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UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:	Case No.: 2:17-bk-13721-EPB
Quantum Wellness Botanical Institute, LLC,	Chapter 11
Debtor.	

DISCLOSURE STATEMENT IN SUPPORT OF PLAN OF REORGANIZATION PROPOSED BY DEBTOR DATED FEBRUARY 20, 2018

TABLE OF CONTENTS

Exhibits to the Disclosure Statement

Exhibit 1 Debtor's Schedule of Equity Security Holders

Exhibit 2 Letter to Maria Veloso of Quantum Wellness California

Exhibit 3 Debtor's Schedule of Assumed Executory Contracts.

Exhibit 4 Debtor's List of Administrative Convenience Claims

Exhibit 5 Debtor's Schedule of Unsecured Claims.

Exhibit 6 Feasibility Analysis and Schedule of Payments Under the Plan

Exhibit 7 Liquidation Analysis

I.
INTRODUCTION

Quantum Wellness Botanical Institute, LLC is the Debtor and Debtor in Possession in this chapter 11 case. It is the Proponent of a Plan of Reorganization and is furnishing this Disclosure Statement and the Exhibits hereto, the accompanying Ballots and the related materials delivered herewith pursuant to Section 1126(b) of the Bankruptcy Code, in connection with its solicitation of acceptances of its proposed Plan of Reorganization. Debtor is now proposing a Plan of Reorganization to restructure its indebtedness as described herein.

A. Definitions

All capitalized terms not otherwise described in this Disclosure Statement have the meanings ascribed to them in the Plan.

B. Purpose of the Disclosure Statement

The Proponent is furnishing this Disclosure Statement to all Impaired Creditors and Equity Holders who are entitled to vote to accept or reject the Plan. The Disclosure Statement is to be used by each such Creditor or Equity Holder solely in connection with its evaluation of the Plan. Use of the Disclosure Statement for any other purpose is not authorized. The purpose of the Disclosure Statement is to provide "adequate information" as that term is defined in Section 1125 of the Bankruptcy Code, which will enable Creditors whose Claims are impaired under the Plan to make an informed decision regarding whether to accept or reject the Plan.

C. Importance to Creditors to Read This Disclosure Statement

YOU SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN. THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN TERMS OF THE PLAN, BUT THE PLAN ITSELF WILL BE THE GOVERNING DOCUMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

D. Order Governing the Plan Confirmation Process

On _____, the Bankruptcy Court entered its order: (1) approving this Disclosure Statement as containing "adequate information" pursuant to Section 1125 of the Bankruptcy Code, (2) fixing _____ as the deadline for filing and serving any objections to Confirmation of the Plan, (3) fixing _____as the deadline for voting to accept or reject the Plan, and (4) setting _____ at _____ o'clock __.m. on _____2018 as the date and time to begin a hearing on the Confirmation of the Plan.

II
EXECUTIVE SUMMARY OF THE PLAN

The following summary of the Plan is provided for the convenience of the reader to provide an overview of the Plan provisions. This summary is qualified and should be read in conjunction with the more detailed information, financial statements, and notes appearing elsewhere in this Disclosure Statement and in the Plan itself.

The Plan provides for the payment of Administrative Expenses incurred by professionals on the later of the entry of a court order authorizing payment or the Effective Date following confirmation, the payment of Priority Tax claims in equal monthly payments over a period of six months starting on the first month following the Effective Date, the payment of Allowed Claims in an amount of $3,000.00 or less claims in equal monthly payments over a period of six months starting on the second month following the Effective Date, the payment of the Opus Secured Claim over a period of five years based on a seven year amortization, the payment of the American Express Secured Claim, if allowed, over a period of five years in equal monthly payments, no payment to the seller in exchange for the release of claims, and the retention of the equity interests in exchange for a new value contribution of $200,000. The Plan is funded by the New Value Contribution and revenue from the Debtor's business operations. The Plan provides for the payment to Creditors of their Allowed Claims in accordance with the priorities set forth in the Bankruptcy Code. Debtor will be managed after confirmation by existing management.

This Plan provides a substantial benefit to the Estate and the Creditors. This Plan allows the Estate to benefit from the continued operation of the Debtor's business operations.

III
REPRESENTATIONS

A. Other Representations Not Authorized.

No representations or other statements concerning the Debtor (particularly as to its future business operations or the value of its assets) are authorized other than those expressly set forth in this Disclosure Statement. You should not rely upon any representations or inducements made to secure your acceptance of the Plan other than those set forth in this Disclosure Statement.

B. Representations Not Subject To Audit.

The information contained herein has been prepared by the Proponent in good faith, based upon information available to it and its counsel. None of the information herein concerning the Plan has been subject to a verified audit.

C. Source and Date of Representations.

Proponent's management with the assistance of their financial advisor provided the factual and financial information for this Disclosure Statement. Proponent believes that the statements contained in this Disclosure Statement are accurate as of the date hereof unless another time is specified. Proponent's management is well informed about the Debtor's background and financial condition. The facts, statements and representations herein may be altered by events and circumstances occurring after the date of this Disclosure Statement. Delivery of this Disclosure Statement should not be construed as implying that there has been no change in the facts set forth herein since the date of this Disclosure Statement.

D. Intended Use Of Disclosure Statement.

This Disclosure Statement is intended for the sole use of Creditors and other parties-in-interest and for the sole purpose of assisting them in making an informed decision about the Debtor's Plan. This Disclosure

Statement may not be relied upon for any purpose other than to determine how to vote on the Plan, and nothing contained in it shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving Debtor or any other party or be deemed conclusive advice on the tax or other legal effects of the reorganization of holders of Claims or interests.

E. Proponent's Recommendation to Accept Plan.

THE PROPONENT STRONGLY URGES EACH CREDITOR TO VOTE TO "ACCEPT" THE PLAN. THE PROPONENT BELIEVES THAT UPON EVALUATION OF THE PLAN, EACH PERSON OR ENTITY ENTITLED TO VOTE WILL CONCLUDE THAT THE PLAN IS FAIR AND REASONABLE TO ALL THE CREDITORS OF THE ESTATE. CREDITORS WHO HAVE QUESTIONS REGARDING THE CONTENTS OF THIS DISCLOSURE STATEMENT OR THE PLAN MAY CONTACT THOMAS E. LITTLER, ATTORNEY FOR THE PROPONENT AT (602) 248-9010.

F. Disclaimer

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A CERTIFICATION THAT THE FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS ACCURATE NOR AN ENDORSEMENT OF THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PROMULGATED BY THE PROPONENT IN AN EFFORT TO SOLICIT CREDITORS AND EQUITY INTEREST HOLDERS TO VOTE TO ACCEPT THE PLAN. THE SOLICITATION IS A SOLICITATION BY THE PROPONENT ONLY. IT IS NOT A SOLICITATION BY THE ATTORNEYS OR ACCOUNTANTS FOR THE DEBTOR, AND THE REPRESENTATIONS MADE HEREIN ARE THOSE OF THE PROPONENT AND NOT OF THE DEBTOR'S ATTORNEYS OR ACCOUNTANTS.

CERTAIN MATERIALS CONTAINED IN THIS DISCLOSURE STATEMENT ARE TAKEN DIRECTLY FROM OTHER, READILY ACCESSIBLE DOCUMENTS OR ARE DIGESTS OF DOCUMENTS. WHILE EFFORTS HAVE BEEN MADE TO CONVEY ACCURATELY THE CONTENTS OF SUCH DOCUMENTS, YOU ARE URGED TO EXAMINE THE DOCUMENTS THEMSELVES AND TO USE THE DESCRIPTIONS OF DOCUMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ONLY AFTER HAVING CONDUCTED SUCH AN EXAMINATION.

NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTOR, INCLUDING, WITHOUT LIMITATION, ITS FUTURE BUSINESS OPERATIONS, THE VALUE OF ITS PROPERTY, OR THE VALUE OF SECURITIES TO BE ISSUED PURSUANT TO THE PLAN ARE AUTHORIZED BY THE DEBTOR OR THE PROPONENT OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. IN ARRIVING AT YOUR DECISION TO ACCEPT OR REJECT THE PLAN, YOU SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN WHICH ARE OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT. SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE PROPONENT WHO, IN TURN, SHALL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

EFFORTS HAVE BEEN MADE TO PREPARE ALL UNAUDITED FINANCIAL STATEMENTS WHICH MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPALS. HOWEVER, AS TO ALL FINANCIAL STATEMENTS, THE PROPONENT IS UNABLE TO WARRANT OR REPRESENT THE ACCURACY OF THE INFORMATION CONTAINED IN THOSE STATEMENTS

TO BE WITHOUT ERROR.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO AN EXAMINATION BY INDEPENDENT, CERTIFIED PUBLIC ACCOUNTANTS. THE DEBTOR HAS KEPT RECORDS SUBSEQUENT TO THE FILING OF THE PETITION COMMENCING THIS CASE AND THE DEBTOR HAS FILED MONTHLY FINANCIAL REPORTS WITH THE COURT SINCE THAT DATE.

THE LIQUIDATION ANALYSIS CONTAINED IN THIS DISCLOSURE STATEMENT WAS NEITHER COMPILED BY INDEPENDENT, CERTIFIED PUBLIC ACCOUNTANTS NOR SUBJECTED TO AN AUDIT OR EXAMINATION BY INDEPENDENT, CERTIFIED PUBLIC ACCOUNTANTS.

IF YOU ARE ENTITLED TO VOTE ON THE PLAN, YOU SHOULD DO SO. UNDER THE BANKRUPTCY CODE, DETERMINING THE OUTCOME OF BALLOTING ON THE PLAN REQUIRES A CALCULATION WHICH CONSIDERS THE VOTES OF THOSE CREDITORS AND EQUITY INTEREST HOLDERS WHO ACTUALLY VOTED ON THE PLAN. YOUR RIGHTS MAY BE AFFECTED EVEN IF YOU DO NOT VOTE ON THE PLAN. YOUR OPPORTUNITY TO HAVE THE OUTCOME YOU DESIRE WILL LIKELY BE ENHANCED IF YOU VOTE.

NOTHING IN THIS DISCLOSURE STATEMENT LIMITS DEBTOR'S RIGHTS TO OBJECT TO ANY PROOFS OF CLAIMS OR INTERESTS FILED IN THIS CASE.

BECAUSE THE PROPONENT DOES NOT EXPRESS ANY OPINION AS TO THE TAX CONSEQUENCES OF THE PLAN, IN NO EVENT WILL THE PROPONENT, NOR THE PROFESSIONAL ADVISORS IT HAS ENGAGED, BE LIABLE IF, FOR ANY REASON, THE TAX CONSEQUENCES OF THE PLAN ARE NOT AS ANTICIPATED BY CREDITORS AND EQUITY INTEREST HOLDERS. CREDITORS AND EQUITY INTEREST HOLDERS MUST LOOK SOLELY TO AND RELY SOLELY UPON THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF THE PLAN.

IV
HISTORY AND BACKGROUND OF THE DEBTOR

A. Debtor's Business Operations

Business Overview: Quantum Wellness Botanical Institute, LLC ("QWBI" or the "Company") specializes in the marketing and sales of nutritional supplements and skincare products through direct mail, e-mail marketing, online advertising and sales, and Joint Venture/affiliate partnerships. The Company was formed as a Limited Liability Corporation in the State of California in 2012 by the Maria Veloso, who was the sole owner of the Company until she sold on February 12, 2016. QWBI began doing business in the nutritional supplements market in 2013.

Products/Services and Markets Served: The Company specializes in the marketing and sales of nutritional supplements and skincare products through direct mail, media/e-mail marketing, online advertising and sales, and through Joint Venture/affiliate partnerships. The Company markets its own brand of high-quality nutritional supplements and skin care products to promote overall health and well-being (Mega Nutrition Organic Superfood, RejuvaPlex); immune function (Curcumin 46X); digestive health (Dyflogest, Rejuva Digest); inflammatory relief (Rejuva Joint); healthy aging (Rejuvenation, Transformation Skin Cream, Quantum Heart Max, Artery Armor, Supreme Brain Nutrition, Rejuvenation Facial Serum, and Solar Youth Factor) .

Product Quality: In order to ensure that customers receive optimal nutritional supplements, QWBI nutritional supplements are manufactured only by CGMP (Current Good Manufacturing Practice) manufacturers, which refers to manufacturers that are certified for full compliance with the US Food and Drug Administration 21 CFR, Part 111 regulations, and CGMP certified by NPA (Natural Products Association) and NSF (NSF International), the leading certifying organizations in the industry. Adherence to the CGMP regulations assures the identity, strength, quality, and purity of products by requiring that manufacturers adequately control manufacturing operations and provide maximum shelf life.

Customer Base: The Company's current target market and customer base consists of the following:

Baby boomers - 51 to 69 years old = 45% of sales
Seniors - 70 years and older = 43% of sales
50 years old and younger = 12% of sales

New customers are developed primarily through the company's direct mail and digital marketing efforts. The Company also publishes the e-newsletter called Journal of Natural Longevity, which has over 35,000 subscribers

Industry Overview: The health and wellness industry is considered the new trillion dollar industry. With new focus and trends aimed towards healthier products for the new generation, baby boomers and seniors are among the biggest responders to health and wellness initiatives. The market size of the global wellness industry in 2013 shows the Beauty & Anti-Aging category and Healthy Eating, Nutrition & Weight Loss category as the top 2 segments of the market, as follows:

- Beauty & Anti-Aging = $1.025 Trillion
- Healthy Eating, Nutrition and Weight Loss = $574 Billion

Trends that support the continued growth of QWBI's business model include the following:

- Over 87% of US consumers take some form of dietary supplement.
- Over 69% of Americans use some form of complementary or alternative medicine

Historical Operating Information and Current Financial Condition:

QWBI's three main sources of revenues are as follows:

1) Sales of Nutritional Supplements and Skincare Products.

2) Advertising Revenues (paid by advertisers for ads run in the Journal of Natural Longevity e-newsletter (which used to be named Journal of Anti-Aging Breakthroughs when it was owned by RDC)

3) Joint Venture and Affiliate Commissions (from affiliate programs and Joint Venture partners promoted by QWBI)

In the company's short lifespan, it has seen a rise and fall in revenues. The original owner launched products through her health newsletter, Underground Health Reporter, which had 250K susbscribers at its peak. The company capitalized on the success of that market and added to the revenues with direct mail marketing efforts. The founder then sold part the product side of the QWBI and kept the marketing vehicle (UHR newsletter) that drove half of the product sales. That vehicle was losing subscribers in 2015 and continued to decline, resulting in product sales declines for QWBI. In addition, the number two product, Rejuvenation, was the subject of a lawsuit due to the marketing claims used by the original owner. The new management ceased using that marketing and subsequently lost significant revenue in 2016 and 2017.

(USD) FYE Dec. 31,	2012A	2013A	2014A	2015P	2016P	2017P
Revenue	$1,233,055	$4,374,802	$6,728,629	$6,865,383.86	$5,436,395	$3,941,760.12
%Growth	*n/a*	*255%*	*54%*	*1%*	*30%*	*30%*
Gross Profit	$948,983	$2,895,664	$4,678,143	$4,632,850.36	$3,893,622	$2,725,911
%Revenue	*77%*	*66%*	*70%*	*67%*	*72%*	*72%*
Operating Income	$403,849	$749,982	$1,047,139	$1,174,863.93	-638,700	$-452,317
%Revenue	*33%*	*17%*	*16%*	*17%*	*32%*	*12%*

As sales revenues declined, the decision was made to consolidate operations and close the LA office and warehouse as a cost savings and streamlining effort. In April of 2016, that transition took place and a new more focused team was put in place. Following is a short description of company human resources.

Management and Key Resources:

A. Management: Fred Auzenne is the CEO of QWBI. He is a successful serial entrepreneur who has substantial experience in the health and wellness arena. He has been part owner and CEO of several direct to consumer supplements companies including Nutri-Health Supplements, Supplementstogo.com, BioNovix and WorldClassNutrition.com. Prior to that, he spent many years in sales and marketing within pharmaceutical, and medical device industries.

