

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)**

In re:

*

KINGDOM MEDICINE, P.A.

*

Case No: 17-18482
(Chapter 11)

Debtors

*

LEONARD A. RICHARDSON
DIANE J. RICHARDSON

*

Case No: 17-23132
(Chapter 11)

*

Debtors

* * * * *

**JOINT DISCLOSURE STATEMENT REGARDING JOINT
PLAN OF REORGANIZATION PROPOSED BY KINGDOM MEDICINE, P.A.,
LEONARD A. RICHARDSON AND DIANE RICHARDSON**

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN OF REORGANIZATION PROPOSED BY KINGDOM MEDICINE, P.A., LEONARD A. RICHARDSON AND DIANE RICHARDSON. PLEASE READ THIS DOCUMENT CAREFULLY.

February 15, 2018

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Kingdom Medicine, P.A. (“Kingdom”), Leonard A. Richardson and Diane J. Richardson (the “Richardsons”), with Kingdom and the Richardsons hereinafter collectively referred to as the “Debtors,”¹ submit the following Disclosure Statement pursuant to the provisions of chapter 11 of title 11 of the United States Code.

INTRODUCTION

Purpose of the Disclosure Statement

Pursuant to section 1125 of the Bankruptcy Code, the purpose of a Disclosure Statement is to provide information that will enable a hypothetical reasonable investor, typical of the classes of claim holders and interest holders whose claims and interests are being solicited, to make an informed judgment about the Plan. The Debtors are providing this Disclosure Statement to each person holding a claim or interest so that each such person can make an informed judgment whether to vote to accept or reject the Plan. The material contained in this Disclosure Statement is intended solely for that purpose. The Disclosure Statement may not be relied on for any purpose other than to determine how to vote on the Plan, and nothing contained in the Plan or Disclosure Statement constitutes an admission of any fact or liability by any party.

The information contained in this Disclosure Statement has been assembled by the Debtors from the books and records of Kingdom and the Richardsons, publicly filed documents, and information gathered by the Debtors’ attorneys. No representations concerning the Debtors or the Plan are authorized by the Debtors other than as set forth in this Disclosure Statement. Any representations or inducements to secure your vote other than those contained in this document should not be relied on.

The Debtors have tried to make this Disclosure Statement accurate in all material respects. However, the Debtors are not able to warrant that the information contained in this Disclosure Statement is without any inaccuracy. The financial information contained in this Disclosure Statement has not been subject to a certified audit.

The Court will hold a hearing on confirmation of the Plan beginning at _____ .m. on _____, 2018, at the United States Bankruptcy Court for the District of Maryland, 101 West Lombard Street, Courtroom 9-C, Baltimore, Maryland 21201. At that hearing, the Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether the Plan is feasible and whether it is in the best interests of the creditors and interest holders of the Debtors. The Court will at that hearing also receive and consider a ballot report concerning the votes cast for acceptance or rejection of the Plan.

Voting Instructions and Confirmation of the Plan

Before voting, you should read this Disclosure Statement, as well as the Plan, in their entirety. You should use only the ballot sent to you with this Disclosure Statement to cast your vote for or against the Plan. You should complete, date and sign your ballot and return it in person or by mail to James C. Olson, Esquire, 10451 Mill Run Circle, Suite 400, Owings Mills,

¹ Capitalized terms have the meanings stated in the Glossary of Definitions found at the end of this Disclosure Statement

Maryland 21117, or by email to jolson@jamesolsonattorney.com. **All ballots must be received by 5:00 p.m. on _____, 2018.** Only those votes that actually accept or reject the Plan may be counted.

An impaired class of claims² accepts the Plan if at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims of that class which are actually voted are cast in favor of the Plan. Holders of Allowed Claims who do not vote are not counted as having voted either for or against the Plan.

Confirmation of the Plan With and Without Necessary Acceptances

Once it is determined which impaired classes have or have not accepted the Plan, the Court will determine whether the Plan may be confirmed. If all impaired classes accept the Plan and the Court finds that the other conditions set forth in section 1129(a) of the Bankruptcy Code are met, the Plan will be confirmed.

The Plan may be confirmed even if it is not accepted by all impaired classes, if the Court finds that at least one impaired class of claims has accepted the Plan and certain additional conditions are met. Those conditions are set forth in section 1129(b) of the Code. The Debtors intend to rely upon the provisions of section 1129(b) of the Code, if one or more impaired classes do not accept the Plan.

