

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF INDIANA
HAMMOND DIVISION

IN RE:)
) Case No. 16-23444-jpk
Iliana Neurospine Institute, LLC)
) Chapter 11
Debtor)

DISCLOSURE STATEMENT
PREPARED IN CONNECTION WITH APRIL 7, 2017
CHAPTER 11 PLAN

All Creditors are advised to read this Disclosure Statement and the Plan in their Entirety before Voting to Accept or Reject the Plan. Plan Summaries and Statements made in this Disclosure Statement, including the following Summary, are qualified in their entirety by reference to the Plan and the other Exhibits. The Statements contained in this Disclosure Statement are made only as of the date hereof unless otherwise specified, and there can be no assurance that the statements contained herein will be correct at any time after such date.

This Disclosure Statement has been prepared in accordance with 11 U.S.C. § 1125 and Bankruptcy Rule 3016 and not necessarily in accordance with Federal or State Securities Laws or other applicable law. Persons or entities trading in or otherwise purchasing, selling or transferring claims should evaluate this Disclosure Statement and the Plan in light of the purposes for which they were prepared.

Certain Statements contained in this Disclosure Statement, including forward-looking statements, are based on estimates and assumptions. There can be no assurance that such statements will reflect actual outcomes.

The information in this Disclosure Statement is being provided solely for purposes of voting to Accept or Reject the Plan. Nothing in this Disclosure Statement may be used by any person or entity for any other purpose.

The Terms of the Plan govern in the Event of any inconsistency with the Summaries in this Disclosure Statement. All Exhibits to the Disclosure Statement are incorporated into and are a part of this Disclosure Statement as if set forth in full herein.

As to Contested Matters, Existing Litigation involving Adversary Proceedings, and other actions or threatened actions, it is the Debtor's position that the Plan and this Disclosure Statement shall not constitute or be construed as an Admission of any Fact or Liability, Stipulation or Waiver, but Rather as a Statement made without prejudice solely for Settlement purposes, with full reservation of rights, and is not to be used for any litigation

purpose whatsoever. As such this Disclosure Statement shall not be Admissible in any nonbankruptcy proceeding involving any creditor, or any other party in interest, nor shall it be construed to be conclusive advice on the Tax, Securities, Financial or other effects of the Reorganization as to holders of Claims against or Equity Interests in the Debtor.

The Debtor, Iliana Neurospine Institute, LLC (“Debtor”), furnishes this Disclosure Statement to creditors in the above-captioned matter pursuant to 11 U.S.C. § 1125 to assist the creditors in evaluating the proposed Chapter 11 Plan (the “Plan”), a copy of which is attached hereto as Exhibit “A.” Creditors may vote for or against the Plan. Creditors who wish to vote must complete their ballots and return them to the following address before the deadline noted in the Order approving the Disclosure Statement and fixing the time to vote. After the conclusion of the voting period, the Court will schedule a hearing on the Confirmation of the Plan pursuant to 11 U.S.C. § 1129.

Address for Return of Ballots:

Gordon E. Gouveia
GOUVEIA & ASSOCIATES
433 W. 84th Drive
Merrillville, IN 46410

Only creditors that are holders of Allowed Claims that are impaired by the Plan are entitled to vote to *Accept* or *Reject* a proposed Chapter 11 plan. The unimpaired Classes of creditors are deemed to have accepted the Plan and are not entitled to vote. Classes of creditors who shall receive no distribution under the Plan are not entitled to vote and are deemed to have rejected the Plan pursuant to 11 U.S.C. § 1126(g).

Under the Plan, Classes I (Secured Claim of F.D.I.C.), II (Secured Claim of the Indiana Department of Revenue), III (Priority Tax Claims), and IV (Unsecured Creditors), are impaired and holders of such claims are entitled to vote.

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more one-half in number of the claims that vote for the acceptance or rejection of the plan.

I. **BACKGROUND OF DEBTOR**

1. Name of Debtor:

The Debtor is the Iliana Neurospine Institute, LLC (“Debtor”).

2. Type of Debtor:

The Debtor is an Indiana Limited Liability Company with its principal place of business in Lake County, Indiana.

