UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN RE TOTAL EHR, LLC, Debtor	CHAPTER 11 CASE NO. 17-53995-BEM JUDGE ELLIS MONRO

DEBTOR'S DISCLOSURE STATEMENT

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the small business Chapter 11 bankruptcy case of TOTAL EHR, LLC (the "Debtor"). The Debtor commenced this case on March 3, 2017 by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §1101 et seq. (the "Bankruptcy Code" or "the Code"). This Disclosure Statement contains information about the Debtor and describes the Chapter 11 Reorganization Plan (the "Plan") filed by the Debtor. **A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.**

A. PURPOSE OF THIS DOCUMENT

This Disclosure Statement describes:

• The Debtor and significant events during the bankruptcy case;
• How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed);

- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why the Debtor believes the Plan is feasible and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan and the general provisions of the Plan.

Be sure to read the Plan as well as this Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. DEADLINES FOR VOTING AND OBJECTING, DATE OF PLAN CONFIRMATION HEARING

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed. The Court has conditionally approved this Disclosure Statement, subject to the final approval after notice and hearing as set forth below, and has determined that the Plan itself provides adequate information, so that a separate disclosure statement is not necessary.

1. *Time and Place of the Hearing for Final Approval This Disclosure Statement and to Confirm the Plan*

The hearing at which the Court will determine whether to grant final approve this Disclosure Statement and confirm the Plan will take place on _____, 2017 at _____ p.m. in Courtroom 1402, at the United States Courthouse, 75 Ted Turner Drive, Atlanta, Georgia 30303

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to:

Clerk U.S. Bankruptcy Court
1340 U.S. Courthouse
75 Ted Turner Drive SW
Atlanta, Georgia 30303

and also return a copy to:

Danowitz Legal, P.C.
300 Galleria Parkway NW
Suite 960
Atlanta, Georgia 30339

See Section IV. A. below for a discussion of voting eligibility requirements.

Your ballot must be received by _____, 2017 or it will not be counted.

3. *Deadline for Objecting to the Disclosure Statement and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed in writing with the Clerk of the Court and served upon counsel for the Debtor by _____, 2017. If you file a written response, you must attach a certificate stating when, how, and on whom you served your response. The Address for the Clerk's Office is: Clerk, U.S. Bankruptcy Court, Suite 1340, 75 Ted Turner Drive, SW Atlanta, Georgia 30303. You must also mail a copy of your response to the Danowitz Legal, P.C. 300 Galleria Parkway NW Suite 960 Atlanta, Georgia 30339.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Danowitz Legal P.C., 300 Galleria Parkway NW, Suite 960 Atlanta, Georgia 30339.

C. DISCLAIMER

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure

Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until _____.

II. BACKGROUND

A. DESCRIPTION AND HISTORY OF DEBTOR'S BUSINESS

Total EHR, LLC was founded in July of 2010. Amy Padgett was the organizer. The business model was to become a specialty niche consulting organization to promote a "meaningful use" program of the Health Information Technology for Economic and Clinical Health Act ("HITECH"). Specifically, Total EHR contacted doctors and dentists and offered assistance to qualify for grants under the HITECH Act and was compensated by the medical providers at a rate of $5,312.50 or 25% of the grant money. Total EHR was managed primarily by of April Lowry and Michael Padgett, and a sales force that contacted the medical providers throughout the United States. Amy Padget was active involved during the early years of the company, but is now a stay-at-home mother.

Total EHR had its most successful year in 2012, when gross revenues reached $6,705,974.00. Revenue slid dramatically after 2012. By 2015 revenues were approximately $1,400,000, in 2016 revenues declined to $825,000, and for the first six months of 2017 revenues were in the range of $300,000. Decreases in revenue were attributed, first, to the saturation of a limited pool of qualitied medical providers, but more importantly to the end of the HITECH grant program that was the primary source of revenue that occurred on December 31, 2016.

B. INSIDERS OF THE DEBTOR

Insiders are defined by Section 101(31) of the Bankruptcy Code and include directors, officers, and persons in charge of the Debtor, together with relatives of officers, directors, or

persons in charge of the Debtor. The Equity Interests of the Debtor are insiders and have been identified as Amy Padgett (70.8%), April Lowry (14.51%), Robert Thomas (8.55%) and Darren Woodling (6.14%). Total EHR, LLC has been managed by Michael Padgett and by April Lowry; both of whom would be considered insiders under bankruptcy law.