The Plan proposed by the Debtors leaves Classes 1, 2, 3 and 5 impaired. If all classes vote to accept the plan, and if the Court finds that the conditions specified in section 1129(a) of the Bankruptcy Code have been satisfied by the Debtors, the Plan may be confirmed. If one or more, but less than four, of the classes vote to accept the plan, and if the Court finds that the conditions specified in section 1129(a) & (b) of the Bankruptcy Code have been satisfied by the Debtors, the Plan may be confirmed.

HISTORY OF THE DEBTORS AND EVENTS LEADING TO THE CHAPTER 11 CASES

Dr. Leonard Richardson, the owner and physician of Kingdom, believes that the doctor-patient relationship should be one of primary-care providers taking care of the community and the family. Physicians serve as the social worker, the priest, or the community paternal or maternal figure in some instances. The most important word to heed in the phrase doctor-patient relationship is the word relationship. It is a relationship built on trust in which the provider has to be consistent with the patient. Doctors have to be honest with patients so that they build trust. If the doctors are trusted then the patients will be loyal, and that's where the sense of belonging comes in. The medical practice then becomes a place to which patients can go not only to be treated physically but also to be treated emotionally.

It is on this basis that Dr. Richardson founded Kingdom Medicine P.A., as a primary care

² Whether a class of claims or interests is "impaired" is determined in accordance with § 1124 of the Code. The section of this Disclosure Statement entitled "Summary of the Plan" sets forth the classes of claims that are impaired under the Plan. A class that is not impaired under a Plan is conclusively presumed to have accepted the Plan. Solicitation of acceptances from unimpaired classes is not required.

medical practice. Incorporated in 2002, this office practice model includes the front end medical suite/oasis where patients feel they belong and at the same time an established back office utilizes modern technology where the business operations can take place. Robust practice management support and administrative tasks allow the front end providers to practice personalized medicine and physicians can get to know patients on a first name basis. Continuity is established. This differs from the way that medicine is now being increasingly practiced in the hospital and urgent care settings where providers work on a shift basis, consistency is difficult to achieve and patients have become more isolated.

Kingdom Medicine P.A. began with 220 patients inherited from a retiring physician in 2002. The practice has grown organically over the last 15 years and expanded to three locations and 15,000 patients, while implementing the model described above. Kingdom serves primarily underserved patient populations. Management also understands the fiscal responsibilities of modern health care and the importance of treating patients in the outpatient setting in a time where there is a shortage of physicians and clinics. Five percent of the population of the United States does not have access to proper preventative care. This five percent of patients accounts for 50 percent of the health care costs. Establishing more outpatient clinics will help to reduce cost and improve access. Of course, Kingdom will not solve this disparity alone; but, Kingdom fills a critical need in the delivering healthcare service in a cost effective manner. With many established physicians retiring in the face of the changes in the healthcare regulatory environment, Kingdom's modern systems and personal touch position it to succeed as a medical practice in the 21st century.

Prior to 2016, Kingdom's medical practice was centered in the Baltimore metropolitan area. Since 2013, Kingdom has operated from its current address in Pikesville, Maryland. Kingdom's financial difficulties can be traced primarily to its acquisition of a medical practice with offices in Rockville and Germantown, Maryland. Although this expansion appeared to be a sound move at the time, actual operating results did not meet expectations. The additional revenues from the expanded practice were not sufficient to cover the increased costs plus the payments on the loan from Sandy Spring Bank incurred to purchase the practice. In late 2016, Kingdom began to borrow in order to cover operating expenses. These borrowings became greater and Kingdom was forced to seek financing from non-traditional lenders at high rates of interest. Kingdom took steps to reduce its expenses and streamline its operations; but, these were not sufficient to restore financial equilibrium. Faced with mounting debt service that could not be sustained with Kingdom's revenues and operating expenses, Kingdom was forced to file a petition for relief under Chapter 11 of the Bankruptcy Code on June 21, 2017. The specific precipitating cause of the filing was garnishment of Kingdom's checking account by Max Advance, LLC. The Richardsons filed a petition for relief under Chapter 11 of the Bankruptcy Code on October 2, 2017.

SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE

At the commencement of this Chapter 11 case, all of Kingdom's assets were encumbered by a security interest securing a loan from PNC Bank. Thus, all the funds in Kingdom's bank accounts and the funds generated from the collection of medical receivables were cash collateral of PNC Bank. It was critical that the Debtors be able to use this cash collateral if the Debtors were to continue the operation of its business and reorganize.