B. Employees: The Company has five full-time employees (Director of Finance, Director of Digital Marketing, Marketing Coordinator, Project Assistant in Shipping and Marketing, and Customer Service Manager), and two part-time employees (Executive Assistant and Shipper) Other critical business functions are managed by a variety of independent contractors who are specialists in different areas.

C. Independent Contractors:

1. DJ Direct Response - Deeba Jafri is the Direct Mail Manager who coordinates copywriters, list brokering, graphics, printing shipping and tracks results of the company's Direct Mail Campaigns.

2. King Consulting, LLC – Tracy King is a business consultant that has prior experience managing and leading supplement companies, including a prior role as QWBI President. She oversees overall business and marketing operations and is supporting the company through the restructuring transition.

3. Dr. Dennis Clark is a product spokesperson and scientific research with 15 years of experience in the nutritional supplements industry.. Dr Clark conducts research on various ingredients to substantiate claims and benefits for use in marketing materials, which he also edits

4. JAX Group Strategic Marketing, Inc. – Jackie Reyis a Joint Venture Partner and Affiliate Marketing Manager sources other partners that have large followings in the supplement space. She secures ad placements for the QWBI products and helps to find additional mailing lists and affiliates to expand product sales.

5. Brand Enhancement, Strategy, & Protection - Paul is responsible for supply chain management, sourcing, and product development for the company. He has over 30 years of experience leading and running his own contract manufacturing company.

Each of these persons and entities provide important services in the ongoing business operations of the company, which is necessary to continue post-petition for the reorganization of the Debtor. These persons and entities have been hired by the company and perform critical tasks essential to ongoing operations. All have been working for the company for some time.

Current Ownership

Current Ownership is listed on Exhibit 1.

The Decision To File Chapter 11

After the Debtor acquired the assets of its predecessor, it ceased marketing the Rejuvenation product, which was the number two selling product by Quantum Wellness California and then by Debtor, due to claims made about the truth of the marketing assertions that are the subject of the SanMedica litigation in Utah and a Federal Trade Commission investigation. Because Debtor was unable to market Rejuvenation based on the same marketing that the seller utilized and represented to Debtor as tested, legal and acceptable, Quantum Wellness AZ's revenues from this product went from $1,097,279.36 in 2016 to $564,053.05 in 2017. This substantial reduction in revenue caused Debtor to struggle to meet its debt service and had to reduce its marketing which also caused a reduction in revenue.

Because of that, the company made numerous efforts with Opus Bank and American Express to restructure its debt payments without the necessity of filing. Debtor retained the services of Ted Burr of MAC Restructuring Advisors. LLC to evaluate the company's financial condition and assist in working out a restructuring plan and participate in meetings with Opus and American Express to negotiate a modification of the payment terms of the Opus loan and the American Express loan. This would have allowed Debtor to pay operating expenses and sufficient monies on marketing to increase revenues. Debtor sent Opus and American Express proposed budgets and term sheets proposing a restructuring of the debt. Opus was open to discussion about a restructuring of its debt, however, it would not do so without the Debtor also restructuring the debt with American Express. American Express was sweeping greater and greater percentages of the amount in the Debtor's bank accounts, eventually leaving Debtor with no monies to pay its ongoing business expenses or marketing. Debtor filed this chapter 11 in order to stop American Express from its bank account sweeps and to restructure its debts to emerge as a viable and profitable company.

Company's Cost Cutting

Due to cost considerations, management made the decision to close the Los Angeles office and consolidate operations to Arizona. This has resulted in less overhead and savings in payroll based on the lower cost of Arizona-based salaries, totaling over $35,000 per month. The announcement was made to the CFO on April 3, 2017 and to the rest of the company on April 17, 2017 and the ensuing transition took place throughout second quarter. The physical move of office equipment, computers and servers, and office supplies was made in June. The space was put on the market to sub-lease. A renter was found in June and the landlord started due diligence on the potential tenant. The tenant was approved and took over the lease effective September 1, which resulted in savings of over $4000 per month. The office consolidation resulted in significant savings of roughly $40,000 per month in payroll and related expenses, although expenses increased in the short term while new hires were added and old employees were transitioning out. In addition to cost savings, the office consolidation gave management the opportunity to significantly upgrade the skill set of the team.

In Marketing, every resource was replaced. Replacement hires included Direct Mail Director, Internet Marketing Director, Internet Project Specialist, Newsletter Editor/Writer, Customer Service Manager, JV/Affiliate Marketing Manager, and Project Assistant (split between marketing and fulfillment). The biggest change long-term was the addition of a true e-commerce marketing team, as the prior team had no experience in digital marketing (SEO, PPC ads, banner ads, social media marketing, etc.). Already, the new team has been instrumental in transitioning to a new email marketing platform, a new website platform, and a new call center, discovering and addressing numerous issues, and creating SOP's and marketing libraries.

The CFO and Accountant were replaced by the Director of Finance. In addition to handling both roles

and the transition of all supplier, bank, and credit card contact and account information, the replacement Director of Finance eliminated duplicate and unnecessary expenses, corrected errors in inventory valuation and marketing cost allocations, finalized California tax reporting, worked on tax preparations, and started analyzing different parts of the business before the Chapter 11 proceedings began..

Assets Owned By And The Present Status of the Debtor

Debtor's assets include the following:

- Brand names
  - Quantum Wellness Botanical Institute
  - All product names (and formulas) including the following:
    - Dyflogest
    - Rejuva Joint
    - RejuvaPlex
    - Rejuva Digest
    - Mega-Nutrition Organic Superfood
    - Curcumin 46X Full-Spectrum Formula
    - Quantum Performance for Men
    - Quantum Heart Max
    - Supreme Brain Nutrition
    - Mega-Nutrition Organic Superfood Capsules
    - Transformation Skin Rejuvenating Crème
    - ReJuvenation Anti-Aging Supplement
    - Regeneration Anti-Aging Facial Serum
    - Solar Youth Factor Advanced Sun Protection
    - Artery Armor
  - Company logos
- Domains/websites

  www.QuantumWellnessBotanicalInstitute.com

  Marketing Platform
  - Proprietary marketing campaigns, systems, materials, and strategy
  - Approximately 35,000 Active E-newsletter Subscribers
- Product Formulas
  - Proprietary product formulas for all products listed above
- Customer Base
  - 65,000 customers
- Strategic Relationships
  - Affiliate and joint venture partnerships – marketing
  - Contract manufacturers

- Macromark – direct mail / list management
- NexRep – customer call center

- Office equipment
  - Computers, printers, copier (excluding Seller's personal items - i.e. laptop, etc.)
  - Office furniture & supplies
- Litigation Claims

Litigation Involving The Debtor

1. SanMedica v Quantum Wellness Botanical Institute, LLC et al: This is a lawsuit pending in the United States District Court for the District of Utah (the "Utah Action"). In the Utah Action, SanMedica seeks a declaratory judgment, injunctive relief, and money damages arising out of allegations of false advertising and unfair competition by Debtor and the company Debtor purchased its assets from (also called Quantum Wellness Botanical Institute, LLC, but which is a California limited liability company; we will call it "Quantum California"). SanMedica is a competitor of the Debtor selling a similar product that it admits competes with Debtor's product called "ReJuvenation."

2. Quantum Wellness California. Debtor asserts claims against the seller of the assets as described in the letter attached as Exhibit 2. The Agreements with Quantum Wellness California require a mandatory mediation preceding any legal action and the letter is intended to commence that process.

V
COMMENCEMENT OF AND SIGNIFICANT EVENTS IN THE CHAPTER 11 CASE

A. Commencement of the Chapter 11 Case

The Debtor filed voluntary petitions in this Court for reorganization relief under Chapter 11 of title 11 of the United States Code, 11 U.S.C. sec. 101-1330, on November 17, 2017.

B. Engagement and Payment of Fees of Debtor's Professionals

The Bankruptcy Court authorized the Debtor to retain Thomas E Littler as its attorney on a general retainer to provide services and to assist the Debtor in reorganizing under Chapter 11. An Order was entered on November 30, 2017 (ECF 36). The Court entered an order authorizing the employment of Ted Burr of MAC Restructuring Advisors as the Debtor's financial advisor, on December 12, 2017 (ECF 47). An application to retain special counsel to represent the Debtor in the SanMedica litigation in Utah and in the Federal Trade Commission investigation was filed and is pending.