C. MANAGEMENT OF THE DEBTOR BEFORE AND DURING THE BANKRUPTCY

Total EHR, LLC was managed by April Lowry and Michael Padgett from 2010 to 2016. Michael Padgett resigned as a manager at the end of 2016, and April Lowry remained as the sole manager immediately prior to and during this Chapter 11 case. Amy Padgett played an active role in the early years, but is currently a full time stay-at-home mother. Michael Padgett currently serves as the CEO of Seven Software, a software development company.

D. EVENTS LEADING TO CHAPTER 11 FILING

Total EHR, LLC faced shrinking revenues with the decline and subsequent ending of the HITECH grant program for medical professionals. Additionally, audits conducted by the federal government resulted in decertification of some dentists in Texas. No other state, besides Texas, found any significant flaws with certification. The decertifications resulted in claims being made against Total EHR, including a claim by iKids Pediatric Dentistry in Dallas Texas that resulted in a judgment of $40,775.00.

Other litigation involved claims by former sales staff alleging that Total EHR failed to pay commissions and fees earned while employed by Total EHR. One such lawsuit was commenced by Lisa Epps and Catherine Koelliker and was pending in the State Court of Fulton County, Georgia at the time this Chapter 11 Case was commenced. A judgment and subsequent levy would have resulted in the complete shut-down of Total EHR.

The combination of these factors resulted in the Debtor seeking protection under Chapter 11 of the Bankruptcy Code on March 3, 2017.

E. SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASE

1. Reduction of Workforce

The Debtor has operated on a skeletal workforce during this Case. Prior to the start of this case, Total EHR had a team of five people on staff. In 2012, Total EHR had over 25 staff members. Total EHR currently has only two employees, April Lowry as Manager and Alana Lowe as Sales Operations. The majority of the efforts of the current work has been focused on collections, audit support and attempts to identify additional lines of business.

2. Collection of Receivables

Debtor's books show receivables of approximately $300,000.00, which amounts are due under the contracts entered between Total EHR and medical providers. Virtually all of the receivables are more than 120 days past due, and nearly eighty percent is more than three years old. Debtor's counsel has made attempts to collect from account debtor. Demands for payment were sent to all of entities whose claims were greater than $1,000.00 and less than three years old. A number of the demand letters have been returned as having invalid addresses, with no forwarding address indicated, and in a few instances the companies owing money have been dissolved. Most demands have gone unanswered. There are ongoing settlement discussions with a few. While collection efforts have not been abandoned, they are not expected to realize any significant income.

The vast majority of the revenue during this Case has come from the payment of more current receivables. However, payments have declined to the point where there were no

receivables paid in the month of September. If additional revenue is generated from receivables prior to the closing of this Case, all amounts will be applied toward Plan payments.

3. Claim Disputes and Resolutions

Debtor filed objections to four of the proofs of claim filed in this Case. Two of the objections were sustained (Claims No. 2 and 7), resulting in the disallowance of claims [Docs No. 44, 45], and two others were referred to mediation by order of the Court [Doc. No. 52]. The claimants and the Debtor came to terms prior to participating in the mediation process. The Debtor has agreed to withdraw objections to Claims No. 5 and 6, and the claimants have agreed to accept payment of ten percent of their claims, as filed.

4. Professionals Approved by the Court

Debtor applied to hire Danowitz Legal, P.C. as Counsel in this Chapter 11 Case [Doc No. 6] on 3/3/17. The Court approved this application on March 27, 2017 [Doc No. 16]. Danowitz Legal, P.C. submitted its *First Interim Application for Compensation and Reimbursement of Expenses* on July 13, 2017 [Doc. No. 42], which was approved by the Court for fees and reimbursement of expense of $16,573.69 [Doc. No. 55].

Danowitz Legal will submit its *Second Interim Application for Compensation and Expenses* at or around the time of hearing on confirmation of the Plan. Fees are estimated to be in the range of $10,000.00 and will be subject to by the Court upon Applications.

Debtor has retained no other professionals during the course of this Chapter 11 case.