Kingdom filed an emergency motion for the use of cash collateral on the date that Kingdom filed its bankruptcy. The hearing on the emergency motion was set the following week, so that Kingdom would be able to make its payroll on Friday, June 30, 2017. Kingdom contacted the PNC bank officer responsible for Kingdom's loan in order to ensure that PNC retained counsel as soon as possible. With the appearance of counsel to PNC Bank, Kingdom was able to negotiate a consent order for interim use of cash collateral for the first two weeks of the case, which was entered by the Court on June 30, 2017. Kingdom was subsequently able to negotiate a consent order for use of cash collateral for three more weeks, then monthly for August and September, and for a two-month period in October/November and December/January. Kingdom has achieved a stable operation which permits it to project its monthly income and expenses reasonably well. Use of cash collateral has not been a matter of contention for the Debtors.

In addition to the motion for use of cash collateral, Kingdom also prepared and filed on June 21, 2017, a motion to pay prepetition wages and a motion to pay a critical vendor. The following day, Kingdom prepared and filed a motion to compel the release of Kingdom's Wells Fargo checking account from the garnishment of Max Advance. All of these motions were set for hearing, together with the motion for use cash collateral, the following week. The Court approved the payment of prepetition wages and payment to the critical vendor by orders entered June 30, 2017.

The immediate precipitating cause of Kingdom's Chapter 11 filing was the garnishment of Kingdom's checking account by Max Advance to collect a loan on which Kingdom had defaulted. Kingdom required the use of the garnished funds to make its payroll and otherwise pay its minimum operating expenses. Kingdom prepared and filed an emergency motion to compel Wells Fargo Bank and Max Advance to immediately release the garnishment and permit Kingdom to use the funds. Kingdom withdrew this motion at the hearing, because Wells Fargo Bank voluntarily released the funds for Kingdom's use prior to that date. Max Advance did not appear or file any opposition to the motion.

At the commencement of Kingdom's Chapter 11 case, Kingdom operated its medical practice at three locations: Pikesville, Rockville and Germantown, Maryland. Dr. Richardson, the sole physician employed by the Debtors, covered all three locations on a rotating basis. As the cost of maintaining three locations with a single physician was not necessarily warranted, Kingdom considered consolidating and streamlining its operations in Montgomery County.

Prior to Kingdom reaching a final decision regarding the number and location of its offices, the landlord of the Germantown office moved for relief from the automatic stay in order to proceed with an eviction of Kingdom from that location. In light of the adversarial relationship with the Germantown landlord, Kingdom concluded that it would make sense to vacate the Germantown office and consolidate in the Rockville office. Kingdom negotiated a consensual resolution to the stay relief Motion which permitted Kingdom time to remove its furniture and equipment from the Germantown location and return possession of the premises to the landlord without unnecessary disruption of Kingdom's operations.

Because Kingdom operates a medical practice, the Code requires appointment of a patient care ombudsman unless the court finds that such appointment is not necessary. Kingdom

prepared and filed a motion for determination that appointment of a patient care ombudsman is not necessary. The Court granted the motion and concluded that such appointment was unnecessary by order entered August 8, 2017.

SUMMARY OF THE PLAN

The Summary of the Plan contained in this Disclosure Statement is not a substitute for, and is qualified by, the full text of the Plan itself. A copy of the Plan accompanies this Disclosure Statement. If confirmed, the Plan creates binding obligations between the Debtors and its creditors. If any conflict should arise between the contents of the Plan and (1) the description of the Plan contained in this Disclosure Statement or (2) any other statement contained in this Disclosure Statement, the terms of the Plan govern the rights and obligations of the parties. **ALL CREDITORS AND INTEREST HOLDERS ARE URGED TO READ THE PLAN CAREFULLY.** The Debtors believe that the Plan is feasible, fair and equitable, does not discriminate unfairly and is in the best interest of creditors.

The Plan provides for division of the Debtors' creditors and interest holders into five separate classes. In addition, the Plan treats two categories of claims (Administrative Expenses and Tax Claims) which do not vote and are referred to as "Unclassified Claims". The designation of a class or a category or unclassified claims does not mean that the Debtors are aware of any actual claimants in such class or category. The disclosure of the amount of a class of claims or the amount of a particular claim does not mean that the Debtors agree with the amounts claimed.

Class One

Class 1 consists of holders of Wage Claims. The total amount of Wage Claims scheduled and filed is \$44,018.49.

Unless a holder of the Class 1 claim agrees to less favorable treatment, each holder of a Class 1 claim which is an Allowed Claim shall receive on the first day of each calendar quarter (January 1, April 1, July 1, October 1) subsequent to the Effective Date each holder's Pro Rata (with other holders of Wage Claims) portion of the available funds in the Distribution Account until such Allowed Claim is paid in full with interest at the annual rate of five percent (5%) from the Effective Date. Class 1 claims are impaired under the Plan.