C. Appointment of the Creditors Committee

The United States Trustee was unable to appoint a Creditors Committee.

D. Lease Rejections and Assumptions

As of the Petition Date the Debtors have not assumed or rejected any Executory Contracts.

E. Cash Collateral

The Debtor filed a *Motion for Order Authorizing Use of Cash Collateral and Granting Adequate Protection* (the "*Motion*"), on November 29, 2017. On December 10, 2017, the Court entered the Agreed Interim Order: (I) Authorizing Debtors' Limited Use of Cash Collateral, and (II) Granting Postpetition Replacement Liens and

Adequate Protection [Dkt. No. 43] (the "First Interim Order"). Follow up orders extending the authorization to use cash collateral were entered on December 10, 2017 (ECF 43) and on January 26, 2018 (ECF 79).

F. Bar Date

The Bankruptcy Court entered an Order setting a Bar Date of February 15, 2018 requiring that debts not listed by the Debtor or those debts listed as contingent, disputed or unliquidated and who desire to participate in the case or share in any distribution must file a proof of claim by the Bar Date. The Plan provides for different dates for the filing of proofs of claims for rejected Executory Contracts and for Administrative Expenses that arise from or relate to unpaid rent accruing after the Petition Date.

VI
SUMMARY OF THE PLAN

A. Payment of Administrative Expenses and Priority Tax Claims

Unless paid earlier pursuant to Court Order, the allowed amount of Administrative Expenses for Professional Compensation shall be paid on the later of: (1) the Effective Date; (2) ten days after an Order approving the Administrative Expense is entered if the Claim is one of a professional person employed under Sections 327 or 1103 of the Bankruptcy Code; (3) twenty days after the Claim becomes an Allowed Claim for all other Administrative Expenses; or (4) on the date an Administrative Expense becomes payable pursuant to any agreement between the Debtor and the holder of such Administrative Expense. Administrative Expenses include counsel for the Debtor, special counsel for the Debtor for the defense of the SanMedica Utah lawsuit (described in detail in the Disclosure Statement), Andrew B. Lustigman, Esq of Olshan Frome Wolosky LLP, including Utah local counsel, Peter H. Donaldson of Esq Durham Jones Pinegar, P.C., the Debtor's financial analysist, Ted Burr of of Mac Restructuring Advisors, LLC, and any other professionals approved by the Court including accountants and tax advisors. Administrative fees are anticipated to be in the range of $150,000 to $200,000 on the Effective Date.

Administrative Expenses with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 case, shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.

All payments of Administrative Expenses not of the type described in Sections 2.01 and 2.02, quarterly fees owing to the United States Trustee and other fees owing pursuant to Section 1930 of Title 28 of the United States Code, shall be paid on the Effective Date.

B. Priority Tax Claims

Priority Tax Claims are those Tax Claims entitled to priority pursuant to section 507 (a) (8) of the Bankruptcy Code. The Claims in this Class originally in the amount of $8,960.87 now reduced to 0, as $8,960.87 was approved to be paid and paid in December 2017. Each Allowed Priority Tax Claim, as allowed pursuant to 11 U.S.C. §507(a)(8), irrespective if the tax claim is secured, shall be paid in full satisfaction, release, settlement, and discharge of the Claim on the Effective Date.

C. Classification and Treatment of Claims and Interests

The Claims against and the Interests in the Debtor are separately classified for purposes of voting to accept or reject the Plan and for purposes of distribution. The classification and the determination of which Claimants are in each Class is determined by the requirements of section 1122 of the Bankruptcy Code which requires a plan to classify the claims of a debtor's creditors and the interests of its equity holders. The Bankruptcy Code requires that, except for the classification of certain claims classified for administrative convenience, a plan of reorganization may place a claim of a creditor or an interest of an equity holder in a particular class only if such claim is "substantially similar to the other claims or interest of such class."

The Bankruptcy Code also requires that a plan of reorganization provide for the same treatment for each claim or interest or a particular class unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest. The Debtor believes that they have complied with such standard. If the Bankruptcy Court finds otherwise, it could deny confirmation of the Plan if the Claimholders and Interest holders affected do not consent to the treatment afforded them under the Plan.

The Plan classifies the following in separate Classes which are treated by the Plan as stated:

Class 1: Priority Claims.

Description of Class 1 Claims. Class 1 consists of all Allowed Claims entitled to priority under Bankruptcy Code Section 507(a)(4), (5), (6) or (9) to the extent of the amount allowed priority status under the Bankruptcy Code. This class includes Allowed Unsecured Claims, but only to the extent of $12,850 for each individual or corporation, as the case may be, earned within 180 days before the date of the filing of the petition or the date of the cessation of the debtor's business, whichever occurs first, for wages, salaries, or commissions, including vacation, severance, and sick leave pay earned by an individual; or sales commissions earned by an individual or by a corporation with only 1 employee, acting as an independent contractor in the sale of goods or services for the debtor in the ordinary course of the debtor's business if, and only if, during the 12 months preceding that date, at least 75 percent of the amount that the individual or corporation earned by acting as an independent contractor in the sale of goods or services was earned from the debtor. Claimants included in this class are:, Certainty Ventures, King Consulting, Brand Enhancement, DJ Direct Response, Jax Group Strategic Marketing, Amy Lucas, and Dr. Dennis Clark. These claims are approximately $46,426.87.

Impairment and Voting. Class 1 is Impaired by the Plan. Therefore, all holders of Allowed Class 1 Claims are entitled to vote on the Plan.

Distributions. Class 1 Allowed Priority Claims shall be paid in six equal monthly payments in the approximate amount of $9,404.00 per month commencing on the first day of the first month following the Effective Date.

Class 2: Administrative Convenience Claims.

Description of Class 2 Claims. Class 2 consists of all Allowed Unsecured Claims in the amount of three thousand dollars ($3,000.00) or less and Allowed Unsecured Claims in excess of $3,000.00 which the Creditor elects to have reduced to $3,000 and be treated as a Class 2 Claim. The amount of Allowed Claims in this class is estimated to be in the amount of $32,078.60 Exhibit 4 is a list of these Claimants.

Impairment and Voting. Class 2 is impaired by the Plan. Therefore, all holders of Allowed Class 2 Claims are entitled to vote on the Plan.

Distributions. Class 2 Allowed Administrative Convenience Claims shall be paid in six equal monthly payments in the approximate amount of $5,782.00 per month commencing on the fifteenth day of the second month following the Effective Date.

Class 3: Secured Claim of Opus

Description of Class 3 Claim: Class 3 consists of the Allowed Secured Claim of Opus Bank in the principal amount of $2.275,450.63 or the claim amount of $2,303,248.65. This Secured Claims is based on a loan from Opus Bank to Debtor on or about February 8, 2016 in the original principal amount of $3,100,000.00 pursuant to that certain Business Loan Agreement and the Promissory Note dated February 8, 2016. The Note is secured by, among other things, a Commercial Security Agreement dated February 8, 2016, granting Lender a security interest in all of the Debtor's personal property, tangible and intangible, wherever located, as more fully described in the Security Agreement perfected by the filing of (i) a UCC Financing Statement on February 12, 2016 with the Arizona Secretary of State at No. 2016-000-6409-4, and (ii) a UCC Financing Statement on December 22, 2016 with the Arizona Secretary of State at No. 2016-004-5398-9.

Impairment and Voting. Class 3 is impaired by the Plan. Therefore, holders of Allowed Class 3 Claims are entitled to vote on the Plan.

Distributions. Class 3 Allowed Secured Claim of Opus Bank ishall be paid as follows:

- Approximate Monthly payments of $32,161.000 per month based on a 7 year amortization;
- At a five percent (5%) interest rate;
- Payable each month on the first day of each month:
- Commencing on first day of the first month following the Effective Date;
- And all due and payable on the fifth anniversary of the Effective Date.

Class 4: Secured Claim of American Express

Description of Class 4 Claim. Class 4 consists of the Allowed Secured Claim of American Express. American Express asserts a secured claim. That Secured Claim is in a second lien position behind the Allowed Secured Claim of Opus Bank. Because of the Liquidation Value of the American Express Collateral is less than the amount of the Opus Bank Claim, Debtor asserts that this Class is in the amount of $0.00.

Impairment and Voting. Class 4 is impaired by the Plan. Therefore, holders of Allowed Class 4 Claims are entitled to vote on the Plan.

Distributions. Class 4 Secured Claim of American Express, if allowed, to the extent of the value of its Collateral as determined at the Confirmation Hearing, shall be paid as follows:

- Equal monthly payments based on a five-year amortization;
- At five percent (5%) interest rate;
- Payable on the fifteenth day of each month;
- Commencing on the fifteenth day of the first month following the Effective Date and continuing until paid in full.

Class 5: Prior Owner Carryback

Description of Class 5 Claim. Class 5 consists of the Allowed Unsecured Claim of Quantum Wellness Botanical Institute, LLC, a California limited liability company, arising from the following: Asset Sale and Contribution Agreement dated February 12, 2016 (the "Asset Sale Agreement"); the QWBI Mutual Agreement to Revise and Amend Asset Sale and Contribution Agreement (et al) dated August 3, 2016 (the "Amendment"); and the letter agreement agreed to on September 28, 2016 (the "Letter Agreement") in the amount of $684,275.00;

Impairment and Voting. Class 5 is impaired by the Plan. Therefore, holders of Allowed Class 5 Claims are entitled to vote on the Plan.

Distributions. Class 5 shall be treated as follows:

- Debtor shall release the Class 5 Claimant of all claims the Debtor has against it except as excepted below;
- In exchange for that release, Class 5 shall receive nothing on its Unsecured Claim as an offset to amounts owing Debtor as described in the Debtor's Disclosure Statement;
- The Class 5 Claim will be treated as fully satisfied and released in exchange for Debtor's release of claims against the Class 5 Claimant;
- The Class 5 Claimant shall not be excused from its obligation to indemnify Debtor for all claims including attorney's fees for the Utah Action and any related action involving the Federal Trade Commission.

Class 6: Unsecured Claims

Description of Class 6 Claims. Class 6 consists of the Allowed Unsecured Claims and all Claims not otherwise classified. Class 6 includes (1) the Allowed Unsecured Claim of American Express in the amount that the amount of the Debt exceeds the value of the Collateral in the amount of $150,226,41; (2) the investor promissory note and line of credit of Fred Auzenne and his entities in the amount of $235,000; (3) the investor promissory note and line of credit of Samuel P. Black III in the amount of $307,780.81; (4) the investor promissory note and line of credit of Black Interests LTD Partnership in the amount of $433,380.66; (5) Allowed Unsecured Claims for wages, salaries, or commissions, including vacation, severance, and sick leave pay earned by an individual or sales commissions earned by an individual or by a corporation with only 1 employee, acting as an independent contractor in the sale of goods or services for the debtor in the ordinary course of the debtor's business in an amount that exceeds the Priority Claim amount in Class 2; (6) the American Express Credit Card account in the amount of$50,368.32; and (7) the Allowed Unsecured Claims in excess of $3,000.00 ($3000.01 or higher). The Claims in this Class total$1,262,292.05 This class also includes any Allowed Unsecured Claims arising from the rejection of an executory contract.

.Impairment and Voting. Class 6 is Impaired by the Plan. Therefore, holders of Allowed Class 6 Claims are entitled to vote on the Plan

Distributions. Except to the extent that a Creditor with an Allowed Unsecured Claim agrees to less favorable treatment, each Creditor holding an Allowed Claim in Class 6 shall be paid in full satisfaction of their Allowed Unsecured Claim the sum of ten percent (10%) of the amount of the Creditors Allowed Unsecured Claim in equal monthly payments, over a period of twelve months commencing on the first day of the ninth month following the Effective Date. No interest shall accrue on Class 2 Claims.

Class 7: Equity Interests.

Description of Class 7 Equity Interest. Class 7 consists of all equity interests represented by the membership interests in the Debtor. A list of the Debtor's Equity Interest is attached hereto as Exhibit 1.

Impairment and Voting. Class 7 is impaired by the Plan. Therefore, holders of Allowed Class 7 Claims are entitled to vote on the Plan.

Distributions. On the Effective Date, one or more Members shall contribute $200,000 in Cash to the Reorganized Debtor in exchange for 100% of the equity interests of the Reorganized Debtor (the "New Value Contribution"). All Prepetition Equity Interests in the Debtor other than those contributing the New Value Contribution, will be terminated. The Equity Interest of Maria Veloso will be terminated in exchange for the Debtor's releases provided to Class 5 Creditor in satisfaction and release of the litigation claims against her.

D. Distributions to Creditors.

The Plan sets forth provisions regarding when and how distributions will be made to Claimants on Allowed Claims, the filing by the Debtor of objections to claims and the impact of such objections on distributions, the settlement of disputed claims, and the disallowance of Post Petition additions to Claims for interest and professional fees. The Plan should be reviewed carefully for important information regarding distributions to Creditors.

Attached hereto as Exhibit 6 is a Proforma Statement of Cash Flows which projects the anticipated cash flow to fund the Plan and the payments due under the Plan. The Proforma provides a schedule of anticipated amounts and timing for the payments to each class under the plan.

E. Executory Contracts

Executory Contracts are attached hereto as Exhibit 3. The following terms are included in the Plan in the event that a contract with the Debtor is determined to be executory and must be assumed or rejected.

The Plan provides that certain Executory Contracts will be assumed on the Effective Date. All defaults on Executory Contracts or unexpired leases will be cured upon Assumption. However, the Plan provides that all defaults shall be deemed cured except to the extent written demand for the cure of or demonstration of ability to cure any default has been filed with the Bankruptcy Court and served upon Debtor by the non-Debtor party to such Executory Contract or unexpired lease within thirty (30) days after the date of service of notice of the Effective Date. In the absence of a timely demand in accordance with the foregoing, Debtor's obligation to cure or demonstrate the ability to cure shall be deemed waived, released and discharged.

If any non-Debtor party to an Executory Contract or unexpired lease timely serves and files a written demand, and Debtor files an objection in writing to such demand within thirty (30) days thereafter, any monetary amounts by which each Executory Contract to be assumed pursuant to the Plan is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor, by Cure. If there is a dispute regarding (a) the nature or amount of any Cure, (b) the ability of the Debtor to provide "adequate assurance of future performance" or (c) any other matter pertaining to assumption, the dispute will be brought before the Bankruptcy Court and Cure shall occur following the entry of a Final Order resolving the dispute and approving the assumption. The Bankruptcy Court shall, by the issuance of a Final Order, determine the amount actually due and owing in respect of such demand or shall approve the settlement of such demand. Debtor shall have thirty (30) days thereafter in which to effect such Cure or withdraw *ab initio* their assumption of such Executory Contract or unexpired lease whereupon such Executory Contract or unexpired lease shall be deemed to have been rejected as of the date of the Chapter 11 petition for relief.

The Plan provides that if the rejection of an Executory Contract or unexpired lease results in damages to the other party or parties to such contract or lease, a Claim for such damages is barred unless a proof of Claim is timely filed. The Claim shall be forever barred and shall not be enforceable unless a proof of Claim is filed with the Bankruptcy Court and served upon the Debtor as follows: (a) if the Claim arises from the rejection of an Executory Contract or unexpired lease by operation of any provision of this Plan, thirty (30) days after the date of service of notice of the Effective Date; (b) if the Claim arises from the rejection of an Executory Contract or unexpired lease pursuant to a Final Order of the Bankruptcy Court (other than the Confirmation Order) authorizing rejection of such contract or lease, thirty (30) days after service of notice of the entry of such Final Order; or (c) if the Claim arises from the rejection of an Executory Contract or unexpired lease that is rejected after withdrawal of the assumption thereof, thirty (30) days after service of notice of the assumption withdrawal. The foregoing applies only to Claims arising from the rejection of an Executory Contract or unexpired lease; any other Claims held by a party to a rejected contract or lease shall have been evidenced by a proof of Claim filed by earlier applicable bar dates.

All Allowed Claims arising from the assumption of an Executory Contract or unexpired lease shall be treated as a Class 5 Claim unless otherwise ordered by Final Order of the Bankruptcy Court.

VI

VOTING ON THE PLAN

A. Who May Vote

Each Impaired Class of Claims or Interest that is likely to receive or retain any interest in property under the Plan shall be entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is deemed to have accepted the Plan and, therefore, is not entitled to vote to accept or reject the Plan. By operation of law, each class that will receive nothing under the Plan is deemed to have rejected the Plan. Classes 2, 3, 4, 5 and 6 are entitled to vote on the Plan. Only creditors and equity interest holders whose claims and interests have been both **allowed** for purposes of voting and **impaired** by the Plan are entitled to

vote on the Plan.

For a claim to be allowed for voting purposes, the claim must be listed in the Debtor's Chapter 11 schedules **and must not** be listed as "disputed", "contingent" or "unliquidated". If a claim is listed but shown as "disputed", "contingent" or "unliquidated", the holder of the claim will not be entitled to vote absent the timely filing of a Proof of Claim..

If a Claim is not listed or is listed as "disputed", "contingent", or "unliquidated", the holder of the Claim must file a Proof of Claim on or before the Bar Date set by the Court (or the Debtor must file a Proof of Claim for that Creditor as permitted by the Federal Rules of Bankruptcy Procedure) for that Creditor to be entitled to vote. Moreover, no holder of a Claim will be entitled to vote if any party in interest objects to that Claim before balloting on the Plan or any Amended Plan occurs, unless the Bankruptcy Court enters a specific order allowing the Claim for voting purposes.

For an equity interest to be allowed, the equity interest holder's asserted interest must appear in the Debtor's schedules or the holder of the equity interest must file a proof of interest before the bar date set by the Court (or the Debtor must do so for the interest holder as permitted by the Federal Rules of Bankruptcy Procedure), and the equity interest holder must be a record holder of the Debtor's securities on the date of the order approving this Disclosure Statement is entered on the Court's docket. In addition, no entity claiming to hold an equity interest may vote if any party in interest has objected to the allowance of the asserted interest prior to voting on the Plan or any Amended Plan, unless the Bankruptcy Court enters an order allowing the interest for voting purposes.

In addition to the foregoing criteria for voting eligibility, only creditors and equity interest holders whose Claims or interests are "impaired" by the Plan (i.e., those whose claims or interests are altered or who will not receive the allowed amount of their Claims in cash pursuant to the original terms of their agreements) are entitled to vote to accept or reject the Plan. Holders of claims or interests which are not "impaired" are deemed to have accepted the Plan as a matter of law.

If the claim or interest you hold has been classified in one of the impaired classes of claims or interests created by the Plan, it is important that you vote. In addition, if you hold more than one claim or interest classified as "impaired" under the Plan, it is important that you vote with respect to **each** such claim or interest. **IF YOU FAIL TO VOTE, YOUR RIGHTS MAY BE JEOPARDIZED**.

B. Voting Procedures

After carefully reviewing this Disclosure Statement and its Exhibits, vote to accept or reject the Plan on the enclosed ballot (or ballots) and mail or deliver it (or them) to the addresses identified below so that your ballot (or ballots) is received by the voting deadline.

Under the Bankruptcy Code, for purposes of determining whether the Requisite Acceptances have been received, only holders of Impaired Claims who actually vote by delivering a duly executed Ballot prior to the Voting Deadline will be counted. All ballots must be signed and received prior to the deadline set forth by the Court in the accompanying Order approving this Disclosure Statement.

Mail or deliver original ballots to:

Clerk, U.S. Bankruptcy Court
District of Arizona
230 N. First Avenue, Ste. 101
Phoenix, Arizona 85003-1706

Also, mail or deliver copies of all ballots to the Proponent's attorney at the following address:

Thomas E Littler
341 W Secretariat Dr
Tempe, Arizona 85284

AS MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR BALLOTS BE MAILED OR DELIVERED **WELL IN ADVANCE** OF THE DATE SPECIFIED. BALLOTS RECEIVED AFTER THIS DATE MAY NOT BE COUNTED.

Each creditor entitled to vote is to receive a ballot for each separately classified, impaired claim held. Each equity interest holder entitled to vote is also to receive a ballot. If you believe that you are entitled to vote on the Plan and you have not received this Disclosure Statement along with the Exhibits, a Ballot and related materials, you may request them from Counsel for the Debtor at the address shown above.

If you do not receive the required number of ballots with your copy of the Court-approved disclosure statement, notify the Proponent's attorney immediately at the address noted above.

IT IS IMPORTANT FOR YOU TO CAST ALL BALLOTS WHICH YOU ARE ENTITLED TO VOTE.

C. Voting Deadline

The Voting Deadline for the return of the ballots has been set by the Court as _____.

In order to be counted, ballots must be appropriately completed, personally signed and received by the Clerk of the Bankruptcy Court and Proponent's Counsel no later than the Voting Deadline.

Except to the extent requested by the Proponent, or as permitted by the Bankruptcy Court pursuant to Bankruptcy Rule 3018, Ballots received after the Voting Deadline will not be counted or otherwise used in connection with the Proponent's request for Confirmation of the Plan.

D. Vote Required for Class Acceptance

A Class of Claims accepts the Plan if the Claimholders (other than any holder designated under Section 1126(e) of the Bankruptcy Code) who vote to accept the Plan hold at least two-thirds (2/3) in dollar amount and constitute more than one-half (1/2) in number of the allowed claims in the class **actually voting** on the Plan. A Class of Equity Interests accepts the Plan if it is accepted by those who hold at least two-thirds (2/3) of the allowed interests in the class **actually voting** on the Plan.

E. Fiduciaries and Other Representatives

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such person should indicate such capacity when signing and, unless otherwise determined by Proponent, must submit proper evidence satisfactory to Proponent of authority to so act.

F. Defects and Irregularities

All questions as to the validity, form, eligibility (including the time of the receipt), acceptance, and revocation or withdrawal of Ballots and/or withdrawals will be determined by the Proponent in its sole discretion, which determination shall be final and binding. The Proponent reserves the absolute right to reject

any and all Ballots or withdrawals not in proper form, the acceptance of which would, in the opinion of the Proponent or its counsel be unlawful. The Proponent further reserves the right to waive any defects or irregularities of conditions of delivery as to any particular Ballot or withdrawal. The interpretation by the Proponent will be final and binding on all parties. Neither the Proponent nor any other person will be under any duty to provide notification of defects or irregularities with respect to the delivery of Ballots or withdrawals, nor will any of them incur any liability for the failure to provide such notification.

G. Withdrawal of Ballots: Revocation

Any party who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Proponent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (i) contain the description of the Claim to which it relates and the aggregate principal amount represented by such Claim, (ii) be signed by the withdrawing party as the same manner as the Ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claim and possesses the right to withdraw the vote sought to be withdrawn, and (iv) be received by the Proponent in a timely manner at the addresses set forth in this Disclosure Statement.

H. Further Information

If you have any questions or require further information about the voting procedure for voting your Claim or about the packet of material received, or if you wish additional materials, you may call or write the Proponent's attorney, Thomas E. Littler, at (480) 248-9010 or at the address written above.

VII
CONFIRMATION OF THE PLAN

A. Confirmation Hearing.

The Bankruptcy Court has scheduled the Confirmation hearing for _____ at _____m. The Confirmation hearing may be adjourned from time to time by the Bankruptcy Court with further notice except for announcement made at the hearing or any adjourned hearing.

B. Objections to Confirmation of the Plan.

Bankruptcy Code section 1128(b) provides that any party in interest may object to Confirmation of the Plan, regardless of whether it is entitled to vote. The Bankruptcy Court has directed that any written objections to the Confirmation of the Plan must be filed with the Bankruptcy Court and served upon Counsel for the Proponent and other parties in interest. Objections to Confirmation of the Plan must: (i) be in writing, (ii) comply with the Bankruptcy Code and Bankruptcy Rules, (iii) set forth the name of the objector and the nature and amount of any Claim or Interest asserted by the objector against the Debtor, and (iv) state with particularity the legal and factual bases for the objection. Objections to the Plan are governed by Bankruptcy Rule 9014.

OBJECTIONS TO CONFIRMATION THAT ARE NOT TIMELY FILED AND SERVED MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE OVERRULED SOLELY ON THE BASIS THAT IT WAS UNTIMELY.

PARTIES WITH OBJECTIONS ARE ENCOURAGED TO CONTACT PROPONENT'S COUNSEL TO ATTEMPT TO NEGOTIATE RESOLUTION PRIOR TO FILING AN OBJECTION TO CONFIRMATION.

C. Requirements for Confirmation of the Plan

At the Confirmation hearing, the Court will determine whether the Plan satisfies the requirements for Confirmation listed in § 1129(a) of the Bankruptcy Code. If the Court determines that those requirements are

satisfied, it will enter a confirmation order. The requirements of § 1129(a) of the Bankruptcy Code are:

1. The Plan complies with the applicable provisions of this title;

2. The Debtor and the Proponent have complied with the applicable provisions of this title;

3. The Plan has been proposed in good faith and not by any means forbidden by law;

4. Any payment made or to be made by the Debtor, or by a person acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the Plan and incident to the Chapter 11 Case, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

5. (A)(i) The Proponent of the Plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the plan; and (ii) the appointment to, or continuance in, such office of such individual, is consistent with interests of creditors and equity security holders and with public policy; and (B) the Proponent of the Plan has disclosed the identity of any insider that will be employed or retained by the reorganized Debtor, and the nature of any compensation for such insider;

6. With respect to each Class of Claims or Interests, each Impaired Creditor and Impaired Interest holder either has accepted the Plan or will receive or retain under the Plan on account of the Claims or Interests held by such entity, property of a value, as of the Effective Date, that is not less than the amount that such entity would receive or retain if the Debtor was liquidated on such date under Chapter 7 of the Bankruptcy Code. See Section "Best Interests Test/Liquidation Under Chapter 7";

7. The Plan provides that Administrative Claims and other Priority Claims will be paid in full on the Effective Date or such later date as they are due by their own terms, except to the extent that the holder of any such Claim has agreed to a different treatment;

8. At least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by insiders holding Claims in such class;

9. Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan; and

10. The Plan provides for the continuation after the Effective Date of all retiree benefits, if any, at the level established pursuant to Bankruptcy Code Section 1114(e)(1)(B) or 1114(g), at any time prior to confirmation of the Plan for the duration of the period the Debtor has obligated itself to provide such benefits. The Debtor does not have any such retiree benefits.

The Proponent believes that, upon receipt of the Requisite Acceptances by at least one Class of Impaired Creditors, the Plan will satisfy all the statutory requirements of Chapter 11 of the Bankruptcy Code, that the Debtor has complied or will have complied with all of the requirements of Chapter 11, and that the Plan is being proposed and will be submitted to the Bankruptcy Court in good faith.

There are also a number of provisions in the Plan required for its implementation which provisions are important to review for an understanding of the Plan. Proponent urges the review of the

Plan carefully for these provisions.

D. Feasibility of the Plan

Bankruptcy Code section 1129(a)(11) requires that the Bankruptcy Court find that Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors unless such liquidation is proposed in the Plan. Debtor must show the Court that it has or can obtain the required monies and that future operations will generate sufficient monies to pay operating expenses with enough left over to fulfill the ongoing obligations in the Plan. Exhibit 6 shows the sources and uses of revenue and proves that the Debtor's Plan is feasible.

Debtor needs to have enough money to pay the Administrative Expenses, the Administrative Ease Class (Class 2), and Priority Claims due on the Effective Date. Debtor believes it will have sufficient cash on hand to pay these expenses and Claims due on the Effective Date from operations and the New Value Contribution by Equity.

Debtor also believes that with its cost reductions as described above and new marketing allowing it to market and sell the ReJuvenation product that it will increase revenue from sales and that it will be able to generate sufficient moneys to pay the obligations under the Plan after Confirmation. Debtor believes the feasibility analysis in Exhibit 6 and the required payments under the Plan are reasonably probable. Thus, Debtor's management believes the Plan is feasible and the Debtor can still make all required payments under the plan, by appropriate and prudent cost cutting.

E. Confirmation without Acceptance of All Impaired Classes "Cramdown"/Fair And Equitable Test/Absolute Priority Rule.

Notwithstanding the rejection of any class of the Plan, the Court may still confirm the Plan if, as to each Impaired Class which has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable".

A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a rejecting Impaired Class is treated equally with respect to other classes with equal priority or legal rights.

"Fair and equitable" has different meanings for secured claims, unsecured claims and interests.

A plan is fair and equitable as to a class of unsecured claims that rejects the plan, if the plan provides (a) that each holder of a claim in the rejecting class will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of the claim; or (b) no holder of a claim or interest that is junior to the claims of the rejecting class will receive or retain under the plan any property on account of such junior claim or interest.

The Bankruptcy Code provides that ownership may not retain its interest if there is an impaired non-accepting class and creditors are not paid an amount sufficient to pay the holder of the claim a value, as of the Effective Date of the Plan, equal to the Allowed amount of the Claim. This is called the Absolute Priority Rule. The allowed amount of a Claim includes interest accrued at a contractual rate to the date of filing the bankruptcy petition.

A plan is fair and equitable as to a class of equity interests that rejects the plan if the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (b) that no holder of an interest that is junior to the interest of the rejecting Class will receive or retain under the Plan any property on account of such junior interest.

The Debtor believes that the treatment under the Plan of the holders of Claims and Interests in such Classes will satisfy the anti-discrimination and the "fair and equitable" test because all Creditors are being treated equally with all other Classes with equal priority rights and junior classes are not paid until all unsecured creditors are paid in full.

F. Alternatives to Confirmation, Consummation of the Plan and Competing Plans

The Debtor's believe that the Plan affords holders of Claims the potential for the greatest realization on their allowed Claims and on the Debtor's assets and, therefore, is in the best interest of such holders. If, nevertheless, the necessary Acceptances of the Debtor's Plan are not received, or if the necessary acceptances are received and the Plan is nevertheless not Confirmed and consummated, the theoretical alternatives include formation of an alternate plan or plans of reorganization or the liquidation of the Debtor under Chapter 7 or Chapter 11 of the Bankruptcy Court.

1. Continued Operations and Delay in the Process

Debtor's goal by Confirmation of the Plan is to quickly emerge from Chapter 11 with a minimal of Administrative Expense. If this Plan is not Confirmed, no matter what happens thereafter, there will inevitably be delay in the Bankruptcy process, the amount of Administrative Expenses especially the fees and expenses of professionals will increase, and there will be delay in payment to Creditors and most likely a smaller payment to creditors on their Claims. Conversion of this case and the resultant liquidation of the Debtor is also possible absent confirmation of the Plan.

2. Alternative Plans

If the necessary Acceptances are not received or if the Plan is not Confirmed, the Debtors or other parties in interest could attempt to formulate and propose a different plan or plans of reorganization. Such a plan might involve either a reorganization or continuation of the Debtor's business or an orderly liquidation. Debtor has evaluated various reorganization strategies and has explored various alternatives in connection with the formulation and development of a Plan. The Debtors believe that the Plan as proposed provides the greatest and most likely opportunity for Creditors to get paid the greatest recovery on their claims.

3. Liquidation Under Chapter 7/ Best Interest Test

Even if the Plan is accepted by each Class of holders of Impaired Claims, the Bankruptcy Court must find that the Plan is in the "best interest" of all holders of Claims that are Impaired by the Plan and that have not accepted the Plan. The so-called "best interest" test, set forth in section 1129(a)(7) of the Bankruptcy Code, requires the Bankruptcy Court to find either that all members of an impaired class of claims have accepted the Plan or that the Plan will provide a member who has not accepted the Plan with property of a value, as of the Effective Date, that is not less than the amount that such holder will receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on that date.

To calculate the probable distribution to members of each impaired class of claims if a debtor were liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtor's assets if its Chapter 11 case were converted to a Chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtor's assets by a Chapter 7 trustee.

This liquidation value would be distributed based on statutory priorities (i.e., no junior class of claims may be paid anything unless all classes of claims senior to such junior class are paid in full). Bankruptcy Code Section 510(a) provides that subordination agreements are

enforceable in bankruptcy cases to the same extent that they are enforceable under applicable non-bankruptcy law. Therefore, no class of claims that is contractually subordinated to another class would receive any payment on account of its claims, unless all senior classes are paid in full.

The Debtor believes that under the Plan all holders of Impaired Claims and Impaired Interests will receive property with a value not less than the value such holder would receive in a liquidation of the Debtor under Chapter 7 of the Bankruptcy Code. The Debtor's belief is based primarily on the following facts: (a) Chapter 7 would substantially reduce the proceeds available for distribution to Creditors, including, but not limited to, the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a Chapter 7 trustee and professional advisors to the trustee, (b) the erosion in value of assets in a Chapter 7 case in the context of the rapid liquidation required under Chapter 7 and the "forced sale" atmosphere that would prevail, (c) the adverse effects on the Debtor's businesses as a result of the likely departure of key employees, (d) the substantial increases in claims, such as estimated contingent claims, which would be satisfied on a priority basis or on parity with the no priority unsecured Creditors, (e) the reduction of value associated with a Chapter 7 trustee's likely cessation of operations, and (f) the substantial delay in distributions to the Debtor's Creditors that would likely ensue in a Chapter 7 liquidation; and (ii) the liquidation analysis prepared by the Debtor with the assistance of management which is annexed to this Disclosure Statement as Exhibit 7 (the "Liquidation Analysis").

The Debtor believes that any liquidation analysis is speculative, as such an analysis necessarily is premised on assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which would be beyond the Debtor's control. Thus, there can be no assurance as to the values that would actually be realized in a Chapter 7 liquidation, nor can there be any assurance that a Bankruptcy Court would accept the Debtor's conclusions or concur with such assumptions in making its determinations under Bankruptcy Code Section 1129(a)(7).

For example, the Liquidation Analysis attached hereto as Exhibit 7 necessarily contains an estimate of the amount of Claims which will ultimately become Allowed Claims. This estimate is based on the Debtor's review of their books and records and the Claims filed in the Chapter 11 Case and its estimation of the Claims that might arise in the event of a conversion of the case from Chapter 11 to Chapter 7. The Bankruptcy Court has not estimated or fixed the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Analysis. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

To the extent that confirmation of the Plan requires the establishment of amounts for the Chapter 7 liquidation value of the Debtor, funds available to pay Claims, and the reorganization value of the Debtor, the Bankruptcy Court will determine those amounts at the Confirmation Hearing. Accordingly, the Liquidation Analysis is provided solely to disclose to holders the effects of a hypothetical Chapter 7 liquidation of the Debtor, subject to the assumptions set forth therein.

If no plan is confirmed, the Chapter 11 Case may be converted to a case under Chapter 7. In Chapter 7 a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to Creditors in accordance with the priorities set by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective holders of Claims against or Interests in the Debtor. The Debtor believes, however, that the distributions to each Creditor in Chapter 7 would be less than or equal to the distributions they would receive under the Plan

G. Modifications and Amendments

The Proponent may alter, amend, or modify the Plan or any Exhibits thereto under Section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Confirmation Date and prior to "substantial consummation" of the Plan, as defined in Section 1101(2) of the Bankruptcy Code, the

Proponent may, under Section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement approved with respect to the Plan, or the Confirmation Order, and such matters as may be necessary to carry out the purpose and effect of the Plan so long as such proceedings do not adversely affect the treatment of holders of Claims or Interests under the Plan, *provided, however,* that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

H. Effects of Confirmation

1. Binding Effect

From and after the Effective Date, the Plan will be binding upon, and insure to the benefit of the Debtor, all present and former holders of Claims against and Interests in the Debtor, whether or not such holders will receive or retain any property or interest in property under the Plan, their respective successors and assigns.

2. Permanent Injunction

Except as otherwise expressly provided in the Plan or the Confirmation Order, all entities who have held, hold or may hold Claims against, or Interests in, the Debtor will be permanently enjoined, on and after the Effective Date, from (i) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the property of the Debtor or the Estate or the proceeds of such property; (ii) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Interest.

I. Exculpation and Limitation on Liability

Neither the Debtor, nor any of its respective present or former members, officers, directors, employees, advisors, attorneys, or agents, shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Estate or of the Plan or the property to be distributed under the Plan, and in all respects they shall be entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities under the Plan.

Notwithstanding any other provision of this Plan, no holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys or affiliates, and no successors or assigns of the foregoing, shall have any right of action against Debtor, or any of their respective present or former members, officers, directors, employees, advisors, attorneys, or agents, for any act or omission in connection with, relating to, or arising out of the Chapter 11 Cases, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Estate or of the Plan or the property to be distributed under the Plan, and in all respects they shall be entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities under the Plan.

VIII
CERTAIN RISK FACTORS RELATING TO THE PLAN

Holders of Impaired Claims who are entitled to vote on the Plan should carefully consider the following risk factors before deciding whether to vote to accept or to reject the Plan.

A. Failure to Confirm the Plan

Even if the Requisite Acceptances are received, the Bankruptcy Court may choose not to confirm the Plan. Although the Proponent believes that the Plan should be confirmed, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

B. Failure to Consummate the Plan

Certain conditions must be satisfied in order for the Plan to become effective unless such conditions are fully satisfied, or waived in accordance with the applicable provisions of the Plan.

Although the Proponent believes that each such conditions can be satisfied, the ability to satisfy certain of the conditions is dependent on rulings by the Bankruptcy Court which are favorable to the Proponent. Furthermore, while the Proponent has well supported arguments for its position with respect to the issues to be decided by the Bankruptcy Court and believes in good faith that it can prevail with respect to the requested rulings, the outcome of any particular ruling cannot be guaranteed.

Certain conditions must be satisfied in order for the Plan to become effective unless such conditions are fully satisfied, or waived in accordance with the applicable provisions of the Plan.

Moreover, Debtor must accumulate sufficient monies to pay Administrative Expenses and classes with payments due on the Effective Date or negotiate alternative payment arrangements. Raising sufficient monies is dependent on promised payments and advances being timely made.

Since this plan provides for payments over a period of time out of future operating income, performance under the Plan is dependent on the future success of the Debtor's business operations. While Debtor believes in the future success of the business is likely and that it can meet its forecast of future income, such is dependent on numerous factors and by its nature uncertain.

IX
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Federal Income Tax Consequences to the Debtor

Debtor does not believe that implementation of the Plan will generate significant taxes payable by the Debtor's Estate.

B. Federal Income Tax Consequences to the Holders of Claims

The tax impact of the consummation of the Plan on Claim Holders and Interest Holders will depend on their individual tax circumstances, including without limitation their basis in the Claims or Interests they hold. The Debtor cannot provide such holders with tax advice. Each holder should consult with its own tax professional.

TO COMPLY WITH U.S. TREASURY REGULATIONS, WE ADVISE YOU THAT ANY U.S. FEDERAL TAX ADVICE INCLUDED IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, TO AVOID ANY U.S. FEDERAL TAX PENALTIES OR TO PROMOTE, MARKET, OR RECOMMEND TO ANOTHER PARTY ANY TRANSACTION OR MATTER.

HOLDERS OF CLAIMS AND EQUITY HOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE UNITED STATES FEDERAL,

STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED IN THE DISCLOSURE STATEMENT AND IN THE PLAN.

X
RECOMMENDATION AND CONCLUSION

The Debtor recommends that all Creditors and Interest holders entitled to do so vote to accept the Plan because the Plan provides the best presently available alternative for a financial return. If the Plan is not approved, the Debtor would continue to seek other rehabilitative alternatives, but a liquidation having the consequences discussed previously might ensue.

If all impaired classes of claims and equity interests vote to accept the Plan, the Debtor could save substantial resources which it might otherwise have to use to obtain confirmation over the objection of an impaired class. For this and the other reasons noted, the Debtor urges you to vote to accept the Plan.

RESPECTFULLY SUBMITTED this 20th day of February, 2018.

QUANTUM WELLNESS BOTANICAL INSTITUTE, LLC.

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