3. Debtor's Business:

The Debtor's sole member and sole medical professional, Dr. Ronald Michael, is a neurosurgeon, who focuses his practice on providing care to his patients with personal injury and workers' compensation claims. Illinois Neurospine Institute, P.C. ("INI IL"), was an Illinois professional corporation. In the summer of 2014, the assets of INI IL were merged into Iliana Neurospine Institute, LLC ("INI IN") which was the surviving entity. Debtor is the entity through which Dr. Ronald Michael provides healthcare services, resulting in the creation of accounts receivable that fund its business operations. It is also the primary source of Debtor's income. No governmental or third party insurance is accepted by Dr. Michael, so the Debtor's income, and ultimately Dr. Michael's income, comes primarily from damages recovered through litigation recovery. Prior to the merger, Dr. Michael was the president and an employee of INI IL, and owned 100% of the outstanding shares of INI IL. Ronald Michael owns 100% of the membership interest of INI IN.

Dr. Michael is a board certified specialist in neurological surgery. He earned an A.B. and S.M. degree from the University of Chicago in Biological Sciences and Biochemistry, respectively in 1981 and 1984. Dr. Michael graduated from the University of Illinois, Chicago College of Medicine in 1986 and completed a residency in neurological surgery at Northwestern University in 1993. Dr. Michael has been practicing medicine for approximately thirty (30) years, including seven years of residency training.

The bulk of Dr. Michael's work involves spine surgery. He treats patients suffering from a variety of debilitating ailments, including degenerative and traumatic disc disease. Dr. Michael helps his patients manage their pain and improve their overall life. Dr. Michael is on staff at a number of different surgical centers in the greater Chicago area, as well as three hospitals in Illinois. Dr. Michael maintains numerous offices: two in Chicago, Illinois, and two in Indiana. In June 2011, Dr. Michael moved to Porter County, Indiana, and subsequently moved a significant portion of his medical practice to Indiana. His primary office is in Hammond, Indiana. Debtor was formed in November 2012, and was an entity formed for the provision of healthcare services and patient care purposes. Dr. Michael is the sole surgeon employed by Debtor, and provides all such services offered to patients through the Debtor. Currently, the Debtor employs in excess of four (4) full-time employees; apart from Dr. Michael, INI IN employees perform administrative and clerical functions.

The Debtor's outstanding accounts receivable are a result of Dr. Michael's diagnosis, treatment, and often expert testimony on behalf of patients involved in personal injury and/or workers' compensation cases. Payment is contingent and dependent upon a patient's recovery of damages. To ensure that Debtor can collect its A/R, Dr. Michael is required to preserve lien

rights where appropriate, dictate notes and complex narrative reports, participate in depositions, testify at trial, and make countless phone calls, and defend the nature and scope of treatment, otherwise the bills and records are barred at trial, and nothing is paid.

4. Date of Chapter 11 Petition:

A voluntary petition under Chapter 11 was filed by the Debtor on December 8, 2016.

5. Events that Debtor Asserts Caused the Filing:

On or about April 21st, 2006, Dr. Michael and INI IL, as Co-Borrowers, promised to pay First United Bank (“Bank”), the original principal amount of \$4,251,000.00, pursuant to a Promissory Note and related documents (the “Note”). The loan was not directly related to healthcare operations. The Note matured on April 21, 2011. Effective as of May 12, 2011, Dr. Michael entered into a Forbearance Agreement with the Bank, whereby the Bank agreed, until April 24, 2013, to forbear from enforcing any of its remedies against Dr. Michael. On or about June 22, 2011, Dr. Michael executed a Change in Terms Agreement (the “Change Agreement”) which, inter alia, acknowledged that INI IL was released and discharged from any and all liability, and reduced the principal amount of the Note to \$3,432,140.68.

Upon information and belief, the Bank was closed some time after the preparation of the Change Agreement, and the FDIC was appointed as Receiver of the Bank’s assets. The FDIC filed a lawsuit against Dr. Michael and INI IL on January 6, 2014 in the matter of Federal Deposit Insurance Corporation v. Illinois Neurospine Institute, P.C., et al, pending in the United States District Court Northern District of Illinois, sitting at Chicago, Illinois, under Case Number 1:14-cv-00064 (the “District Court Action”), naming the Debtor and INI IL as defendants. To the extent the Bank had protected security interests, the FDIC did not attempt to foreclose any such interests, nor did the FDIC attach any such documents to its Complaint in the District Court Action.

The FDIC obtained a default judgment against Debtor and INI IL, on June 24th, 2014, for \$3,704,572.65, plus \$16,636.20 in fees and court costs. By virtue of the default judgment, the FDIC avoided the Change Agreement. Issues related to whether a default judgment should have been entered are on appeal, but the District Court Action was not stayed pending the appeal. The FDIC has engaged in post-judgment collection proceedings in the District Court Action, had filed a motion to appoint a Receiver over INI IL, and had issued a citation to discover assets in the District Court Action. A show cause hearing compelling Dr. Michael to appear and testify as to the assets of INI IL was set for 12/9/16 at 10:30 a.m. The FDIC has asserted that it has a judgment lien against all of the Debtor’s assets by virtue of the citations issued in the District Court Action. After considering all of the facts and circumstances surrounding their financial situation and having sought the advice of legal counsel, the Debtor concluded that the best way to

avoid the appointment of a Receiver and to remain in business and serve its patients was to file a Chapter 11 reorganization pursuant to 11 U.S.C. §101 et seq.

6. The Bankruptcy Case:

Since the December 8th Petition date, the Debtor has continued to operate as a going concern, subject to agreed cash collateral motions reserving objections to the FDIC's claimed secured status. To date, the FDIC has not filed a claim. A final cash collateral hearing has been set for April 18, 2017 at 9:00 a.m.

Debtor has employed Gordon E. Gouveia, Shawn Cox and Catherine Molnar-Boncela of Gouveia & Associates as counsel for the current bankruptcy proceedings. Applications to employ a collection attorney for certain accounts receivable, as well as a healthcare attorney for certain matters, are pending. A motion to approve the Debtor's accountant/financial services provider also remains pending.

7. Debtor's Anticipated Future Income and Source of this Information and Opinion:

Debtor intends to continue its ongoing operations, including actions to preserve and collect its pre- and post-petition accounts receivable. Debtor's projections are based upon post-petition and historical billings and collections of the Debtor, and other business operated by Ron Michael, including INI IL.

8. Summary of Classification and Treatment of Claims and Equity Interests Under the Plan:

The Chart below summarizes the classification and treatment of claims and equity interests under the Plan.

Class	Explanation	Plan Treatment	Estimated Allowable Amount

Unclassified Administrative Claims	Unclassified Pursuant to Section 1123(a)(i) of the Bankruptcy Code.	Allowed Administrative Claims, ¹ shall be paid in Cash on the later of (a) ten business days after the Administrative Claim Bar Date, (b) the date such Administrative Claim is Allowed, (c) the date on which payment is due in accordance with the agreement or contract giving rise to such Administrative Claim, or (d) such other terms as may be mutually agreed to by the holder of such Administrative Claim and the Debtor.	TBD
I - Secured Claim of F.D.I.C.	This Class consists of the Allowed Secured Claim of F.D.I.C. This class is impaired under the Plan. The Holder of the Class I Claim is entitled to vote.	The Allowed Secured Claim of F.D.I.C. shall be allowed in the approximate amount of \$ 3,200,000 for purposes of this Plan. .	\$3,200,000
II - Secured Claim of Indiana Department of Revenue	This Class Consists of the Allowed Secured Claim of the Indiana Department of Revenue. This Classs is impaired under the Plan. The Holder of this Claim is entitled to vote.	The Allowed Priority Claim shall be allowed in the approximate amount of \$ 1547.20 for purposes of this Plan. On account of the Secured Claim Creditor in Class II shall receive a quarterly payment after the Effective Date of this Plan until paid in full.	\$1547

¹ Except to the extent that the holder thereof agrees to a different treatment, all Allowed Administrative Claims, other than Administrative Claims arising from the Debtor's retention of professionals, shall be paid in Cash on the later of (a) ten business days after the Administrative Claim Bar Date, (b) the date such Administrative Claim is Allowed, (c) the date on which payment is due in accordance with the agreement or contract giving rise to such Administrative Claim, or (d) such other terms as may be mutually agreed to by the holder of such Administrative Claim and the Debtor.

III - Priority Claims	This Class consists of the Allowed Priority Claim. This class is impaired under the Plan. The Holder of the Class III Claims are entitled to vote.	The Allowed Priority Claim shall be allowed in the approximate amount of \$ 34,469 for purposes of this Plan. On account of the Allowed Priority Claim Creditor in Class III shall receive a quarterly payment after the Effective Date of this Plan until paid in full.	\$34,469
IV- General Unsecured Claims	This Class consists of all Unsecured Claims. Allowed Class III Claims are impaired and are entitled to vote.	Each holder of an Allowed Unsecured Claim in Class IV shall receive total distributions equal to 100% of its allowed unsecured claim over five years plus interest at the rate of 2% in quarterly payments in amounts equal to 5% of their allowed unsecured claim beginning after the effective date of the Plan.	\$226,048

9. Monthly Operations Pursuant to Cash Collateral Orders:

The Debtor has operated pursuant to cash collateral orders. Copies of the cash collateral budgets, and the corresponding actual to budget reports, are attached hereto as Exhibit C.

II. **CREDITORS**

1. **ADMINISTRATIVE:**

The Debtor believes that substantially all of the Debtor's Administrative Claimants have been paid or will be paid in the ordinary course of business, other than professionals whose fees require Bankruptcy Court approval. The Debtors do not have any information on the amount of such claims in whole or part that may have accrued to date or may accrue by the Effective Date.

2. **SECURED CLAIMS:**

Class/Creditor	Amount Scheduled	Proof of Claim	Estimated Allowed Secured Claim
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F.D.I.C.	\$3,500,000.00	Not filed	\$3,200,000.00
Indiana Department of Revenue	none	Claim No. 2	\$1547.2

2. PRIORITY CLAIMS:

Class/Creditor	Amount Scheduled	Proof of Claim	Estimated Allowed Secured Claim
Internal Revenue Service	none	Claim No. 1	\$25,856.37
Indiana Department of Revenue	none	Claim No. 2	\$8,613.00

3. UNSECURED CLAIMS:

Class/Creditor	Amount Scheduled	Proof of Claim	Estimated Allowed Secured Claim
5/3 Bank	\$329	not filed	\$329
Bank of America	\$922	not filed	\$933
Barnes & Thornburg	\$5000	not filed	\$5000
Chase Bank	\$743	not filed	\$743
Citi Bank	\$46,211.23	not filed	\$46,211.23
ELCO	\$18,000	not filed	\$18,000
Internal Revenue Service	none	Claim #1	\$255.62
Porter Memorial Hospital	\$5,000	not filed	\$5,000

Progressive Hospital	\$2,000	not filed	\$2,000
Superior Ambulance	\$1,000	not filed	\$1,000
Select Surgical Solutions	\$74,587	not filed	\$74,587

Amount Originally Scheduled:

Secured:	\$ none
Priority:	\$ 839.45
Unsecured:	\$3,642,792.23

Estimated Allowed Claims to be provided for in plan:

Administrative:	TBD
Secured:	\$ 3,201,547
Priority:	\$ 34,469
Unsecured:	\$ 226,048

III. ASSETS

The Debtor's primary asset consists of its accounts receivable and the ability of Ronald Michael to continue in the practice of medicine through the Debtor. The cash flow received from the practice of medicine will provide the cash flow to make the payments required by the Plan. A summary of the Debtor's Assets is attached hereto as Exhibit "B".

IV. SUMMARY OF PLAN

1. Treatment of Administrative Claims

Administrative Claims are unclassified. Except to the extent that the holder thereof agrees to a different treatment, all Allowed Administrative Claims, other than Administrative Claims arising from the Debtor's retention of professionals, shall be paid in Cash on the later of (a) ten business days after the Administrative Claim Bar Date, (b) the date such Administrative Claim is Allowed, (c) the date on which payment is due in accordance with the agreement or contract giving rise to such Administrative Claim, or (d) such other terms as may be mutually agreed to by the holder of such Administrative Claim.

2. Treatment of Secured Claims.

The Allowed Secured Claim of F.D.I.C., shall be paid the amount of its secured claim with

interest at the judgment rate of 0.1% with an amortization over 10 years from the Effective Date of the Plan.

The Allowed Secured Claim of the IDR shall be paid the amount of its secured claim with interest at the statutory rate within five years of the Effective Date of the Plan.

3. Treatment of Priority Claims.

Each holder of an Allowed Priority Claim shall be paid on account of said claim an amount equal to one hundred (100%) percent of the amount of such Allowed Priority Claim with interest in quarterly installments over 60 months.

4. Treatment of General Unsecured Claims

This Class consists of all Unsecured Claims. Each holder of an Allowed Unsecured Claim shall receive total distributions equal to 100% of its allowed unsecured claim in quarterly payments in amounts equal to a minimum of 100% of their allowed unsecured claim beginning after the effective date of the Plan in quarterly installments and terminating when the distribution equals 100% of the allowed unsecured claims.

V. COMPARISON OF PLAN WITH CHAPTER 7 LIQUIDATION

If the plan is not confirmed, the potential alternatives would include proposal of a different plan, dismissal of the case or conversion of the case to Chapter 7. If this case is converted to a Chapter 7, a trustee will be appointed to liquidate the Debtor's non-exempt assets. In this event, all secured claims and priority claims, including all expenses of administration, must be paid in full before any distribution is made to unsecured claimants.

Will creditors fare better under the Plan than they would in a Chapter 7 Liquidation?

Yes X

No

Creditors should primarily analyze the information supplied to determine whether it would be in their best interest to accept the Plan or reject it. In making this determination, creditors should take note of the importance of their actually voting either to accept or reject the Plan. This is so because the Bankruptcy Code authorizes the bankruptcy court to confirm a chapter 11 plan or reorganization if the plan is accepted by all classes of creditors if it is demonstrated to be feasible.

If all classes of creditors accept the plan (by means of a majority vote of the voting members of the class whose claims constitute two-thirds or more in value of the outstanding total claims of all voting members of the class), then the bankruptcy court may confirm the plan on a showing of the plan's feasibility and that dissenting creditors will receive as much under the plan as they would receive in straight liquidation and that the "absolute priority" rule is observed or waived.

It is to be observed that at least one actually impaired class must, in any case, affirmatively vote to accept the plan (by a majority of the voting creditors whose claims total at least two-thirds of all the claims of the voting class) or else the bankruptcy court may not confirm the plan. Further, creditors should observe that it is important for each of them to vote because the acceptance or rejection of classes is to be determined on this basis of the voting membership of each class. Nonvoting membership is ignored for the purpose of determining whether a majority of members who holds two-thirds or more of value of claims accepts the plan. A failure to vote will not be counted as a rejection of the plan.

VI. FEASIBILITY

The Debtor's intentions as outlined in the Plan and Disclosure Statement are feasible in light of the conservative nature of the projections contained in the Budget attached to the Disclosure Statement and the Debtor's motion for an order authorizing the use of cash collateral. While projections are merely estimates and not guaranteed results, the Debtor believes that he can achieve the results as set forth in the projections. Payments are to be made from the Debtor's operations in accordance with the projections.

VII. LITIGATION

The Plan does not currently anticipate initiating any major litigation.

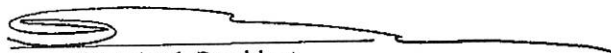
VIII. CERTIFICATION

The undersigned hereby certifies that the information herein is true and correct to the best of my knowledge and belief after reasonable inquiry.

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ILIANA NEUROSPINE INSTITUTE, LLC

GOUVEIA & ASSOCIATES, LLC


Ronald Michael, President
Iliana Neurospine Institute, LLC
608 165th Street, Suite 201
Hammond, IN 46324

/s/ Gordon E. Gouveia
Gordon E. Gouveia, Esq.
Gouveia & Associates
433 West 84th Drive.
Merrillville, IN 46410

CERTIFICATE OF SERVICE

I, the undersigned hereby certify that on the 7th day of April, 2017, a true and complete copy of the Disclosure Statement of Iliana Neurospine Institute, LLC. was served by electronic mail or by depositing same in the United States Mail in envelopes properly addressed and with sufficient first class postage affixed to the below addresses.

Office of the U.S. Trustee, 555 One Michiana Square, 100 East Wayne St., South Bend, IN 46601
Jennifer Prokop, jennifer.prokop@usdoj.gov
U.S. Trustee, Office of the U.S. Trustee, 555 One Michiana Square, 100 East Wayne St., South Bend, IN 46601

/s/ Gordon E. Gouveia
Gordon E. Gouveia