Class Two

Class 2 consists of the Secured Claim of PNC against Kingdom. PNC filed a proof of claim in the total amount of \$577,321.76. Kingdom's obligation to PNC is secured by all of Kingdom's assets. As of the Petition Date, the value of Kingdom's assets encumbered by PNC was approximately \$185,000, excluding the value of the Old Receivables. The Old Receivables are in the face amount of approximately \$167,000. However, because of their age and other factors, Kingdom is unable to estimate the actual, collectable value of the Old Receivables. Subsequent to June 21, 2017, Kingdom has paid PNC the amount of \$21,858.00, as of January 1, 2018. These payments were credited to reduce the amount of PNC's secured claim. Subsequent monthly payments to PNC in the amount of \$3,643.00 prior to the Effective Date will further reduce the amount of PNC's secured claim. As of January 1, 2018, PNC's Class 2 claim was in

the amount of \$163,142. The balance of PNC's claim, in the amount of \$414,179.76, as of January 1, 2018, less the amount of PNC's recovery on the Old Receivables, is treated as a General Claim in Class 3.

Unless the holder of the Class 2 claim agrees to less favorable treatment, the holder of the Class 2 claim shall receive on the Effective Date an allonge to its notes, modifying the terms to state a debt in the amount of \$185,000.00, less the sum of all payments made to PNC from June 21, 2017 to the Effective Date, with interest at the annual rate of six percent (6%) fully amortized over five years, secured by all of Kingdom's assets. The note shall mature in five years. Except as modified, the remaining terms of PNC's loan documents shall continue unchanged. Additionally, the holder of the Class 2 claim shall receive the net proceeds from the collection of the Old Receivables. The holder of the Class 2 claim may, at its option, select a collection agency(ies) and/or attorney(ies) to pursue the collection of the Old Receivables and approve the terms of such agency's/attorney's compensation. Kingdom shall cooperate fully with each such agency and/or attorney in the collection of the Old Receivables. The balance of PNC's claim, which is not secured by Collateral, shall be treated as a General Claim.

Class Three

Class 3 consists of General Claims. General Claims are unsecured claims arising before the filing date of the Debtors' Chapter 11 petitions, which are not entitled to a priority under the Bankruptcy Code and are not otherwise classified under the Plan. "General Claim" may include those portions of the claims of creditors holding security in excess of the value of the Collateral.

The total amount of General Claims listed on Kingdom's Schedule F is \$4,087,677.21. The total amount of General Claims listed on the Richardsons' Schedule F is \$2,128,992.00. When the additional amounts stated in proofs of claim filed by members of Class 3 are included, the amounts of disputed claims for which no proof of claim has been filed are subtracted, and the amounts of claims against the Richardsons that are duplicates of claims against Kingdom are subtracted, the total of claims in Class 3 is approximately \$4,400,000, which includes the amount by which the proof of claim filed by PNC exceeds the value of the Collateral securing such claim.

Unless a holder of a Class 3 claim agrees to less favorable treatment, each holder of a Class 3 Allowed Claim shall receive annually on January 1 of each year subsequent to full payment of Tax Claims such holder's Pro Rata (with other holders of General Claims) portion of the available funds in the Distribution Account until the funds in the Distribution Account are exhausted. Class 3 claims are impaired under the Plan.

Class Four

Class 4 consists of the equity interest of Dr. Leonard Richardson in Kingdom. Under the Plan, Dr. Richardson retains his interest in Kingdom. The Class 4 interest is not impaired under the Plan.

Class Five

Class 5 consists of the Secured Claim of BOA against the Debtors. BOA filed a proof of claim in the total amount of \$739,161.32. The Debtors' obligation to BOA is secured by Richardsons' residence located at 8401 Summit Avenue, Baltimore, Maryland 21244. In full and complete satisfaction, discharge and release of the Class 5 Claim, the holder of the Class 5 Claim shall receive one hundred percent (100%) of its Allowed Secured Claim and, to the extent allowable, interest at the rate of 4% per annum on such Allowed Secured Claim, in equal monthly payments over a term of twenty (20) years, commencing thirty (30) days after the Effective Date. The holder of the Class 5 Claim shall continue to retain its liens and Security Interest on the Richardsons' residence located at 8401 Summit Avenue, Baltimore, Maryland 21244 which secured said Claim on the Petition Date. The Class 5 claim is impaired under the Plan.

