to be no more than
3 \$4,000.00/month and the state court shall determine the amount of Pang's support obligations to
4 DiRoberts from and after the filing of the request for modification. For any support obligation that
5 are a priority claim that were not previously paid, they shall be paid as set forth in 11 U.S.C.
6 §1129(a)(9)(B). For any support obligations that are not priority claims but arise after the Petition
7 Date, they shall be paid in the ordinary course of business in such amounts as may ultimately be
8 determined by the state court. Any further modifications sought as to spousal maintenance shall be
9 brought in the state court.
10

11 **2. Class 2-B: Administrative Claims of Pang**

12 Class 2-B consists of Allowed Priority Claims under 11 U.S.C. §507(a)(2)
13 (Administrative Claims) related to Pang. Unless they agree to an alternative form of treatment, the
14 Allowed Claims of Class 2-B shall be paid in full, in cash, by the earlier of the Effective Date or the
15 date that such are allowed and ordered paid by the Court. Any Class 3-B Claim not allowed as of
16 the Effective Date shall be paid as soon thereafter as they are allowed by the Court according to the
17 terms of this Class. The Allowed Administrative Claim of counsel for Pang that has not been paid
18 as of the Effective Date, shall be paid in monthly payments of principal and interest by Pang, with
19 interest at 8%, until paid in full.
20

21 **3. Class 2-C: Tax Claims Related to Pang**

22 Class 2-C consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8)-tax claims
23 of Pang. Pang asserts that no Claims exist in this Class. As to any Claims that may come to light in
24 the future that exist in this Class, as provided in 11 U.S.C. §1129(a)(9)(C), unless they agree to an
25 alternative form of treatment, the Allowed Priority Claims of Class 2-C shall be paid in full, in cash,
26 in regular installment payments of a total value, as of the Effective Date of the Plan, equal to the
27 Allowed Priority Claim, over a period ending five (5) years after the Petition Date, and in a manner
28

1 that is not less favorable than the most favored non-priority unsecured claim provided for by the
2 Plan (other than cash payments made to a class of creditors under §1122(b)). Any Allowed Priority
3 Claims will receive interest at the Tax Claim Rate. Any Class 2-C Claim not allowed as of the
4 Effective Date shall be paid as soon thereafter as they are allowed by the Court according to the
5 terms of this Class.

6
7 **4. Class 2-D: Allowed Secured Claim of Maricopa Related to Pang**

8 Class 2-D consists of the Allowed Secured Claim of Maricopa County as to Pang's
9 Residence. Maricopa County Treasurer did not file a proof of claim and Pang believes that all real
10 property taxes owed to Maricopa County are current and being paid currently through the escrow
11 account with US Bank Home Mortgage. Thus Pang asserts that no payments shall be required to
12 this Class. Pang will pay his real property taxes when they are due and payable going forward
13 through the escrow account with US Bank Home Mortgage.

14
15 **5. Class 2-E: Allowed Secured Claim of US Bank Home Mortgage**

16 This Class consists of the Allowed Secured Claim held by US Bank Home Mortgage
17 ("US Bank") as to its first position secured interest in Pang's Residence. US Bank filed a secured
18 proof of claim in the amount of \$298,262.99. Pang asserts that US Bank's Claim is in first position
19 on Pang's Residence junior only to any outstanding real property taxes. Pang believes he is current
20 on his payments to US Bank and will continue to pay on this Allowed Secured Claim in accordance
21 with the terms of the pre-petition loan agreement. US Bank shall release its lien on the Residence
22 once its Allowed Secured Claim has been paid. Pang may sell the Residence at any time without
23 penalty so long as the balance owing on US Bank's Allowed Secured Claim is satisfied out of the
24 sale proceeds, and any due on sale clause in the loan documents is hereby removed. Any arrearages
25 that may be due as of the Effective Date shall be cured by being paid in equal monthly installments
26 over a period of twelve (12) months from the Effective Date at no extra interest from the Effective
27 Date.
28

1 **6. Class 2-F: Allowed Secured Claim of US Bank**

2 This Class consists of the Allowed Secured Claim held by US Bank related to its
3 second position lien on Pang's Residence. US Bank filed a secured proof of claim in the amount of
4 \$281,487.95. Pang asserts that US Bank's Claim is in second position on Pang's Residence junior
5 only to real property taxes and US Bank Home Mortgage. Pang believes he is current on his
6 payments to US Bank and will continue to pay on this Allowed Secured Claim in accordance with
7 the terms of the pre-petition loan agreement. US Bank shall release its lien on the Residence once
8 its Allowed Secured Claim has been paid. Pang may sell the Residence at any time without penalty
9 so long as the balance owing on US Bank's Allowed Secured Claim is satisfied out of the sale
10 proceeds, and any due on sale clause in the loan documents is hereby removed. Any arrearages that
11 may be due as of the Effective Date shall be cured by being paid in equal monthly installments over
12 a period of twelve (12) months from the Effective Date at no extra interest from the Effective Date.
13

14 **7. Class 2-G: Allowed Secured Claim of Windrose**

15 This Class consists of the Allowed Secured Claim held by Windrose for
16 homeowners' dues and fees on Pang's Residence. Pang asserts he is current on his payments to
17 Windrose. As to any HOA obligations that are not current and are due on the Effective Date,
18 Windrose shall be treated as follows:
19

20 (a) all homeowners association fees and assessments that became due prior to the
21 Effective Date which were not paid as of the Effective Date, shall be paid in equal monthly
22 installments over a period of 12 months from the Effective Date with no interest, (b) all
23 homeowners association fees and assessments that became due prior to the Effective Date shall not
24 bear interest until paid, (c) Pang shall pay any homeowners association fees and assessments which
25 accrue and become due after the Effective Date as said amounts become due and payable, and (d)
26 Pang may prepay any of these Allowed Secured Claims at any time without penalty. Windrose's
27 Allowed Secured Claim shall only contain homeowners' association fees and assessments and all
28

1 interest, fines, penalties, or attorneys' fees asserted shall be disallowed.