5. Other Significant Events

Debtor has continued to respond to inquiries from customers and assist with audits when requested. Debtor has complied with the reporting requirements of the Code and of the United States Trustee during the pendency of this case and has filed all required monthly operating reports with the Court.

Debtor requested, and the Court entered an order on April 19, 2017 setting a bar date of June 1, 2017 for filing claims in this Case [Doc No. 20]. As mentioned previously, Debtor filed objections to various filed claim [Docs. No. 29, 30, 31, 32]. The court sustained the objections to Claim No. 2 and 7, and upon confirmation of the Plan, the Debtor will withdraw claim objections to Claims No.5 and 6.

A summary of the timely filed and otherwise allowed claims is attached as **Exhibit "C"**. This figure in Exhibit C could change based upon amendments to existing claims or objections later filed by the Debtor.

F. PROJECTED RECOVERY OF AVOIDABLE TRANSFERS

The Debtor has examined payments made within 90 days of the Petition Date, and payments to insiders within 12 months of the Petition Date. Records show payment of $100,000 to Michael Padgett within 12 months before the Petition Date, which is the statutory period for recovery of preferential transfers to insiders. However, Debtor's records also show that during the same twelve-month period Michael Padget loaned $195,000 to Total EHR; primarily to cover payroll to employees when cash flow was weak. Debtor's Counsel believes that the net recovery in pursuing an avoidance would be insignificant, given the defenses to such an action and the substantial litigation costs associated with prosecuting an adversary proceeding. Debtor does not know of any other potentially avoidable transfers and does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

G. CURRENT AND HISTORICAL FINANCIAL CONDITIONS

During the year 2015, Total EHR, LLC had gross revenues of $1,311,496.00 and income (profit) of $274.846.00.

During the year 2016, Total EHR, LLC had gross revenues of $825,300.00 but suffered a loss of $126,076.

During the pendency of this Case, the Debtor had average monthly revenue of $16,310.30 and average monthly income of $8,469.50. The following is a summary in revenue, expenses and income during this Case:

Period	**Revenue**	**Expenses**	**Income**
March 2017	$2,476.76	$4,286.13	<$1,809.37>
April 2017	$38,171.42	$6,252.12	$31,919.30
May 2017	$25,225.00	$7,069.71	$18,155.29
June 2017	$47,562.50	$10,156.48	$37,406.02
July 2017	$.00	$5,099.65	<$5,099.65>
August 2017	$736.40	$7,756.33	<$7,019.93>
September 2017	$.00	14,265.14	<$14,265.14>
Total	$114,172.08	$54,885.56	$59,286.52
Monthly Average	$16,310.30	$7,840.79	$8,469.50

The full Monthly Operating Reports are available through PACER or may be obtained by making a written request to the counsel for the Debtor: Danowitz Legal, PC, 300 Galleria Parkway, Suite 960, Atlanta, Georgia 30339 or via e-mail at Edanowitz@DanowitzLegal.com.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND

A. WHAT IS THE PURPOSE OF THE PLAN OF REORGANIZATION?

As required by the Bankruptcy Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The claims grouped in a specific class must be substantially similar to each other. The Plan also states whether each class

of claims or equity interests is impaired or unimpaired.[1] Only claims which are impaired under the Plan may vote on the Plan. If the Plan is confirmed, your recovery will be governed to the amount and payment terms as provided by the Plan.

B. TREATMENT OF CLAIMS AND EQUITY INTERESTS

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code. They are not considered impaired ("unimpaired"), and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Bankruptcy Code.

1. UNCLASSIFIED CLAIMS

Administrative Expenses: Unimpaired

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. Holders of administrative claims muse file their claims within 60 days after the Effective Date of the Plan. The Debtor will pay all administrative claims on the Effective Date of the Plan, as required by the Bankruptcy Code, unless a particular claimant agrees to a different treatment. Anticipated administrative expenses include professionals approved in this Case, and unpaid U.S. Trustee fees, and any post-petition claims filed by claimants and allowed by the Court. Any allowed administrative claims filed after the Effective Date will be paid within sixty (60) days of submission or approval by the Court if required.

[1] The terms "impaired" and "unimpaired" are defined in 1.18 and 1.27, respectively on the DEFINITIONS attached hereto as **Exhibit B.**

2. CLAIMS PLACED IN CLASSES

Class A: Priority Claims for Unpaid Wages (Impaired):

Priority claims for wages are entitled to be paid in full within 30 days of the Effective Date. However, payment of priority wage claims to insiders will be suspended unless and until Class C general unsecured creditors receive the full amount of their Plan payment.