Administrative Expenses

Administrative Expenses are claims arising after the commencement of the Debtors' Chapter 11 cases which are entitled to a priority of payment under the Bankruptcy Code. *See* Glossary of Definitions.

Unless a holder of an Administrative Expense agrees to less favorable treatment, and except as stated otherwise in the Plan, all Administrative Expenses accrued and unpaid as of the Effective Date shall be paid in full in Cash on the tenth Business Day after, at the Debtors' discretion, (a) the Effective Date or (b) the date such claim has been allowed pursuant to a Final Order of the Court; provided, however, that (x) Administrative Expenses incurred in the ordinary course of business may be paid in the ordinary course of business, (y) the fees, costs and disbursements of Professionals approved by the Court shall be paid in full on the later of the Effective Date or the tenth day after the entry of an order allowing such payment and (z) fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the tenth Business Day after the Debtors' receipt of an invoice therefor.

Administrative Expenses of the estate consist of professional fees incurred by the Debtors, fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6), and use and occupancy for the Debtors' former office in Germantown. The Debtors' estimate of what the unpaid non-ordinary-course Administrative Expenses will be as of the Confirmation Date is:

<u>Administrative Expense</u>	<u>Amount</u>
Debtors' Attorneys	\$20,000.00
U.S. Trustee fees	\$4,875.00
Germantown use and occupancy	\$7,000.00

Payments of professional fees and amounts due to the United States Trustee will be paid from the Distribution Account. Payments to holders of Administrative Expenses arising in the ordinary course of business, will be paid by the Debtors from its general operating funds, not from the Distribution Account.

Tax Claims

Tax Claims consist of allowed unsecured claims of governmental units for certain types of taxes, including income, property, excise tax and employment taxes, which arose prior to the respective dates on which each Debtor filed a petition for relief and which are entitled to priority under the Code. *See* Glossary of Definitions.

The following Tax Claims have been filed in Kingdom's case:

<u>Tax Claim</u>	<u>Amount</u>
Baltimore County	\$719.40
Comptroller of Maryland	\$2,260.00
United States Treasury	<u>\$3,719.54</u>
TOTAL	\$6,698.94

The following Tax Claims have been filed in the Richardsons' case:

<u>Tax Claim</u>	<u>Amount</u>
Comptroller of Maryland	\$2,421.00
United States Treasury	<u>\$48,737.63</u>
TOTAL	\$51,158.63

Unless a holder of a Tax Claim agrees to less favorable treatment, each holders of a Tax Claim which is an Allowed Claim shall receive on the first day of each calendar quarter (January 1, April 1, July 1, October 1) subsequent to full payment of Wage Claims such holder's Pro Rata (with other holders of Tax Claims) portion of the available funds in the Distribution Account until such Allowed Claim is paid in full with interest at the rate of five percent (5%) from the Effective Date.

Executory Contracts

Currently, Kingdom is the lessee of a medical office located at 19 Walker Avenue, Pikesville, Maryland. Kingdom is also party to executory contracts with Officite and Practice Care Management Group, Ltd. for website maintenance and medical billing services, respectively. The Debtors are not aware of any other Executory Contracts. The Plan provides that, as of the Effective Date, Kingdom assumes all Executory Contracts, if any, unless the contract or lease has been rejected prior to the Confirmation Date or a motion to approve rejection of a contract or lease is pending on the Confirmation Date. Kingdom does not anticipate that it will seek to reject any Executory Contract.

MEANS FOR EXECUTION OF THE PLAN

Disposition of Assets of the Estate

As of January 29, 2018, Kingdom's assets consisted of (1) postpetition accounts receivable in the face amount of \$90,772.17, having an estimated collection value of \$53,200, (2) the Old Receivables in the face amount of \$166,897.76, having an unknown collection value, (3) inventory, having an estimated value of \$15,000 and (4) furniture and equipment, having an estimated value of \$10,000. All of these assets are encumbered by the security interest of PNC, securing obligations well in excess of the value of the Collateral.

Kingdom will retain the post-petition receivables, the inventory and the equipment post-confirmation for use in its business operations. The Old Receivables will be collected and/or written off in consultation with PNC, with the Proceeds, if any, paid to PNC.

Additionally, Kingdom's Statement of Financial Affairs lists payments made to creditors within 90 days prior to the filing of Kingdom's Chapter 11 case in the total amount of \$220,600.37. Some or all of these creditors may have defenses to any claims for recovery as a preferential transfer under sections 547 and 550 of the Bankruptcy Code. The Debtors are not able to estimate the amount of any recovery of these payments. The Proceeds of the recovery of any Avoidable Transfers will be deposited into the Distribution Account for disbursement in accordance with the Plan.