2 **8. Class 2-H: Allowed Secured Claim of Toyota**

3 This Class consists of the Allowed Secured Claim held by Toyota that is secured by
4 a first position interest in Pang's 2014 Toyota Prius. Toyota filed a secured proof of claim in the
5 amount of \$21,926.43. Pang asserts that the value of the vehicle and thus Toyota's Allowed
6 Secured Claim is \$10,085.00 as of the Petition Date. Toyota will retain its first position lien on the
7 vehicle and will be paid its Allowed Secured Claim as follows: This obligation will continue to be
8 paid the same monthly payment of \$791.50 per month, but the Allowed Secured Claim will bear
9 interest at 4.5% per annum from and after the Petition Date. Once the Allowed Secured Claim plus
10 accrued Post-Petition Date interest has been paid, Toyota shall release its lien on the vehicle and
11 receive no further payments on its Allowed Secured Claim. Pang estimates that the final payment
12 will be due in December 2017. Toyota shall update its payment records as of the Effective Date to
13 reflect the new interest rate, new principal balance, and new payoff date, and shall provide monthly
14 statements to Pang in accordance with the new principal balance and new interest rate. ATCS pays
15 this obligation for Pang, because the majority of his driving relates to commuting to and between
16 office locations and ATCS will continue to pay this obligation for Pang going forward. This
17 obligation may be pre-paid without penalty. The balance of Toyota's Claim, of \$11,841.43, shall be
18 treated in accordance with Class 2-M.
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22 **9. Class 2-I: Allowed Unsecured Claim of Brenda Johns**

23 On January 23, 2017, Brenda Johns ("Johns"), acting as Plaintiff and Relator on
24 behalf of the governments of the United States of America and the State of Arizona, filed a
25 Complaint against Pang (Adv. 17-105) to contest the dischargeability and to fix the amount of
26 damages and civil penalties on behalf of United States of America and the State of Arizona arising
27 from alleged false statements and claims for Medicare and AHCCCS payments made and presented
28 by the Debtors. On January 26, 2017, Brenda Johns filed a First Amended Complaint. On February

1 21, 2017, the parties filed a Stipulation to Consolidate the Adversary Proceedings and Extend the
2 Answer Deadline. On February 23, 2017, the Court entered an Order approving the Stipulation.
3 The parties have entered into settlement discussions. Class 2-I consists of the Allowed Non-
4 Dischargeable Claim in favor of Johns that the parties may establish by agreement or the Court may
5 determine. Any Allowed Unsecured Claim that Johns may hold, shall first be treated on a pro-rata
6 basis with the other Allowed Unsecured Claims provided for in Class 2-M. Upon the completion of
7 the payments set forth in Class 2-M, the remaining balance of Johns' Allowed Non-Dischargeable
8 Claim shall continue to receive a pro-rata distribution of Pang's Excess Cash Flow until Johns'
9 Allowed Non-Dischargeable Claim along with any other Creditor that holds a Non-Dischargeable
10 Claim, until such Allowed Non-Dischargeable Claim is satisfied in full. To the extent that the terms
11 of the Plan conflict with the terms of any Stipulation that may be executed between Pang and Johns,
12 the terms of the Stipulation shall control and shall be integrated into the Plan.
13
14

15 **10. Class 2-J: Allowed Unsecured Claim of Sabrina Larson**

16 On January 23, 2017, Sabrina Larson ("Larson") filed a Complaint to Determine
17 Dischargeability of Debt (Adv. 17-106). On February 23, 2017, Pang filed an Answer to the
18 Complaint. Class 2-J consists of the Allowed Non-Dischargeable Claim in favor of Larson that the
19 parties may establish by agreement or the Court may determine. Any Allowed Unsecured Claim
20 that Larson may hold, shall first be treated on a pro-rata basis with the other Allowed Unsecured
21 Claims provided for in Class 2-M. Upon the completion of the payments set forth in Class 2-M, the
22 remaining balance of Larson's Allowed Non-Dischargeable Claim shall continue to receive a pro-
23 rata distribution of Pang's Excess Cash Flow until Larson's Allowed Non-Dischargeable Claim
24 along with any other Creditor that holds a Non-Dischargeable Claim, until such Allowed Non-
25 Dischargeable Claim is satisfied in full. To the extent that the terms of the Plan conflict with the
26 terms of any Stipulation that may be executed between Pang and Larson, the terms of the
27 Stipulation shall control and shall be integrated into the Plan.
28

1 **11. Class 2-K: Allowed Unsecured Claim of Elena Prohnitchi**

2 On January 23, 2017, Elena Prohnitchi (“Prohnitchi”) filed a Complaint to
3 Determine Dischargeability of Debt (Adv. 17-108). On February 22, 2017, Pang filed a Motion to
4 Dismiss. On March 27, 2017, Prohnitchi filed a Response to the Motion to Dismiss Complaint.
5 The Court determined to hold this litigation in abeyance while the litigation in state court proceeds.
6 Class 2-K consists of the Allowed Non-Dischargeable Claim in favor of Prohnitchi that the parties
7 may establish by agreement or the Court may determine. Any Allowed Unsecured Claim that
8 Prohnitchi may hold, shall first be treated on a pro-rata basis with the other Allowed Unsecured
9 Claims provided for in Class 2-M. Upon the completion of the payments set forth in Class 2-M, the
10 remaining balance of Prohnitchi’s Allowed Non-Dischargeable Claim shall continue to receive a
11 pro-rata distribution of Pang’s Excess Cash Flow until Prohnitchi’s Allowed Non-Dischargeable
12 Claim along with any other Creditor that holds a Non-Dischargeable Claim, until such Allowed
13 Non-Dischargeable Claim is satisfied in full. To the extent that the terms of the Plan conflict with
14 the terms of any Stipulation that may be executed between Pang and Prohnitchi, the terms of the
15 Stipulation shall control and shall be integrated into the Plan.
16
17

18 **12. Class 2-L: Allowed Administrative Convenience Unsecured Claims**

19 Class 2-L consists of Allowed Unsecured Claims of Creditors whose Allowed
20 Unsecured Claim is \$500.00 or less, or that make an election to reduce their Allowed Unsecured
21 Claim to \$500.00, so that they can be treated in accordance with Class 2-L. Class 2-L Creditors
22 shall be paid a pro-rata share from Pang’s Excess Cash Flow, on a semi-annual basis (with
23 payments to be sent out for the prior half-year by February 15 and August 15), until they have been
24 paid 25% of the amount of their Allowed Unsecured Claim, but after all senior Allowed Claims
25 have been paid in accordance with the terms of the Plan and before any payments are made pursuant
26 to Class 2-M. This Class is intended for administrative convenience pursuant to 11 U.S.C.
27 §1122(b).
28

1 **13. Class 2-M: Allowed Unsecured Claims of Creditors of Pang**

2 This Class consists of the Allowed Unsecured Claims of Creditors of Pang. Class 2-
3 M Creditors may elect (at their sole option) to be treated in accordance with Class 2-L, or they shall
4 be treated in accordance with Class 2-M. Class 2-M Creditors shall be paid a pro-rata share from
5 Pang’s Excess Cash Flow, on a semi-annual basis (with payments to be sent out for the prior half-
6 year by February 15 and August 15), after all senior Allowed Claims (including Class 2-L) have
7 been paid in accordance with the terms of the Plan, until the Allowed Unsecured Claim have been
8 paid in total the value of Pang’s liquidation equity as calculated in Pang’s Disclosure Statement.

9 **14. Class 2-J: Allowed Interest of Pang**

10 Pursuant to §1129(a)(15) and (b)(2)(B)(ii) of the Bankruptcy Code, Pang shall retain
11 his interest in all estate property in consideration of his funding of the Allowed Claims from his
12 post-petition earnings, as set forth herein, and shall receive all exempt property.

13 **XI. LIQUIDATION ANALYSIS**

14 **A. ATCS’ Liquidation Analysis**

15 The following is a Liquidation Analysis indicating what ATCS believes Creditors would
16 receive in the event of a liquidation. The figures for “market value” and “liquidation value” are
17 ATCS’ best estimate on what these assets are worth on a market or liquidation basis.

18 As to ATCS, the analysis is as follows:

19

20

21

Asset	Scheduled Value	Liquidation Value	Secured Claim	Equity
Bank Accounts	855.22	855.22	\$855.22	0
Dunlogin Group, LLC Security Deposit (Entebella)	3,500.00	3,500.00	3,500.00	0
Healthcare Realty Services Incorporated Security Deposit (Scottsdale)	14,000.00	14,000.00	0	14,000.00
Plaza Medical & Research Center Phase II, LLC Security Deposit (Peoria)	9,000.00	9,000.00	0	9,000.00
Accounts Receivable	120,000.00	126,163.00	421,805.32	0
100% Membership Interest in Entebella Medical, LLC	Unknown	0	0	0
Entebella Trade Name	Unknown	500.00	0	500.00
Inventory/Supplies	25,000.00	25,000.00	421,805.32	0
Misc. Office Furnishings and equipment (Entebella)	42,535.00	42,535.00	421,805.32	0
Misc. Office Furnishings and equipment (Scottsdale)	45,826.40	45,826.40	421,805.32	0
Misc. Office Furnishings and equipment (Peoria)	16,366.95	16,366.95	421,805.32	0

1	4 Angio Lasers	21,261.12	4,000	42,522.24	0
	Thermi Smooth	24,047.48	25,000	48,094.95	0
2	QSQ Plus C	2,000.00	2,000.00	2,000.00	0
	Complete Podiatry Solution (Copoloff X-Ray Machine)	18,731.25	18,731.25	37,462.50	0
3	6 Zonare Ultrasound and accessories	60,000.00	60,000.00	156,305.16	0
	Vaser Lipo System	23,809.86	32,000.00	47,619.71	0
4	Harmony XL	40,000.00	34,000.00	166,525.10	0
	Thermi RF	11,687.44	15,000.00	23,374.87	0
5	D-Actor 100 Ultra (Shockwave) and accessories	12,331.93	15,000.00	24,663.85	0
	Customer/patient lists	5,000.00	0	0	0
6	401(k)	Unknown	0	0	0
	Various Insurance Policies (liability, workman's compensation, etc.)	0	0	0	0
7	Judgment against Kymberli and Carolyn Williamson (uncollectible)	0	0	0	0
8	Gross Equity				23,500.00
9	Administrative Claims:				85,000.00
	Priority Claims				0
10	Liquidation Equity				0

11 As reflected above, substantially all of ATCS' assets are secured by various lenders.

12 Creditors should note that on a liquidation basis, full market value for assets cannot be obtained.

13 Further, there are costs associated with a liquidation of assets that must be paid out of any sale

14 proceeds. The liquidation analysis does not contain an estimation of any tax liability which could

15 be associated with the liquidation. This would also lessen the recovery to unsecured creditors.

16 **Creditors should note that after Administration Claims and Priority Claims, no Liquidation**

17 **Equity would exist for the benefit of general Unsecured Claims. Nonetheless, ATCS will pay**

18 **in full all of its Administrative Claims and Priority Claims out of the new equity infusion and**

19 **its Excess Cash Flow, and pay a pro-rata distribution to its general unsecured creditors in the**

20 **total amount of \$23,500.00 so that they will receive a distribution from the estate. The Excess**

21 **Cash Flow will thereafter be used to fund the amount of any non-dischargeable obligations.**

22 This analysis is provided for informational purposes only, given that the Debtors' Plan does

23 not contemplate a liquidation of its assets. The importance of the analysis is to illustrate that even if

24 ATCS' estate was liquidated, values would lessen significantly and creditors would not be paid

25 quickly and general unsecured creditors would not receive a distribution. The Debtors' Plan not

26 only calls for the commencement of immediate payments to all administrative, priority and secured

27

28

creditors, it also enhances the ability to pay creditors even unsecured creditors in a greater amount more quickly. Unsecured creditors should be mindful that all administrative claims and priority claims will be paid before any distribution to general unsecured claims is made.

B. Pang Liquidation Analysis

The following is a Liquidation Analysis indicating what Pang believes Creditors would receive in the event of a liquidation of the estate. The figures for “market value” and “liquidation value” are Pang’s best estimate on what these assets are worth on a market or liquidation basis.

As to Pang, individually, the analysis is as follows:

Asset	Market Value	Liquidation Value	Exemption	Secured Claim	Equity
Residence	700,000	630,000 ¹	150,000	587,071	0
2014 Toyota Prius	10,000	10,085	6,000	23,471	0
Misc. Household Goods	6,000	6,000	6,000	0	0
Desktop Computer	500	500	500	0	0
Laptop Computer	1,000	1,000	500	0	500
Misc. Books and Pictures	250	250	250	0	0
Road bicycle (\$100); tandem bicycle (\$250)	350	350	0	0	350
Billiards Table	900	900	0	0	900
Piano	4,500	4,500	400	0	4,100
Camera	500	500	0	0	500
Glock G17 Gen4 (9x19) TXY729	350	350	350	0	0
Misc. Men’s Apparel	500	500	500	0	0
2 English Bulldogs	Unknown	0	800	0	0
Wages/Salaries	Unknown	0	100% of Fair Market Value	0	0
Food, Fuel, Provisions	1,500	1,500	1,500	0	0
Bank Accounts	400	400	300	0	100
50,575 Series B Convertible Stock in Cardiosolutions, Inc.	Unknown	0	0	0	0
Membership Interest in TestSmartRX	Unknown	0	0	0	0
Ownership Interest in ATCS	Unknown	0	0	0	0
Merrill Lynch IRA	43,482	43,482	43,482	0	0
Charles Schwab IRA	109,747	109,747	109,747	0	0
Oakmark Funds IRA	81,575	81,575	81,575	0	0
Vanguard IRA	16,180	16,180	16,180	0	0
Herman Pang 2012 Revocable Trust	0	0	0	0	0
Arizona Medical License	0	0	0	0	0

¹ The Debtor assumes approximately 10% of value for sales costs and commissions to sell the real property.

1	Federal Tax Refund	Unknown	0	0	0	0
2	State of Arizona Tax Refund	Unknown	0	0	0	0
3	First Penn Life Insurance (term-no cash surrender value)	0	0	Full Value	0	0
4	Paul Revere Life Insurance (Disability)	0	0	Full Value	0	0
5	Farmers Insurance Umbrella Policy	0	0	0	0	0
6	Farmers Insurance Auto Policy	0	0	0	0	0
7	Layfayette Life Insurance	12,510	12,510	12,510	0	0
8	Judgment Against Kymberli and Carolyn Williamson (uncollectible)	130,423	0	0	0	0
9	Judgment Against Elena Prohntchi	Unknown	Unknown/Appeal Pending	0	0	0
10	Gross Equity					\$6,450
11	Administrative Claims:					25,000
12	Priority Claims					0
13	Liquidation Equity					0

13 Creditors should note that on a liquidation basis, full market value for assets cannot be
14 obtained. Further, there are costs associated with a liquidation of assets that must be paid out of any
15 sale proceeds. The liquidation analysis does not contain an estimation of any tax liability which
16 could be associated with the liquidation and could further reduce any recovery. **Creditors should**
17 **note that after Administration Claims and Priority Claims, no Liquidation Equity exists for**
18 **the benefit of general Unsecured Claims, yet Pang is dedicating \$6,450.00 to the distribution of**
19 **general unsecured creditors, and Pang is committed to provide his Excess Cash Flow on a**
20 **quarterly basis for a period of 5 years to pay Administrative, Priority, and the \$6,450.00 of**
21 **Liquidation Equity available for general unsecured creditors, and retains the right to extend**
22 **the term of the Plan payments beyond the period of 5 years contemplated in the Bankruptcy**
23 **Code if it is ultimately determined that additional time is needed to pay any non-**
24 **dischargeable claims.**

25
26 This analysis is provided for informational purposes only, given that the Debtors' Plan does
27 not contemplate a liquidation of assets. The importance of the analysis is to illustrate that even if
28

1 Pang's estate was liquidated, values would lessen significantly and creditors would not be paid
2 quickly. The Debtors' Plan calls for the continued payments to all creditors upon the Effective
3 Date, which will begin by paying Administrative Creditors, then Priority Creditors, and then general
4 Unsecured Creditors. Pang has been and will continue to pay throughout his case and post-
5 confirmation his Secured Creditors. The Plan also enhances the ability to pay creditors in a greater
6 amount more quickly.
7

8 **XII. MEANS TEST AND DISPOSABLE INCOME ANALYSIS AS OF THE PETITION**
9 **DATE AND CURRENT INCOME EXPENSE ANALYSIS**

10 Pursuant to §1129(a)(15) of the Bankruptcy Code, the Court shall confirm the Plan only if:
11 in a case in which the debtor is an individual and in which the holder of an Allowed Unsecured
12 Claim objects to the confirmation of the Plan, what the holder of such Allowed Unsecured Claim
13 shall receive under the Plan is either (A) the value, as of the Effective Date of the Plan, of the
14 property to be distributed under the Plan on account of such Allowed Unsecured Claim is not less
15 than the amount of such Allowed Unsecured Claim, or (B) the value of the property to be
16 distributed under the Plan is not less than the projected disposable income of the debtor (as defined
17 in section 1325(b)(2)) to be received during the 5-year period beginning on the date that the first
18 payment is due under the Plan, or during the period for which the Plan provides payments,
19 whichever is longer.
20

21
22 Section 1325(b)(2) defines disposable income as current monthly income received by the
23 debtor (other than child support payments, foster care payments, or disability payments for a
24 dependent child made in accordance with applicable non-bankruptcy law to the extent reasonably
25 necessary to be expended for such child) less amounts reasonably necessary to be expended (A)(i)
26 for the maintenance or support of the debtor or a dependent of the debtor, or for a domestic support
27 obligation, that first becomes payable after the date the petition is filed; and (ii) for charitable
28 contributions (that meet the definition of "charitable contribution" under section 548(d)(3) to a

1 qualified religious or charitable entity or organization (as defined in section 548(d)(4)) in an amount
2 not to exceed 15 percent of gross income of the debtor for the year in which the contributions are
3 made; and (B) if the debtor is engaged in business, for the payment of expenditures necessary for
4 the continuation, preservation, and operation of such business.

5 Pang provides his Statement of Current Monthly Income and Calculation of Commitment
6 Period and Disposable Income attached hereto and incorporated herein as Exhibit "D". Pursuant to
7 that Statement, at the time of his bankruptcy filing, Pang's current monthly income was \$21,666.67
8 and the total of all deductions from his monthly income was \$37,311.92 leaving him monthly
9 disposable income at -\$15,645.23. Pursuant to §1129(a)(15) of the Bankruptcy Code, because Pang
10 is an individual, and assuming a holder of an allowed unsecured claim objects to the confirmation of
11 the Plan, the value of the property to be distributed under the Plan cannot be less than the projected
12 disposable income of Pang (as defined in section 1325(b)(2)) to be received during the 5-year
13 period beginning on the date that the first payment is due under the Plan, or during the period for
14 which the Plan provides payments, whichever is longer. Here -\$15,645.23 times 60 (5 years x 12
15 months) is a negative number, such that any amount Pang contributes under the Plan would satisfy
16 this section of the Code.

17 Pang provides a calculation of his projected monthly income on his Amended Schedule I, a
18 copy of which is attached hereto and incorporated herein as Exhibit "E". Pang's income comes
19 from the work he performs for ATCS. As part of the Plan, Pang will cease to be an owner of ATCS
20 and will simply be an employee. He will continue to be entitled to receive the same salary he has
21 been receiving. Unfortunately, at many times during the bankruptcy proceeding, ATCS has not
22 been able to afford to pay Pang the salary he is due, and Pang has been forced to forgo that salary.
23 ATCS anticipates that it will be able to pay Pang the salary he is due on a go-forward basis, which
24 as Schedule I reflects, Pang's average monthly net income presently is \$21,666.67 minus
25 withholdings of \$5,839.63, for a net of \$15,827.04. According to Pang's Amended Schedule J, a
26
27
28

1 copy of which is attached hereto and incorporated herein as Exhibit "F", which identifies Pang's
2 necessary expenses, Pang's expenses are approximately \$15,727.04 on a monthly basis, which
3 includes his payments to his administrative claims (attorneys) and all of his living expenses, priority
4 claims (anticipated to be \$0), and secured claims on his house and for his car, leaving a net of \$110
5 per month to fund the amounts to be paid to his general unsecured creditors. The projection of the
6 expenses are in accordance with what Pang projects will need to be paid to fund his Plan, including
7 all administrative, priority, secured and unsecured creditors. These amounts may change as
8 resolutions are reached with various creditors. Thus, Pang's net disposable income after all of the
9 necessary Plan payments is \$110.00. So long as this figure is positive, Pang's Plan is feasible
10 because he will have sufficient income to pay all of his necessary living expenses and payments to
11 all creditors in accordance with the terms of his Plan. **While Pang's Liquidation Analysis shows**
12 **that there is not a required distribution to Pang's general unsecured creditors, Pang is**
13 **nonetheless committing to fund \$6,450.00 (\$110.00 x 60 months = \$6,600.00) to his general**
14 **unsecured creditors so that they receive a return under the Plan. Pang will fund his secured,**
15 **administrative, and priority claims in full, and will pay the return to his general unsecured**
16 **creditors set forth herein through his excess income. Thereafter, Pang will continue to**
17 **dedicate his net disposable income to any unsecured creditors that may hold a non-**
18 **dischargeable claim, until such amount is paid. Pang is hopeful to obtain funding to provide**
19 **for an early payout of these Allowed Administrative Claims, Allowed Priority Claims, and**
20 **general unsecured claims so that Pang can provide a payment faster than the 5 years**
21 **contemplated in the Bankruptcy Code, but even if Pang is not able to obtain such funding, as**
22 **shown herein, Pang will be able to afford to make these payments over the term of 5 years.**

26 **XIII. ATCS INCOME PROJECTIONS**

27 ATCS has operated profitably while in bankruptcy, to a large extent due to the extensive
28 efforts of Pang. ATCS will continue to generate sufficient revenues to service its operating

1 expenses and to pay the debt service called for under the Plan. Attached hereto as Exhibit "G" are
2 ATCS' projections provided on an annual basis. As those projections demonstrate, ATCS will be
3 able to continue to operate profitably, and will generate sufficient income to be able to service the
4 debt as is necessary under the Plan. ATCS's projections show its revenues and expenses on the
5 same format as ATCS has used for its monthly budgets that have been filed with the Court. These
6 projections show ATCS's operating profit which is then used to pay its secured creditors, and then
7 show the funds available for distribution to unsecured creditors. The administrative convenience
8 creditors are paid first and are anticipated to be paid within the first two years, then the general
9 unsecured creditors (with any non-dischargeable creditors sharing in these funds) and are
10 anticipated to be paid within five years, then the cash available for distribution goes only to any
11 claims which are determined to be non-dischargeable for the next three years, for a total of eight
12 years. Further, ATCS provides the means of the income to Pang and provides the means for Pang
13 to pay his expenses and payments provided under the Plan.
14

15
16 At the confirmation of the Plan, Pang's brother, Dr. Norman Pang, will purchase ATCS for
17 the purchase price of \$100,000.00 and will become the sole shareholder of ATCS going forward.
18 As the projections demonstrate, these funds will be used to pay the Administrative and Allowed
19 Priority Claims of ATCS that are due on the Effective Date and have not otherwise already been
20 paid in the ordinary course of business, and to provide cash for ATCS' operations. ATCS intends to
21 continue to employ Pang to manage day-to-day operations of ATCS, and to be the physician
22 providing the medical services of ATCS to its patients.
23

24 Creditors will note that according to these projections, ATCS's Plan is feasible.

25 **XIV. EFFECT OF CONFIRMATION FOR PANG**

26 Because Pang is an individual, pursuant to §1141(d)(5) of the Bankruptcy Code,
27 Confirmation of the Plan does not provide the discharge for Pang. Pang will move for the entry of a
28 final decree after he has provided for the implementation of the Plan and the final decree will

1 contain the language providing Pang his discharge and such final decree will discharge any and all
2 debts of Pang, that arose any time before the entry of the Confirmation Order, including, but not
3 limited to, all principal and all interest accrued thereon, pursuant to §1141(d) of the Bankruptcy
4 Code. The discharge shall be effective as to each Claim, regardless of whether a proof of claim
5 thereon was filed, whether the Claim is an Allowed Claim, or whether the holder thereof votes to
6 accept the Plan.
7

8 Any Claim of any Creditor that did not file a proof of claim by the claim bar date, shall be
9 fully disallowed as of the Effective Date of the Plan, and such Creditor shall receive no distribution
10 under the Plan and shall be forever barred from asserting a Claim of any sort against Pang.

11 In addition, any pre-confirmation obligations of Pang dealt with in this Plan shall be
12 considered New Obligations of Pang, and these New Obligations shall not be considered in default
13 unless and until Pang defaults on the New Obligations pursuant to the terms of the Plan. The New
14 Obligations provided for in the Plan shall be in the place of, and completely substitute for, any pre-
15 Confirmation obligations of Pang and, once the Plan is confirmed, the only obligations of Pang shall
16 be such New Obligations as provided for under the Plan.
17

18 **XV. EFFECT OF CONFIRMATION FOR ATCS**

19 Except as otherwise provided in the Plan or the Confirmation Order, Confirmation acts as a
20 discharge, effective as of Confirmation, of any and all debts of ATCS, that arose any time before
21 the entry of the Confirmation Order including, but not limited to, all principal and all interest
22 accrued thereon, pursuant to §1141(d)(1) of the Bankruptcy Code. The discharge shall be effective
23 as to each Claim, regardless of whether a proof of claim thereon was filed, whether the Claim is an
24 Allowed Claim, or whether the holder thereof votes to accept the Plan.
25

26 Any Claim of any Creditor that did not file a proof of claim by the claim bar date, shall be
27 fully disallowed as of the Effective Date of the Plan, and such Creditor shall receive no distribution
28 under the Plan and shall be forever barred from asserting a Claim of any sort against ATCS.

1 In addition, any pre-confirmation obligations of ATCS dealt with in this Plan shall be
2 considered New Obligations of ATCS, and these New Obligations shall not be considered in default
3 unless and until ATCS defaults on the New Obligations pursuant to the terms of the Plan. The New
4 Obligations provided for in the Plan shall be in the place of, and completely substitute for, any pre-
5 Confirmation obligations of ATCS and, once the Plan is confirmed, the only obligations of ATCS
6 shall be such New Obligations as provided for under the Plan.
7

8 **XVI. MANAGEMENT, IMPLEMENTATION AND FUNDING OF DEBTORS' PLAN**

9 Pang shall not retain his Allowed Interest in ATCS. 100% of the Allowed Interest in ATCS
10 post-Confirmation shall be purchased by Pang's brother, Dr. Norman Pang, who will purchase all of
11 the ownership of ATCS for the purchase price of \$100,000.00 and will become the sole shareholder
12 of ATCS going forward. Further, Dr. Norman Pang will be the sole officer and director of ATCS
13 and shall be paid \$1,000.00 on a monthly basis for these services.
14

15 Pang's Plan will be funded by Pang's post-petition earnings and Excess Cash Flow. Pang
16 will continue to be an employee of ATCS and perform the day to day operations of ATCS and for
17 that, Pang will be paid the same salary going forward as he received in the past. ATCS' plan will
18 be funded by its operations and Excess Cash Flow and the infusion of cash from its new owner.
19 The Reorganized Debtors shall act as the Disbursing Agent under the Plan.
20

21 In the event any entity which possesses an Allowed Secured Claim, or any other lien in any
22 of the Debtors' property for which the Plan requires the execution of any documents to incorporate
23 the terms of the Plan, fails to provide a release of its lien or execute the necessary documents to
24 satisfy the requirements of the Plan, the Debtors may record a copy of the Plan and the
25 Confirmation Order with the appropriate governmental agency and such recordation shall constitute
26 the lien release and creation of the necessary new liens to satisfy the terms of the Plan. If the
27 Debtors deem advisable, they may obtain a further Order from the Court which may be recorded in
28 order to implement the terms of the Plan.

1 **XVII. TAX CONSEQUENCES**

2 Pursuant to §1125(a)(1) of the Bankruptcy Code, the Debtors are to provide a discussion of
3 the potential material federal tax consequences of the Plan to the Debtors, any successor to the
4 Debtors, and a hypothetical investor typical of the holders of claims or interests in the case, that
5 would enable such a hypothetical investor of the relevant class to make an informed judgment about
6 the Plan, but adequate information need not include such information about any other possible or
7 proposed plan and in determining whether the Disclosure Statement provides adequate information,
8 the Court shall consider the complexity of the case, the benefit of additional information to
9 creditors and other parties in interest, and the cost of providing additional information.
10

11 Neither the Debtors nor their lawyers can make any statements with regard to the tax
12 consequences of the Plan on any of the creditors. Although they would note that to the extent the
13 creditor is not paid in full their Allowed Claim, they should consult with their tax advisor
14 concerning the possibility of writing off for tax purposes that portion of their Allowed Claim that is
15 not paid. Each creditor in this case, when analyzing the Plan, should consult with its own
16 professional advisors to determine whether or not acceptance of the Plan by the creditor will result
17 in any adverse tax consequences to the creditor.
18

19 The Bankruptcy Tax Act generally provides that the Debtors do not have to recognize
20 income from the discharge of indebtedness. The Plan contemplates significant discharge of
21 indebtedness; however, because the Debtors are in bankruptcy, they will not have to recognize the
22 discharge of indebtedness as income for tax purposes. The Debtors do not believe the Plan will
23 cause any adverse tax consequences.
24

25 **XVIII. NON-ALLOWANCE OF PENALTIES AND FINES**

26 No distribution shall be made under this Plan on account of, and no other Allowed Claim,
27 whether secured, unsecured, administrative, or priority, shall include any fine, penalty, exemplary
28 or punitive damages, late charges, default interest or other monetary charges relating to or arising

1 from any default or breach by the Debtors, and any Claim on account thereof shall be deemed
2 disallowed, whether or not an objection was filed to it.

3 **XIX. EXECUTORY CONTRACTS**

4 The Debtors reject all executory contracts and unexpired leases not otherwise assumed
5 herein or by separate order of the Court. Claims for any executory contracts or unexpired leases
6 rejected by the Debtors shall be filed no later than ten (10) days after the earlier of Confirmation or
7 the date the executory contract or unexpired lease is specifically rejected. Any such Claims not
8 timely filed and served shall be disallowed.

10 **XX. VOTING PROCEDURE**

11 The Plan divides the Claims of Creditors and of Interest Holders into separate Classes. All
12 Classes of Claimants are encouraged to vote; however, only the vote of holders of Claims that are
13 impaired by the Plan will have a significant impact upon the confirmation process. Generally, this
14 includes Creditors who, under the Plan, will receive less than payment in full of their Claims on the
15 Effective Date of the Plan.

17 All Creditors entitled to vote on the Plan must cast their vote by completing, dating and
18 signing the ballot which has been mailed to them together with the Disclosure Statement. The
19 ballot contains instructions concerning the deadline for submitting the ballot and to what address the
20 ballot should be mailed.

21 This Disclosure Statement has been approved by the Bankruptcy Court in accordance with
22 §1125 of the Bankruptcy Code, and is provided to each person whose Claim or Interest has been
23 scheduled by the Debtors, or who has filed a proof of claim or interest with respect to the Debtors or
24 their property, each known equity interest holder and other parties-in-interest known to the Debtors.
25 The Disclosure Statement is intended to assist Creditors in evaluating the Plan and in determining
26 whether to accept the Plan. In determining acceptance of the Plan, votes of Creditors will only be
27 counted if submitted by a Creditor whose claim is duly scheduled by the Debtors as undisputed,
28

1 non-contingent and liquidated, or who has timely filed with the Court a proof of claim or proof of
2 interest.

3 The Bankruptcy Court will schedule a hearing to determine whether the requirements for
4 confirmation under the Bankruptcy Code have been met and whether the Plan has been accepted by
5 each impaired Class and by the requisite number of Creditors in such Class. Under §1126 of the
6 Code, an impaired class is deemed to have accepted the Plan upon a favorable vote of at least two-
7 thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed Claims of Class
8 members voting on the Plan. Further, unless there is unanimous acceptance of the Plan by an
9 impaired class, the Court must also determine that Class members will receive at least as much as
10 they would if the Debtors were liquidated under Chapter 7 of the Code.

11
12 Even if each Class of Creditors does not accept the Plan, the Plan can be confirmed under
13 §1129(b) of the Code, so long as one impaired Class of Creditors accepts the Plan. The failure of
14 each Class to accept the Plan could very well result in a conversion of this case to a Chapter 7 or
15 dismissal of the Chapter 11, and the secured Creditors repossessing their collateral and disposing of
16 it in a commercially reasonable manner with no obligation to unsecured Creditors.

17
18 **XXI. MODIFICATION OF PLAN**

19 In addition to its modification rights under §1127 of the Bankruptcy Code, the Debtors may
20 amend or modify their Plan at any time prior to Confirmation without leave of the Court. The
21 Debtors or the Reorganized Debtors may propose amendments and/or modifications of their Plan at
22 any time subsequent to Confirmation with leave of the Court and upon notice to Creditors. After
23 Confirmation of the Plan, the Debtors or the Reorganized Debtors may, with approval of the Court,
24 as long as it does not materially or adversely affect the interests of Creditors, remedy any defect or
25 omission or reconcile any inconsistencies of the Plan, or in the Confirmation Order, if any may be
26 necessary to carry out the purposes and intent of their Plan.
27
28

1 **XXII. CLOSING OF THE CASE**

2 If the Court does not close this case on its own motion, the Reorganized Debtors will move
3 the Court to close this case once the Plan is deemed substantially consummated. Until substantial
4 consummation, the Reorganized Debtors will be responsible for filing pre- and post-confirmation
5 reports required by the United States Trustee and paying the quarterly post-confirmation fees of the
6 United States Trustee, in cash, pursuant to 28 U.S.C. §1930, as amended. Pursuant to 11 U.S.C.
7 §1129(a)(12), all fees payable under section 1930 of title 28, as determined by the Court at the
8 hearing on confirmation of the Plan, will be paid, in cash, on the Effective Date.
9

10 **XXIII. RETENTION OF JURISDICTION**

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

13 1. The classification of the Claims of any Creditors and the re-examination of any
14 Claims which have been allowed for the purposes of voting, and for the determination of such
15 objections as may be filed to the Creditor's Claims. The failure by the Debtors to object to or
16 examine any Claim for the purpose of voting shall not be deemed to be a waiver of the Debtors'
17 rights to object to or to re-examine the Claim in whole or in part.
18

19 2. To determine any Claims which are disputed by the Debtors, whether such
20 objections are filed before or after Confirmation, to estimate any Unliquidated or Contingent Claims
21 pursuant to 11 U.S.C. §502(c)(1) upon request of the Debtors or any holder of a Contingent or
22 Unliquidated Claim, and to make determination on any objection to such Claim.
23

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

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

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

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

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

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

11 **XXIV. DISCLAIMER**

12
13 Court approval of this Disclosure Statement and the accompanying Plan of Reorganization,
14 including exhibits, is not a certification of the accuracy of the contents thereof. Furthermore, Court
15 approval of these documents does not constitute the Court's opinion as to whether the Plan should
16 be approved or disapproved.

17
18 **XXV. RISKS**

19 The risk of the Plan lies essentially with Pang's ability to maintain his income to make Plan
20 payments.

21
22 **XXVI. PROPONENTS RECOMMENDATION/ALTERNATIVES TO THE PLAN**

23 The Debtors recommend that all creditors entitled to vote for the Plan do so. The
24 alternatives to confirmation of the Plan would be either conversion of this case to a case under
25 Chapter 7 of the Bankruptcy Code or its dismissal.

26 Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring
27 of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case will take
28 priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11

1 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of
2 unsecured claims without priority. In other words, conversion would likely decrease the net amount
3 available to pay currently existing creditors. Further, a Chapter 7 proceeding would not provide the
4 Debtors with the means to pay their Priority Claims over time.

5
6 In addition, conversion could substantially delay any distribution to creditors beyond the
7 time period for distribution defined in the Plan. A Chapter 7 trustee is not limited to specific
8 deadlines for closing a case and distributing assets to creditors. It is not unusual for distributions in
9 Chapter 7 cases to be delayed for years. Moreover, the return on the assets of the Estate a trustee is
10 likely to obtain through a standard Chapter 7 liquidation could be less than the return the Plan will
11 generate.

12
13 Dismissal of this case would leave all creditors holding unsecured claims in the position of
14 having to institute legal proceedings to collect their debts. Moreover, outside the context of a
15 bankruptcy case, the first creditor to collect may collect all non-exempt property, leaving nothing to
16 be paid to remaining creditors. In addition, dismissal of this case would open the door for the
17 Debtors to file a new bankruptcy case, which could further delay or reduce funds available to pay
18 creditors.

19
20 For all these reasons, the Debtors urge you to vote to accept the Plan and to return your
21 ballots in time to be counted.

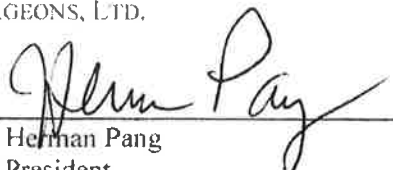
22 DATED this 11 day of August, 2017.

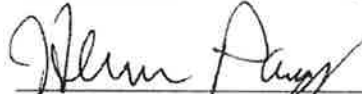
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23
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By 
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Its: President


Herman Pang

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7
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