Class B: Priority Tax Claims (Unimpaired):

Priority tax claims are unsecured claims by governmental entities for income, employment, and other taxes described by § 507(a)(8) of the Bankruptcy Code. Priority tax claims will either be paid in full on the Effective Date of the Plan.

Class C: Allowed General Unsecured Claims (Impaired):

Allowed General Unsecured Claims will be paid ten percent of their allowed claims on the Effective Date, and more if there is a successful collection of existing receivables.

Class D: General Unsecured Claims of Insiders (Impaired):

Claimants in this Class will be paid no amount through the Plan.

C***lass E: Equity Interests (Impaired)***

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest or shares of stock) in the Debtor. The equity interest holders will receive no distribution as equity interest holders, but they will retain their equity interests.

3. DEFINITIONS

The definitions and rules of construction set forth in §§101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Disclosure Statement and Plan as hereinafter defined. These definitions are supplemented by the definitions listed in the DEFINITIONS attached hereto as **Exhibit B.**

4. ALLOWANCE AND DISALLOWANCE OF CLAIMS

a. Disputed Claims. A disputed claim is a claim that has not been allowed or disallowed by a final non-appealable order, and as to which either (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

b. Payment of Disputed Claims. No distribution will be made on account of a disputed claim unless such claim is allowed by a final non-appealable order. The Debtor has the power and authority to settle and compromise a disputed claim with Court approval and in compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

c. Reserve for Disputed Claims. If there are any claims for which an objection has been filed on or before the Effective Date and which have not been resolved by the withdrawal of such objection or by the entry of an order determining the validity and amount of such claim, the Reorganized Debtor will establish a reserve fund to pay such claims in the manner and amount of their classification in this Plan if subsequently allowed by order of the Court.

d. Payment of Resolved Claims. If a claim is not paid according to the terms of the class within which such claim is classified as a result of a pending objection to such claim and the claim is later deemed to be an allowed claim by a final order of the Court, such claim will be paid in full within 30 days after the entry of a final order approving such claim.

e. Amendments to Claims. A claim may not be amended later than the Confirmation Date, except for amendments to Proofs of Claim to decrease the amount or the priority thereof.

C. PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

1. ASSUMPTION OF UNEXPIRED LEASE. The Debtor currently subleases its

office space on a month to month basis from Telliant Systems, LLC. This lease is deemed to be assumed by the entry of a final order confirming the Plan and the Reorganized Debtor will continue to make agreed upon lease payments of $50.00 per month.

2. REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

No other unexpired leases or executory contracts are known, other than that lease described in the preceding paragraph C1. To the extent there are other unexpired leases or executory contracts, such unexpired leases or executory contracts will be deemed rejected by the entry of a final order confirming the Plan.

IV. MEANS OF IMPLEMENTING THE PLAN

A. FUNDING PLAN AND REORGANIZED DEBTOR MANAGEMENT.

The Plan will be funded initially from funds in the Debtor-in Possession account, from the collection of accounts receivable, from the suspension of Priority Wage Claims to insiders, and by the infusion of additional capital by Equity Interests, if needed to fund the Plan.

Post confirmation management of the Reorganized Debtor will be remain with April Lowry, unless and until replaced by a majority of the Membership Interests in the Debtor.

A more detailed description of the funding is found in the section entitled “Feasibility” below.

B. RISK FACTORS.

There is always some risk associated with a Plan of Reorganization. However, funds adequate to pay the non-insider priority claims and a dividend to general unsecured claimants are currently on deposit in the Debtor In Possession operating account. The risk to general unsecured creditors arises only if collection of receivables fails completely and the Equity Interests fail to fund any deficiencies to unsecured, priority, and administrative claimants.

However, the Plan will not be substantially consummated and the Case cannot be closed until these risks have been eliminated.

C. TAX CONSEQUENCES OF PLAN

Plan payments may be considered as income by the Internal Revenue Service and, if so, subject to payment of income taxes. Those with concerns with how the plan may affect their tax liability should consult their own accountants, attorneys and/or advisors.

IV. CONFIRMATION REQUIREMENT AND PROCEDURES

A. GENERAL REQUIREMENTS FOR CONFIRMATION

To be confirmable, the Plan must meet the requirements listed in §§1129(a) or (b) of the Code. These include the requirements that the Plan must be proposed in good faith; that at least one impaired class of claims must accept the plan, without counting votes of insiders; that the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and that the Plan must be feasible. These requirements are not the only requirements listed in §§1129 and they are not the only requirements for confirmation.

As required by the Bankruptcy Code, the Debtor is soliciting acceptance of the Plan by all Impaired Classes of Claim under the Plan. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of claims in each impaired class of claims voting on the Plan, and if it is accepted by the holders of two-thirds in amount of interests in each impaired class of equity interests voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan if the Court finds that it accords fair and equitable treatment to the class or classes, provided that the Plan will pay in full superior classes of creditors before inferior classes receive any distribution

or retain interests. If the superior classes consent to less than full payment, the Plan may be confirmed even if inferior classes receive distributions or retain interests.

B. LIQUIDATION ANALYSIS

To confirm the Plan, the Court must find that all classes of impaired claims have (1) accepted the plan, or (2) will receive value, as of the effective date of the Plan, that is not less than they would receive if the Debtor were to be liquidated under Chapter 7 on as such date. For the reasons stated below, Debtor represents that the Plan complies with this requirement.

Debtor owns no real property.

Debtor's interest in property is insignificant. In the schedules filed with the Court [Doc. No.17] the Debtor listed various computers and printers that were valued at $1,000.00 and a bank account with a balance of $1,497.71. The lion's share of assets are in the form of accounts receivable, and accounts receivable less than 90 days old amounted to $31,116.08 at the commencement of this Case, while receivables more over 90 days old totaled $266,746.53. Now, more than 80% of the receivables are more than 3 years old and all of the receivables are more than 120 days old. It is projected that the cost of collection of these old accounts may exceed the amount to be eventually recovered were this Case to be converted to a case under Chapter 7.

If converted to Chapter 7, Chapter 7 administrative expenses would need to be paid before any pre-petition claimants are paid any amount. The administrative expenses of converting this case to a case under Chapter 7 would likely consume much of the value of the bankruptcy estate. A chapter 7 trustee would be the first to receive payment from funds recovered at the statutory rate. Code Sections 507(a)(1)(C), 330, 326(a). A chapter 7 Trustee is entitled to be compensated at the rate of 25% of the first $5,000, 10% of all amounts between $5,000 and $100,000, and 5% of any amounts between $100,000 and $1,000,000. Assuming,

arguendo, that a chapter 7 Trustee were able to recover $50,000.00 (which is highly doubtful) of the accounts receivable, this amount when combined with the balance of $56,943.96 appearing on the September 2017 Monthly Operating Report [Doc. No. 58] would result in an estate of $106,943.69 and Chapter 7 trustee fees of $11,097.15, reducing the available funds to $95,846.54.

Professional persons employed by the Chapter 7 trustee would also be paid the full amount awarded by the Court. Code Section 327, 328, 330, 503(b), 507(a)(2). Collection of receivables would necessarily involve a chapter 7 trustee hiring legal counsel to assist. With hourly rates typical of chapter 7 counsel ranging from $275 to $495 per hour in this District, a reasonable estimate for legal fees to a chapter 7 estate would be between $25,000 and $50,000.

When a chapter 7 trustee administers an estate, it become necessary to engage an accountant to prepare reports and returns. While accounting fees are normally much less than legal fees, without exception they are in the thousands of dollars. For purposes of this analysis a range of $2,000 to $5,000 is offered.

Any outstanding fees to professionals employed by the Debtor-in possession during this Chapter 11 Case are also entitled to full payment before unsecured creditors receive any distribution from a chapter 7 estate. Code Sections 327, 328, 330, 503(b), 507(a)(2). These are estimated at $10,000.00. For purposes of this analysis, a range of $7,500 to $12,500 will be applied.

Priority wage claims of up to $12,475.00 per person are the next in line of priorities to be paid prior to payment of general unsecured claims. Code Section 507(a)(4). There are two such claimants, which would result in the payment of $24,950.00 before unsecured creditors receive any distribution from a chapter 7 estate.

Priority tax claims would be the next to be paid pursuant to Code Section 507(a)(8). The IRS filed a priority tax claim of $946.10, which would be paid before general unsecured claims.

The following chart shows the projected fees, expenses and claims that would be paid if this case were converted to Chapter 7, using the above stated estimates and assuming a total Chapter 7 estate in the amount of $106,943.96.

Priority Payments Chapter 7 Description	**Estimated Payment (Low)**	**Estimated Payment (high)**
Chapter 7 trustee**	$ 11,943.15	$ 11,943.15
Chapter 7 attorney	$ 25,000.00	$ 50,000.00
Chapter 7 accountant	$ 2,000.00	$ 5,000.00
Chapter 11 attorney	$ 7,500.00	$ 12,500.00
U.S. Trustee fees	$ 325.00	$ 650.00
Priority Wage Claims	$ 24,950.00	$ 24,950.00
Priority Tax Claim	$ 946.10	$ 946.10
	$ 72,664.25	$ 105,989.25

** assuming an estate of $106,943.96

Given the scenario presented, above, unsecured creditors would likely receive less than $35,000.00 by a Chapter 7 Trustee. General unsecured creditors are impaired claimants, and will be paid no less than $42,310.00 by way of the Debtor's Plan. General unsecured creditors will receive more under the plan than they would receive if this case were liquidated under Chapter 7 of the Bankruptcy Code.

C. ABSOLUTE PRIORITY RULE

Confirmation of Chapter 11 plans is guided by a concept referred to in bankruptcy as the "absolute priority rule". Simply stated, the absolute priority rule prevents holders of equity interests from retaining property interests under the Plan (1) unless dissenting impaired classes of creditors are paid in full or (2) unless equity interests make a "fresh contribution" to the insolvent

enterprise. [See: *In re Lett*, 632 F.3d 1216 (11th Cir. 2011) for a discussion of the absolute priority rule].

If any class of impaired claimants fails to vote in favor of the Plan, then the absolute priority rule becomes a factor. However, Equity Interests are making a substantial contribution to the Plan, insofar as insiders are subordinating their priority wage claims to the claims of general unsecured claimants, insider claims will be paid nothing unless and until all general unsecured claims are paid in full, and Equity Interests will inject new capital if there are inadequate funds on hand to pay administrative claims, priority tax claims, and a dividend of 10% to general unsecured creditors.

These requirements are the basic requirements needed for the confirmation of a Plan but are not the only requirements listed in §1129, and are not the only requirements for confirmation.

D. THE CONFIRMATION HEARING

The Bankruptcy Code requires the Court, after notice, to hold a hearing on confirmation of the Plan, at which time any party in interest may object to confirmation. Objections to confirmation must be made in writing and filed with the Bankruptcy Court and must be served on counsel for the Debtor before the date scheduled by the Court for the confirmation hearing. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

The confirmation process is complex. Simply stated, the Plan can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of claims in each impaired class of claims voting on the Plan, or if each impaired class of claims will receive or retain under the Plan property of a value that is not less than they would receive or retain if the Debtor were liquidated under Chapter 7.

E. WHO MAY VOTE OR OBJECT TO CONFIRMATION

As stated above, any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met. Many parties in interest are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired. As required by the Bankruptcy Code, the Debtor is soliciting acceptance of the Plan by Impaired Classes of Claims under the Plan.

In this case, the Debtor believes that Classes D & E are impaired and that holder of claims in each of these classes are therefore entitled to vote to accept or reject the Plan

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest.

When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure. The deadline for filing a proof of claim in this Case was on or before June 1, 2017.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in §1124 of the Bankruptcy Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

F. WHO IS *NOT* ENTITLED TO VOTE

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

G. VOTES NECESSARY TO CONFIRM THE PLAN

If impaired classes exist the Court can confirm the Plan if (1) at least one impaired class of creditors has accepted the Plan without counting the votes of insiders within that class and (2) all impaired classes have voted to accept the Plan, unless the Plan if eligible to be confirmed by "cram down" on non-accepting classes as discussed later in Section B.2.

1. Votes Necessary for a Class to Accept a Plan

A class of claims accepts a Plan if both the following occur: (1) the holders of ***more than one-half (1/2)*** of the ***allowed*** claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at ***least two-thirds (2/3) in dollar amount*** of the ***allowed*** claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at ***least two-thirds (2/3) in amount*** of the ***allowed*** equity interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Non-Accepting Classes

Even if one or more of the impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by §1129(b) of the Bankruptcy Code. A plan that binds non-accepting classes is commonly referred to as a "cram down "plan. The Bankruptcy Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of §1129(a)(8) of the Bankruptcy Code, does not "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a "cram down" confirmation will affect your claim or equity interest, as the variations on the general rule are numerous and complex.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF THE DEBTOR

Confirmation of the Plan also discharges the Debtor from any debt that arose before the date of confirmation to the extent specified in §1141(d)(1)(A) of the Bankruptcy Code, except as provided in the Plan or under applicable bankruptcy law. However the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in §1141(d)(6)(A) if a timely complaint was filed in accordance with Bankruptcy Rule 4007(c), or (iii) of a kind specified in §1141(d)(6)(B). After the Effective Date of the Plan claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

B. REVESTING PROPERTY OF THE ESTATE

Confirmation of the Plan vests all property of the estate in the Reorganized Debtor free and clear of claims and interests of creditors and equity security holders, unless otherwise provided in the Plan.

C. CO-DEBTOR STAY

Chapter 11 bankruptcy does not provide for a co-debtor stay. However, the court may issue any order that is necessary or appropriate to carry out the provisions of this title. The Debtor knows of no claims in which any officer, member, or employee has been named as a defendant with the Debtor. In order to carry out the provisions of a Chapter 11 reorganization by the Reorganized Debtor, attempts to collect the same debt from a co-obligor must be stayed. To the extent there are any claims that were disallowed against the Debtor in this Case, or to the extent any claimants are being paid any amount under this Plan, the pursuit of such claims against co-debtors or co-obligors will be stayed. **Any act to collect all or any part of a debt that is to be paid under the Plan against an individual that is liable on such debt with the Debtor, or if a claim by any claimant in this case that was disallowed in this Case for any reason, then the claimant, or claimants asserting such claims will be enjoined from attempting to collect all or any part of such debt from such individual unless and until the time of a default under the provisions of the Plan. In the event of a default under the provisions of this Plan, the co-debtor stay shall be void *ab initio*.**

VI. FEASIBILITY OF PLAN

The Court must find that 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, unless such liquidation or reorganization is proposed in the Plan. The funding of the Plan will be immediate from existing funds on deposit, from the proceeds to be recovered during this Case, or from funding by the equity interests.

VII. DEFAULT PROVISIONS

A. GENERAL DEFAULT PROVISIONS: In the event that the Debtor defaults under the provisions of the Plan, any creditor or party-in-interest desiring to assert such a default shall provide the Debtor with written notice of the alleged default. The Debtor shall have 30 days from the receipt of the written notice in which to cure the default. Such notice shall be delivered by certified mail, return receipt requested, to the attorneys for the Debtor at the address stated on the final page hereof. If the default is not timely cured, any creditor or party-in-interest may pursue collection of all amounts owing under the Plan in the bankruptcy court, or in any other court or venue having jurisdiction over the claim.

B. DEFAULT PROVISIONS FOR TAXES: The Reorganized Debtor is required to timely file all state and federal tax returns, and timely make all tax deposits and payments during the life of the Plan. Failure to adhere to any of the above requirements will be considered an event of default. Should an event of default occur, the taxing authority alleging default shall provide the Debtor with written notice of any default under the Plan. If the Debtor fails to cure any default within fifteen (15) calendar days following receipt of written notice of such default, then the entire tax debt still owed to the taxing authority shall become due and payable immediately, and the taxing may collect these unpaid tax liabilities through the administrative collection provisions of the Internal Revenue Code or state law. Any notice to be given or other written matter to be delivered pursuant to this Plan may be given by way of certified mail, return receipt requested, statutory overnight delivery, or by first class United States Mail. Notice given by first class U.S. Mail shall be deemed received five (5) business days after placing such notice or written matter in the United States mail properly addressed to the Debtor at the address listed below:

Total EHR, LLC
3180 North Point Parkway
Alpharetta, GA 30005

With a copy to:

Edward F. Danowitz, Esq.
Danowitz Legal, PC
300 Galleria Parkway Suite 960
Atlanta, GA 30339

VIII. GENERAL PROVISIONS

A. FURTHER ACTIONS

Pursuant to the Bankruptcy Code §1142(b), the Order of Confirmation shall operate as an Order of the Court directing the Debtor and any other necessary parties to execute and deliver or join in the execution and delivery of any instrument required to perform any act that is necessary for the consummation of this Plan.

B. CAPTIONS

Section captions used in the Plan are for convenience only, and shall not affect the construction of the Plan.

C. BAR DATES FOR CLAIMS

(1) Pre-petition claims: The Court previously set a bar date of June 1, 2017 for creditors to file proofs of claim or interest for pre-petition claims [Doc. No. 20]. Any claim not timely filed will be disallowed, unless otherwise allowed pursuant to an order from this Court expressly allowing such late filed claim(s).

(2) Administrative Expenses: Upon confirmation of this Plan, **any creditor or party-in-interest who may have a claim for an administrative expense pursuant to §503 of the Bankruptcy Code shall file an application with the court within 60 days from the Effective Date of the Plan** to determine whether such administrative expense shall be allowed in this case.

Any creditor or party-in-interest who fails to timely apply to the court for allowance of an administrative expense shall be barred from later submitting such claim and from receiving distributions for the payment of such claim under this Plan.

D. DISPUTED, UNLIQUIDATED AND CONTINGENT CLAIMS

Notwithstanding any other term or condition of this Plan, disputed, unliquidated and contingent Claims shall be paid only upon allowance in accordance with the provisions of §502 of the Bankruptcy Code.

E. JURISDICTION OF THE BANKRUPTCY COURT

After the entry of the Order of Confirmation, the Court will retain jurisdiction only for the following purposes:

(1) To determine the classification and priority of all Claims against or Interests in the debtor and to re-examine any Claims which may have been allowed. The failure by any party-in-interest, initially, to object to or examine any Claims shall not be deemed to be a waiver of any party-in-interest's right to object to, or cause to be re-examined any such Claim, in whole or in part.

(2) To determine applications for the rejection or assumption of executory contracts or unexpired leases pursuant to the provisions of this Plan which are not determined prior to the Confirmation Date and to determine allowance of Claims for damages with respect to rejection of any such executory contracts or unexpired leases within such time as the Court may direct.

(3) To oversee and issue further appropriate orders respecting disbursement of amounts deposited as may be required by this Plan.

(4) To conduct hearings on valuation, as necessary, and to determine whether any party-in-interest is entitled to recover against any Person any Claim, whether arising under

§506(c) of the Bankruptcy Code, or otherwise.

(5) To hear and determine all applications for compensation and other Administrative Expenses.

(6) To hear and determine any and all pending adversary proceedings or contested matters.

(7) To determine all causes of action which may exist in favor of the Debtor and/or any of its creditors.

(8) To determine any modification of the Plan after confirmation pursuant to §1127 of the Bankruptcy Code.

(9) To determine all matters and controversies and disputes arising under or in connection with the Plan on the application, disposition or distribution of the Estate Property.

(10) To enter any order, including injunctions, necessary to establish and enforce the rights and powers of the Debtor and/or any of its creditors under the confirmed Plan.

(11) To enter a final decree pursuant to Rule 3022 of the Bankruptcy Rules.

F. MODIFICATION OF THE PLAN

The Debtor may amend or modify this Plan at any time prior to the entry of the Order of Confirmation, pursuant to §1127(a) of the Bankruptcy Code. After the entry of the Order of Confirmation, Debtor may, pursuant to §1127(b) and (c) of the Bankruptcy Code and with approval of the Court, modify and amend the Plan in a manner which does not materially or adversely affect the interests of Persons affected by the Plan without having to solicit acceptances of such modification, and may take such steps as are necessary to carry out the purpose and effect of the Plan as modified.

G. CLOSING THE CASE

Upon substantial consummation of this Plan, the Debtor will move this Court to enter an Order closing this Case. Upon the entry of such order, the Case shall be closed. Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

IX. CONCLUSION

The Debtor believes that confirmation of this Plan of Reorganization is the most reasonable means for making a meaningful distribution to creditors of Total EHR, LLC, and the Debtor urges all claimants to vote for the acceptance of this Plan of Reorganization.

This 18th day of October 2017.

Counsel for Debtor-in-Possession,

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