Post-Confirmation Business Operations

Kingdom intends to continue the operation of its medical practice at the Pikesville and Rockville locations for the foreseeable future. Based on the monthly operating reports filed by Kingdom in this case, it appears that Kingdom's operations produce little cash surplus. The collectable medical receivables generated by Kingdom's two billing employees, a doctor and a nurse practitioner, are sufficient to cover the ongoing operating expenses, but do not produce a reliable cash surplus that could fund the payments to the Distribution Account.

However, in December 2017, Kingdom hired a second nurse practitioner to provide patient care. Due to the 30 to 60-day time frame for payment of medical receivables, the medical receivables generated by the new nurse practitioner have not yet all been collected. Thus, Kingdom does not have historical financial records to measure that precise financial impact that the new nurse practitioner has on Kingdom's cash flow and profitability. However, based on the actual revenues generated by the current nurse practitioner and actually collected during the period from July 1, 2017, to December 31, 2017, Kingdom projects that the new nurse practitioner will generate an additional \$5,000 per month in net revenue after payment of compensation and other employment costs. It is from this additional revenue that Kingdom intends to fund the contributions to the Distribution Account and payments to unsecured creditors.

Additionally, the salary paid by Kingdom to Dr. Leonard Richardson will not be increased from its current level of \$80,000 per year until all payments required under the Plan have been made.

The Distribution Account and Payment of Unsecured Claims

Prior to the Effective Date, the Debtors will designate the Distribution Fiduciary, and the Distribution Fiduciary will open an account to be entitled the “Kingdom Creditor Distribution Account”. At the present time, absent unforeseen circumstances, the Debtors anticipate that they will designate Dr. Leonard Richardson as the Distribution Fiduciary.

Kingdom will deposit into the Distribution Account the funds stated in Article V of the Plan, consisting of \$4,000 per month until a total of \$400,000 has been deposited plus Proceeds recovered from the collection of the Avoidable Transfers. Kingdom is not able to predict the amount of the Proceeds of the Avoidable Transfers.

The Distribution Fiduciary will reserve from the Distribution Account sufficient funds to pay the anticipated professional expenses incurred by the Debtors and to be incurred in the discharge of the Distribution Fiduciary’s duties set forth in the Plan and amounts necessary to keep the Distribution Account open, including reserving funds for taxes, if any, which may be become due. Wherever the Plan requires payment in full of a particular class of claims, including Administrative Expenses, as a prerequisite to any payment of another class of claims, the Distribution Fiduciary may satisfy such condition by reserving the full amount sought by the holder(s) of such claim(s) for distribution, if required, at a later date.

If a distribution to a claim holder is returned to the Distribution Fiduciary as undeliverable, no further distribution will be made to such claim holder unless and until the Distribution Fiduciary receives notification in writing of the correct, current address of such claim holder. The Distribution Fiduciary is not required to attempt to locate any claim holder. If the Distribution Fiduciary is unable to deliver such distribution within six months following the final sale or other disposition of property of Kingdom or the Distribution Account, the funds will be redistributed to other creditors. Additionally, the Distribution Fiduciary is not required to distribute an amount less than five dollars to any single creditor.

ALTERNATIVES TO THE PLAN

The alternatives to confirmation of the Plan, or to confirmation of some other plan of reorganization should the Plan not be confirmed, are the dismissal of this reorganization case (leaving the Debtors’ creditors and shareholders to pursue their non-bankruptcy remedies, if any) or the liquidation of the Debtors in Chapter 7.

Dismissal of this case would likely result in the exercise by PNC of its rights as a secured creditor to liquidate all of Kingdom’s assets and apply the proceeds to payment of Kingdom’s obligations to PNC. Kingdom’s debt to PNC substantially exceeds to value of Kingdom’s assets. The Richardsons’ unencumbered assets are of such minimal value that the Richardsons’ unsecured creditors would receive nothing if the case is dismissed.

The other alternative is the conversion of these cases to liquidation cases under Chapter 7 of the Bankruptcy Code.

Because all of Kingdom's assets are encumbered by PNC's security interest securing a debt which exceeds the value of Kingdom's assets, a Chapter 7 trustee would most likely abandon the assets and close the case without administering any assets. PNC would then exercise its rights as a secured creditor to liquidate all of Kingdom's assets and apply the proceeds to payment of the Debtors' obligations to PNC. Unsecured creditors would receive nothing if the case is converted to Chapter 7.

The Richardsons' unencumbered assets are of such minimal value that a Chapter 7 trustee would most likely abandon the assets and close the case without administering any assets. Unsecured creditors would receive nothing if the case is converted to Chapter 7.

Based upon the foregoing, the Debtors believe that the value distributed to creditors under the Plan is greater than the value that creditors would receive through an alternative to the Plan.

TAX CONSEQUENCES

Implementation or non-implementation of the Plan may modify or affect the timing of the federal income tax treatment of the claims or interests of the Debtors' creditors or interest holders. In addition, state or federal tax consequences may flow from the Plan, depending on the creditor's or interest holder's state of residence. Differences among creditors or interest holders, including differences in form of organization, methods of accounting and prior tax-related actions taken with respect to their claims or interests, may have a material effect on the tax treatment of their involvement. Creditors and equity holders are urged to consult their tax advisors concerning the tax consequences of the Plan to them.

CONCLUSION

The Debtors believes that the proposed Plan is feasible, fair and equitable, does not discriminate unfairly, and is in the best interest of creditors.

Dated: February 15, 2018

KINGDOM MEDICINE, P.A.

By: /s/ Leonard Richardson
Dr. Leonard Richardson

DR. LEONARD RICHARDSON

/s/ Leonard Richardson

DIANE RICHARDSON

/s/ Diane Richardson

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Attorney for Dr. Leonard Richardson and Diane Richardson

GLOSSARY OF DEFINITIONS

For purposes of this Disclosure Statement, the following terms have the meanings set forth unless the context clearly requires otherwise.

"Administrative Expense" means (a) an unsecured claim, not otherwise defined in the Plan, entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code and includes, but is not limited to, (i) a claim for any cost or expense of administration in connection with this chapter 11 case, including, without limitation, any actual, necessary cost or expense of preserving the Debtors' estate and of operating the business of the Debtors, (ii) the full amount of all claims for compensation for legal, accounting and other professional services or reimbursement of costs under sections 330, 331 or 503 of the Bankruptcy Code, (iii) all fees and charges assessed against the Debtors' estate under section 1930 of title 28 of the United States Code, and (iv) any post-petition taxes and related items, including any interest and penalties on such post-petition taxes, or (b) compensation for legal, accounting and other professional services or reimbursement of costs arising from post-confirmation services rendered in connection with the Debtors' bankruptcy case or in connection with this Plan and incident to such case.

"Allowed Claim" means a claim (a) with respect to which a proof of claim was filed with the Bankruptcy Court on or before the Bar Date, or pursuant to section 8.2 of the Plan, or (b) which is listed in the schedules filed by the Debtors pursuant to Rule 1007 of the Federal Rules of Bankruptcy Procedure and is not listed as disputed, contingent or unliquidated as to amount; and which is not a Disputed Claim or an Administrative Expense. If only a portion of a claim is a Disputed Claim, the remainder shall be an Allowed Claim if the claim otherwise complies with (a) or (b) above. In the event that a proof of claim has been filed in an amount less than the undisputed, noncontingent amount set forth in the schedules of the Debtors, then, absent an objection, the amount set forth in the proof of claim shall constitute the amount of the Allowed Claim.

"Avoidable Transfers" means any transfer of property of the Debtors that may be avoided pursuant applicable law, including but not limited to sections 544 through 550 of the Bankruptcy Code.

"Bankruptcy Code" or "Code" means the Bankruptcy Reform Act of 1978, as amended, 11 U.S.C. § 101 et seq.

"Bankruptcy Court" or "Court" means (a) the United States Bankruptcy Court for the District of Maryland, or such other court as may have jurisdiction over this case, or (b) any court having competent jurisdiction to hear appeals or certiorari proceedings therefrom.

"Bar Date" means with respect to a governmental unit, December 18, 2017, and with respect to all other creditors, October 17, 2017.

"BOA" means Bank of America, N.A., a secured creditor.

"Business Day" means a day, which is not a Saturday, Sunday or legal holiday as defined in Rule 9006(a) of the Federal Rules of Bankruptcy Procedure.

"Cash" means United States currency, drafts, checks, deposit accounts or other cash equivalents.

"Collateral" means property of the Debtors, which secures a Secured Claim.

"Confirmation" means the entry of an order by the Court confirming the Plan.

"Confirmation Date" means the date upon which the Court enters the Confirmation Order.

"Confirmation Order" means the order entered by the Court confirming the Plan.

"Debtors" means Kingdom Medicine, P.A.

"Disclosure Statement" means the disclosure statement relating to the Plan filed by the Debtors pursuant to section 1125 of the Bankruptcy Code, either as initially filed or as it may be altered, amended or modified as permitted by law.

"Disputed Claim" means any claim or portion of a claim regarding which either the Debtors or other party has filed a pleading, motion or other paper (regardless of how such is denominated) with the Court (a) disputing the correctness of the amount, priority, secured status or other matter regarding the claim or portion of the claim or (b) seeking disallowance of all or a portion of the claim, and which has not been fixed by a Final Order.

"Distribution Account" means the account or accounts established by the Distribution Fiduciary pursuant to section 7.1 of the Plan.

"Distribution Fiduciary" shall mean the individual appointed by the Debtors to be responsible for the creation and maintenance of the Distribution Account and for making the distributions from the Distribution Account in accordance with the provisions of the Plan. The compensation and expenses of the Distribution Fiduciary in the performance of his/her duties shall be an Administrative Expense.

"Effective Date" means the fifteenth day after the Distribution Account has sufficient funds to pay the allowed amount of Administrative Expenses due to be paid; unless prior to that date, the effect of the Confirmation Order is stayed, in which case the Effective Date shall be no earlier than the fifteenth day following the termination of such stay.

"Executory Contract" means any contract or unexpired lease to which the Debtors are a party and which is executory within the meaning of section 365 of the Bankruptcy Code; except that a lease of personal property whose lessor holds a Secured Claim is not an Executory Contract.

"Final Order" means an order or judgment, the operation or effect of which has not been stayed, and as to which order or judgment (or any revision, modification or amendment thereof) the time to appeal or seek an appeal or review has expired, and as to which no appeal, petition for review or motion for leave to appeal has been taken or made or is pending.

“General Claim” means any prepetition claim against the Debtors which is unsecured, not entitled to priority under the Bankruptcy Code and not otherwise classified in the Plan.

“Kingdom” means Kingdom Medicine, P.A.

“Old Receivable” means an obligation owing to the Debtors arising prior to June 21, 2017, that has not been paid to the Debtors prior to January 1, 2018.

“Plan” means the Plan of Reorganization dated February 15, 2018, either in its present form or as it may be altered, amended or modified as permitted by law.

“PNC” means PNC Bank, N.A., a secured creditor.

"Proceeds" means the net amount, in whatever form, received by the Debtors from the sale or other disposition of property after payment of all expenses (including any professional fees) associated with such sale or disposition.

"Professional" means any entity retained or to be compensated pursuant to sections 326, 327, 328, 330 or 331 of the Bankruptcy Code.

"Pro Rata" means, with respect to a distribution to a holder of a claim, a payment equal to (A) the total amount available for distribution multiplied by (B) the amount of such holder's claim divided by (C) the total amount of claims (both Allowed and Disputed) to receive a distribution from a particular source of funds ($A \times B \div C$).

"Secured Claim" means any claim secured by a lien, mortgage, security interest, or other encumbrance on property of the Debtors, but only to the extent of the value of the Debtors' interest in property securing such claim, and only to the extent that such lien, mortgage, security interest or other encumbrance is not void or voidable under applicable state or federal law, including the Bankruptcy Code, or subject to setoff under section 553 of the Bankruptcy Code. Classification of a claim in this Plan as a "Secured Claim" is not an admission or representation that the holder of such claim actually holds a Secured Claim. Such classification merely defines the treatment of the Secured Claim should it be found to exist. However, classification in this Plan as other than a Secured Claim shall conclusively exclude such claim from treatment as a Secured Claim. "Secured Claim" includes the claim of a lessor under a lease of personal property if (a) the lessor agrees to treatment of its claim as a Secured Claim, (b) the lessor has filed a proof of claim asserting a secured claim, (c) the Debtors obtains an order of the Court recharacterizing the personal property lease as a secured financing transaction, or (d) the Plan treats the lessor's claim as a Secured Claim.

"Tax Claim" means an unsecured claim for taxes owing to a governmental entity entitled to priority pursuant to section 507 the Bankruptcy Code, which is not otherwise classified in this Plan.

“Unclassified Claim" means any claim belonging to a class of claims not requiring designation pursuant to section 1123(a)(1) of the Bankruptcy Code.

“Wage Claim” means an unsecured claim for wages, salaries, or commissions, including vacation, severance and sick leave pay earned by an individual within 180 days before the Petition Date, but not to exceed \$12,850.

Unless otherwise defined herein, the terms used in the Plan shall have the meaning(s) ascribed to them in the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure.