

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re:

BKY No. 17-32654

CareFocus Corporation,

Debtor.

DEBTOR'S DISCLOSURE STATEMENT

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I.

INTRODUCTION

CareFocus Corporation, Inc. (“Debtor”) filed a case pursuant to Chapter 11 of the United States Bankruptcy Code on August 18, 2017. Debtor is filing this Disclosure Statement (“Disclosure Statement”) which has been prepared for the Bankruptcy Court’s approval for submission to the holders of the claims and interests with respect to Debtor and its assets. Capitalized terms used in this Disclosure Statement shall have the meanings given to them in the Plan or by the Bankruptcy Code unless the context otherwise requires.

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Debtor is protected by the automatic stay provisions of Section 362 of the Bankruptcy Code while it attempts to present a plan of reorganization to its creditors.

Debtor’s Disclosure Statement is furnished pursuant to Section 1125 of the Bankruptcy Code and is intended to provide all persons known to have claims against Debtor with sufficient information to permit them to make an informed judgment as to their votes to accept or reject the Plan. No representations concerning Debtor, particularly as to its future business operations, the value of its property, other than those set forth in this Disclosure Statement, are authorized by Debtor.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN THOSE IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR DEBTOR OR TO THE UNITED STATES TRUSTEE, WHO, IN TURN, SHALL DELIVER THIS INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTIONS AS MAY BE DEEMED APPROPRIATE.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY DEBTOR BUT HAS NOT BEEN INDEPENDENTLY AUDITED. ALL STATEMENTS CONCERNING FINANCIAL DATA ARE MADE IN GOOD FAITH AND ARE INTENDED TO BE AS COMPLETE AND AS ACCURATE AS POSSIBLE WITHIN THESE LIMITATIONS. BANKRUPTCY COUNSEL FOR DEBTOR HAS NOT VERIFIED ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

Definitions of terms used in this Disclosure Statement are provided in Article I of Debtor’s Plan of Reorganization, which is submitted herewith.

II.

NATURE AND HISTORY OF DEBTOR'S BUSINESS AND EVENTS LEADING TO THE FILING OF THE CHAPTER 11 CASE

A. Organization, Operation and Events Leading to Bankruptcy.

CareFocus Corporation, was incorporated on May 6, 1999 and has been in the home health care business for the past 14½ years. The Debtor operates from 2429 University Avenue West, St. Paul, MN 55114-1541. The Debtor rents its office. The Debtor acts as a home health care service. The Debtor is Medicare Certified and has been since November 1993. It's Medicare Certification has never been suspended nor revoked. This is exclusively the Debtor's business. The Debtor has approximately 200 employees. The Debtor is owned by Adewale Koleosho, who is the President.

The Debtor filed a Chapter 11 Petition in the US Bankruptcy Court for the District of Minnesota on February 9, 2010. The Debtor's Second Amended Plan of Reorganization was Confirmed by the US Bankruptcy Court on January 26, 2011. The Bankruptcy Case was closed on April 22, 2011. The Debtor filed a second Chapter 11 Petition in the US Bankruptcy Court for the District of Minnesota on May 23, 2013. The Debtor's Amended Plan of Reorganization was confirmed by the US Bankruptcy Court on December 4, 2013. The Bankruptcy Case was closed on February 10, 2014.

The Debtor continued making its post confirmation payments to its creditors until May 13, 2012. The Debtor then, again, experienced cash flow difficulties and fell behind in making payments to the Minnesota Department of Revenue, the Internal Revenue Service and the Minnesota Department of Employment & Economic Development. The cash flow difficulties of the Debtor were due to the non-payment of current withholding taxes for the employees of the Debtor. In 2012, Mr. Koleosho increased his draws and did not deposit the employee withholding taxes. He used these draws to pay for attorney's fees and defense costs pertaining to criminal proceedings brought against his wife by Hennepin County. He also used funds taken from the business to provide for the cost of child care for his minor children. This child care was necessitated by the incarceration of Mr. Koleosho's wife. The criminal proceedings distracted Mr. Koleosho from the operation of his business. The criminal matter involving Mr. Koleosho's wife was resolved in the early part of 2013. The Debtor then attempted to negotiate new payment schedules with the tax authorities. This occurred in the spring of 2013. These negotiation efforts failed. The Debtor was threatened with levies by the IRS and filed a Chapter 11 case in late May 2013.

In the summer of 2017, the Debtor was contacted by the United States Treasury Department who claimed that it was collecting, on behalf of MediCare, the sum of

approximately \$158,000. The collection occurred through offsets effected by the Treasury Department against payments that would have been made to the Debtor by the Veteran's Administration. This offset procedure resulted in a substantial disruption in the Debtor's cash flow. Despite the Debtor's attempt to negotiate a payment schedule, the Treasury Department would not agree to stop setting off. This caused the Debtor to file the present chapter 11 case on August 18, 2017.

B. Operations During Chapter 11

1. Description of Business Operations

Since filing its Chapter 11 Petition, the Debtor has negotiated a Stipulation for Adequate Protection with the Internal Revenue Service. The Debtor has made payments required under that agreement. The Debtor has continued to operate its business. The Debtor has, at the present time approximately 200 employees and a number of new customers.

2. Retention of Professionals:

The Debtor has retained Steven B. Nosek as Debtor's bankruptcy counsel.

The Debtor has retained A.J. Siddiqui as Debtor's accountant.

3. The Debtor is pursuing a plan to continue operations subsequent to approval of its Plan of Reorganization. The Debtor does not intend to sell any assets or enter into any bank financing. The Debtor intends to make payments to the IRS, Minnesota Department of Revenue and the Minnesota Department of Employment and Economic Development from cash flow derived from future operations of the Debtor. Attached to this Disclosure Statement as **Exhibit A** is a summary of the Debtor's operations since the case was filed. Attached as **Exhibit B** is a 12-month cash flow projection and annualized projections. Attached as **Exhibit C** is a liquidation analysis.

III.

CLAIMS AGAINST OTHERS

A. Preferences

The Debtor has investigated its payment records and does not believe that there have been preferential transfers to unsecured creditors.

B. Claims Against Insiders

The Debtor believes that preferential transfers may have been made to Tony Koleosho one year preceding the filing of the Bankruptcy case. The Debtor has determined it will not pursue those preferential transfers. There would be no economic benefit to the Debtor to attempt to recoup potential transfers from Adewale Koleosho.

C. Compensation of Officers

The current compensation of Adewale Koleosho, the sole Officer of the Debtor, is \$7,800.00 per month.

D. Objections to Claims Against Debtor

The claim filing bar date for creditors is December 20, 2017 and for governmental units is December 20, 2017.

IV.

DESCRIPTION OF DEBTOR'S PLAN OF REORGANIZATION

The Debtor's Plan of Reorganization has the following classified claims and interest:

A. Description and Treatment of Classes of Claims

- 2.01 Class 1. The secured claim and unsecured priority claim of the Internal Revenue Service in the approximate amount of \$56,805.03, to the extent allowed under §506 of the Code.
- 2.02 Class 2. All non-insider unsecured non-priority claims allowed under §502 of the Code. The Debtor believes the only unsecured non-priority claim owed is owed to the Internal Revenue Service.
- 2.03 Class 3. Equity interests in the Debtor.

Claims and interests shall be treated as follows under this Plan:

Class	Impairment	Treatment
Class 1 - Secured Claim	Unimpaired	The Debtor has commenced an Adversary proceeding seeking recoupment of funds from the United States Department of Health & Human Services and the United States Department of Treasury. Assuming the Debtor recoups those funds through a settlement currently being negotiated, the Debtor will pay a portion of the settlement funds received by it directly to the Internal Revenue Service to pay, in full, the Secured Claim of the Internal Revenue Service. If no settlement funds are received, the Debtor will make payments to the IRS on its Secured Claim. Monthly payments will be made. Interest will accrue at the rate in effect at Confirmation of the Debtor's Plan of Reorganization. The Debtor approximates the monthly payment to be \$836.03. Please refer to the projections attached to the Debtor's Disclosure Statement. The Claim will be paid in accordance with §1129(a)(9)(c). The IRS will retain its liens until completion of the Plan of Reorganization. If the reorganized debtor substantially defaults on the payments due to the IRS under this Plan of Reorganization, the entire tax debt and balance owed to the IRS shall be become due and payable immediately. The IRS may proceed to collect any unpaid tax liabilities, after default, through administrative collection provisions of the Internal Revenue Code.
Class 2 - General Unsecured Creditors	Impaired.	The Debtor believes that the only unsecured non-priority claims are Claims held by the Internal Revenue Service and by the Department of Health & Human Services and Medicare. The Medicare claim is disputed by the Debtor. The Debtor intends to dispute the validity of the Medicare Claim if it is not resolved through a settlement of an Adversary proceeding now pending in the

		Bankruptcy Court brought by the Debtor against Medicare and the U.S. Department of Treasury. The IRS claim is in the amount of \$96,246.05. The Debtor's Plan proposal is to pay all unsecured non-priority claims 10% in full and final satisfaction and settlement of each of the claims in this Class. The payments will be made on the Effective Date.
Class 3 - Equity Security Holders of the Debtor	Unimpaired.	The Equity Security Holders in the Debtor will retain their shareholder interests in the Debtor subsequent to Court approval of the Plan.

B. 1. CLASSES OF CLAIMS AND INTERESTS IMPAIRED UNDER PLAN

Classes 1, and 3 are unimpaired under this Plan. Class 2 is impaired and entitled to vote.

2. TREATMENT OF CERTAIN PRIORITY CLAIMS

Allowed Claims that are not classified shall be treated as follows:

- a. Unclassified Claims. Under section § 1123 (a)(1), administrative expense claims, and priority tax claims are not in classes.
- b. Administrative Expense Claims. Each holder of an administrative expense claim allowed under § 503 of the Code will be paid in full on the Effective Date of this Plan (as defined in Article VII), in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor. The Debtor estimates that professional fees will total approximately \$10,000.00, which will be paid from the Debtor's ongoing business operations.

- c. Priority Tax Claims. Each holder of a priority unsecured tax claim will be paid consistent with §1129(a)(9)(C) of the Code. There are three Claimants in this category. The first Claim is held by the Internal Revenue Service in the amount of \$313,624.00. The Debtor will make monthly payments in the amount of \$4,583 commencing on the Effective Date. Interest will accrue at the rate of 4% per annum. The second Claim is the Minnesota Department of Revenue who holds an unsecured tax claim against the Debtor in the amount of \$66,235.00. The Debtor will make monthly payments in the amount of \$1,320.04 commencing on the Effective Date. Interest will accrue at the rate of 4% per annum. The third Claim in this category is a Claim held by the Minnesota Department of Employment and Economic Development in the amount of \$183,682.00. The Debtor will make monthly payments in the amount of \$3,382.78 per month commencing on the Effective Date. Interest will accrue at the rate of 4% per annum. All payments to unsecured priority tax creditors will be paid over 60 months from the date of the filing of the Petition in accordance with §1129(a)(c) of the Bankruptcy Code.
- d. United States Trustee Fees. All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the Effective Date of this Plan will be paid on the Effective Date. The Debtor will continue to file disbursement reports with the United States Trustee's Office at all times the case remains open.

C. PLAN SUMMARY

The Debtor is pursuing a Plan to continue its business operations subsequent to approval of this Plan of Reorganization. Attached as **Exhibit C** is a liquidation analysis of the Debtor. Attached as **Exhibit A** is a Financial Summary. Attached as **Exhibit B** are financial projections for the Debtor. The Debtor anticipates no adverse tax consequences as a result of the Court confirming the Plan of Reorganization. During the course of the Bankruptcy case, the Debtor has been paying to the Internal Revenue Service the sum of \$1,046.15 per month.

V.

CONFIRMATION STANDARDS

Before confirmation, the Court must determine whether the Plan has been accepted by the holders of claims in each class considered "impaired" by the Plan. For a class of claims to accept the Plan, an affirmative vote must be cast by those that vote at least two-thirds in amount and more than fifty percent in number of allowed claims.

For a class of interests to accept the Plan, an affirmative vote of at least two-thirds in amount of allowed interests must be cast by those who vote.

The purpose of this Disclosure Statement is to provide the holders of such claims and interests with adequate information about Debtor and its Plan so that they can make an informed judgment about the Plan's merits. Once the Bankruptcy Court Orders approval of the Disclosure Statement and setting the date of the confirmation hearing, a deadline date will be determined by which ballots must be filed with the Clerk of Bankruptcy Court which is earlier than the date of the confirmation hearing. Creditors may vote on the Plan by filling out and mailing the accompanying ballot to the Bankruptcy Court, or if the deadline date by which ballots must be filed allows, they may attend the hearing and present the Ballot in person prior to the time set by the Bankruptcy Court. Pursuant to Bankruptcy Rules 3001 and 3003, claims will be allowed to the extent listed in the Schedules of Debtors, unless scheduled as disputed, contingent or unliquidated or unless a timely proof of claim is filed.

As a creditor, your vote is important. The Plan can be confirmed by the Bankruptcy Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of the claims in each impaired class voting on the Plan. In the event that one or more classes reject the Plan, the Bankruptcy Court may nevertheless confirm the Plan if the Bankruptcy Court finds that the Plan accords fair and equitable treatment to the class rejecting it. This means that, pursuant to 11 U.S.C. § 1129(b), the Plan may be confirmed even if a class of claims or interests rejects the Plan so long as the Plan provides that, with respect to each class of unsecured claims, (1) each holder of a claim or interest in the rejecting class receives the value of that claim or interest; or (2) no holder of a claim or interest junior to those held by members of the rejecting class will receive or retain something under the Plan.

VI.

CONCLUSION

Debtor believes that acceptance of the Plan is in the best interest of all parties. Debtor urges all holders of claims and interests to vote in favor of the Plan.

CAREFOCUS CORPORATION

Dated: December 7, 2017.

By: 
Adewale Koleosho, Its President

Counsel to the Debtor:
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DEBTOR: Carefocus Corporation

CASE NO: 17-32654

Form 2-D
PROFIT AND LOSS STATEMENT
 For Period 8/18/2017 to 9/30/2017

	Current Month	Accumulated Total (1)
Gross Operating Revenue	\$ 491,665.89	\$ 491,665.89
Less: Discounts, Returns and Allowances	(-)	(-)
Net Operating Revenue	\$ 491,665.89	\$ 491,665.89
Cost of Goods Sold	-	-
Gross Profit	\$ 491,665.89	\$ 491,665.89
Operating Expenses		
Officer Compensation	\$ 10,800.00	\$ 10,800.00
Other Payroll	294,173.78	294,173.78
Selling, General and Administrative	66,435.64	66,435.64
Rents and Leases	3,712.00	3,712.00
Depreciation, Depletion and Amortization	-	-
Other (list): _____	-	-
_____	-	-
Total Operating Expenses	\$ 375,121.42	\$ 375,121.42
Operating Income (Loss)	\$ 116,544.47	\$ 116,544.47
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	1.24	1.24
Interest Expense	-	-
Other Non-Operating Income	-	-
Net Non-Operating Income or (Expenses)	\$ 1.24	\$ 1.24
Reorganization Expenses		
Legal and Professional Fees	\$ 4,000.01	\$ 13,480.01
Other Reorganization Expense	2,092.30	2,092.30
Total Reorganization Expenses	\$ 6,092.31	\$ 15,572.31
Net Income (Loss) Before Income Taxes	\$ 110,453.40	\$ 100,973.40
Federal and State Income Tax Expense (Benefit)	-	-
NET INCOME (LOSS)	\$ 110,453.40	\$ 100,973.40

(1) Accumulated Totals include all revenue and expenses since the petition date.

DEBTOR: Carefocus Corporation

CASE NO: 17-32654

Form 2-D
PROFIT AND LOSS STATEMENT
 For Period 10/1/2017 to 10/31/2017

	<u>Current Month</u>	<u>Accumulated Total (1)</u>
Gross Operating Revenue	\$ 344,439.25	\$ 836,105.14
Less: Discounts, Returns and Allowances	(-)	(-)
Net Operating Revenue	\$ <u>344,439.25</u>	\$ <u>836,105.14</u>
Cost of Goods Sold	-	-
Gross Profit	\$ <u>344,439.25</u>	\$ <u>836,105.14</u>
Operating Expenses		
Officer Compensation	\$ 7,200.00	\$ 18,000.00
Other Payroll	195,790.21	489,963.99
Selling, General and Administrative	50,965.25	117,400.89
Rents and Leases	6,250.00	9,962.00
Depreciation, Depletion and Amortization	-	-
Other (list): _____	-	-
	-	-
Total Operating Expenses	\$ <u>260,205.46</u>	\$ <u>635,326.88</u>
Operating Income (Loss)	\$ <u>84,233.79</u>	\$ <u>200,778.26</u>
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	0.87	2.11
Interest Expense	-	-
Other Non-Operating Income	-	-
Net Non-Operating Income or (Expenses)	\$ <u>0.87</u>	\$ <u>2.11</u>
Reorganization Expenses		
Legal and Professional Fees	\$ 10,632.22	\$ 14,632.23
Other Reorganization Expense	325.00	2,417.30
Total Reorganization Expenses	\$ <u>10,957.22</u>	\$ <u>17,049.53</u>
Net Income (Loss) Before Income Taxes	\$ <u>73,277.44</u>	\$ <u>183,730.84</u>
Federal and State Income Tax Expense (Benefit)	-	-
NET INCOME (LOSS)	\$ <u><u>73,277.44</u></u>	\$ <u><u>183,730.84</u></u>

(1) Accumulated Totals include all revenue and expenses since the petition date.

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11/20/17
Accrual Basis

Aug thru Oct 17 Actual Nov -Feb 2018 Projected

CAREFOCUS PROJECTION!

Actual: Aug, Sept & Oct 2017 | Projected: Nov 2017, Dec 2017, Jan 2018 & Feb 2018

	Actual Aug 17	Actual Sep 17	Actual Oct 17	Projected Nov 17	Projected Dec 17	Projected Jan 18	Projected Feb 18
Ordinary Income/Expense							
Income							
3000*OE - INCOME							
3101 - Income(71)	33,415.99	822.76	2,659.15	12,299.30	11,619.75	4,799.93	12,556.83
3101a - Income - Ucare	26,903.84	29,525.18	24,626.88	27,018.63	25,525.82	20,820.19	27,584.35
3101b - Income - Medica	89,551.56	67,708.00	89,330.28	75,529.84	71,356.82	67,089.63	77,111.40
3101c - Income - US TREAS 310	31,284.96	34,053.74	49,008.04	38,115.58	36,009.65	43,548.83	38,913.65
3101d - Income - HealthPartners	29,840.42	37,086.92	23,117.24	30,014.86	28,356.50	19,646.13	30,643.32
3101e - Income - BCBS Minnesota	1,795.80	5,306.94	5,877.93	4,326.89	4,067.82	3,002.84	4,417.49
3101f - Income - MN State MMB	137,436.34	133,859.54	148,678.47	139,990.78	132,256.12	137,571.85	142,921.94
3101g - Income - HMO Minnesota	516.32	841.12	1,143.28	833.57	787.52	479.99	851.03
Total 3000*OE - INCOME	330,745.23	309,204.20	344,439.25	309,000.00	310,000.00	315,000.00	335,000.00
Expense							
4000 - DIRECT EXPENSE/COST OF SALES							
4101 - PCA	123,500.09	124,381.71	118,943.69	122,275.16	118,482.70	120,393.71	128,037.75
4102 - RN-Hourly	-26,183.72	4,330.53	6,662.73	5,000.00	4,844.92	3,991.25	5,235.64
4103 - LPN-Hourly	1,188.00	1,639.00	2,767.00	1,864.67	1,809.83	1,835.97	1,852.54
4104 - HM	11,298.50	10,696.70	10,909.10	10,968.10	10,627.92	10,799.33	11,485.01
4105 - HHA	10,051.26	7,878.75	9,205.63	9,045.21	8,764.67	8,906.03	9,471.50
4106 - RN Visits	12,184.99	12,616.82	13,630.68	12,810.83	12,413.49	12,613.71	13,414.58
4106 - LPN Visits	4,032.00	4,725.00	3,495.50	4,084.50	3,957.82	4,021.65	4,276.99
4110 - HHA Visits	1,185.50	1,139.60	984.20	1,096.43	1,062.43	1,079.56	1,148.11
4111 - Office Wages	19,838.00	22,996.75	24,211.75	22,381.50	21,687.32	22,037.11	23,436.30
4115 - PCA Overtime	7,376.34	7,060.18	7,133.93	7,190.15	6,967.14	7,079.51	7,529.01
4118 - Physical Therapy	4,140.00	4,780.00	4,635.00	4,488.33	4,349.12	4,419.27	4,669.86
4119 - RN Vacation	0.00	1,201.60	0.00	400.53	388.11	394.37	418.41
4120 - Interpreting	0.00	0.00	0.00	0.00	-	-	-
4121 - Occupational Therapy	85.00	640.00	510.00	411.67	398.90	405.33	431.07
Total 4000 - DIRECT EXPENSE/COST OF SALES	168,773.96	204,096.64	202,990.21	191,953.60	186,000.00	189,000.00	201,000.00
<i>Total Payroll Percentage</i>	<i>51.0%</i>	<i>66.0%</i>	<i>58.9%</i>	<i>62.1%</i>	<i>0.00</i>	<i>0.60</i>	<i>0.60</i>
5000 - OPERATING EXPENSES							
5110 - Operating Supplies	1,417.97	465.99	1,344.58	1,076.18	1,000.00	1,000.00	1,000.00
5112 - Freight and Postage	196.00	0.00	203.20	133.07	120.00	120.00	120.00
5120 - Rent	3,712.00	2,750.00	6,250.00	4,237.33	4,237.33	4,237.33	4,237.33
5124 - Bankruptcy Expense	0.00	0.00	325.00	108.33	-	-	-
5126 - Utilities	11.14	945.10	827.00	594.41	594.41	594.41	594.41
5128 - Cell Phone	9.95	357.42	942.30	436.56	436.56	436.56	436.56
5129 - Telephone	857.09	1,127.42	915.56	1,000.02	1,000.00	1,000.00	1,000.00
5130 - Repairs and Maintenance	568.14	0.00	250.00	279.38	250.00	250.00	250.00
5133 - Solicitation expense	62.50	125.00	62.50	83.33	100.00	100.00	100.00
5134 - Advertising and Promotion	413.99	444.93	505.23	454.72	500.00	500.00	500.00
5135 - Insurance	1,743.88	9,383.69	6,590.98	5,906.25	6,000.00	6,000.00	6,000.00
5136 - Insurance - Health	2,822.33	6,119.41	6,061.87	5,001.20	5,000.00	5,000.00	5,000.00
5137 - Insurance - Workers Comp	5,537.76	1,038.56	1,038.56	2,538.29	2,780.00	2,835.00	3,015.00
5138 - Meals & Entertainment	35.00	0.00	0.00	11.70	25.00	25.00	25.00
5142 - FICA Tax	12,650.23	15,613.28	15,528.83	14,597.45	14,229.00	14,458.50	15,376.50
5143 - Unemployment Tax	3,500.32	4,028.54	3,831.34	3,786.73	3,720.00	3,760.00	4,020.00
5148 - Permits and licenses	0.00	723.00	38.00	253.67	253.67	253.67	253.67
5151 - Bank Charges	396.23	186.00	141.00	241.06	250.00	250.00	250.00
5152 - Vehicle Expenses	428.71	444.42	315.66	396.60	400.00	400.00	400.00
5154 - Background Checks	18.20	113.20	-18.20	37.73	60.00	60.00	60.00
5156 - Mileage	2,914.50	3,508.76	4,133.94	3,519.07	3,800.00	3,700.00	3,800.00
5163 - Legal Expenses	0.00	2,092.30	1,432.22	1,174.84	1,000.00	1,000.00	1,000.00
5164 - Legal & Accounting	14,740.01	-740.00	9,200.00	7,733.34	10,000.00	10,000.00	7,500.00
5165 - Printing	0.00	0.00	581.30	193.77	200.00	200.00	200.00
5166 - Office Expense	8,429.81	3,633.29	5,772.63	5,945.24	6,000.00	6,000.00	6,000.00
5180 - Dues & Subscriptions	0.00	0.00	153.47	51.16	60.00	60.00	60.00
5181 - Janitorial Expenses	1,510.54	355.97	1,700.00	1,188.84	1,200.00	1,200.00	1,200.00
5183 - Security	45.40	45.40	45.50	45.43	50.00	50.00	50.00
5196 - Consulting	0.00	450.00	0.00	150.00	250.00	250.00	250.00
5199 - Miscellaneous Expense	27,584.03	1,687.48	0.00	9,757.17	500.00	500.00	500.00
Total 5000 - OPERATING EXPENSES	89,726.82	54,899.38	68,172.47	70,932.89	63,825.97	64,260.47	63,198.47
Total Expense	258,500.78	258,996.02	271,162.68	262,886.49	249,825.97	253,260.47	264,198.47
Net Ordinary Income	72,244.45	50,208.18	73,276.57	65,243.07	60,174.03	61,739.53	70,801.53
Bankruptcy Payments				1,800.00	1,500.00	11,525.00	11,525.00
Unsecured 10%						9,624.00	
NET Profit	72,244.45	50,208.18	73,276.57	63,743.07	58,674.03	40,590.53	59,276.53

EXHIBIT C - DISCLOSURE STATEMENT

CAREFOCUS CORPORATION

LIQUIDATION ANALYSIS

ASSETS	Scheduled Amount	Liquidation Amount	Subject to Liens
Security Deposit	2,750.00	2,750.00	Yes
Accounts Receivable	559,530.82	250,000.00	Yes
GMC Van	2,000.00	1,000.00	Yes
Office Equipment	15,000.00	1,000.00	Yes
Claim against Dept. of Treasury & MediCare	107,000.00	107,000.00	
Subtotal	686,280.82	361,750.00	

- * **All assets are subject to a Federal Tax lien(s) totaling approximately \$56,805.00. All liquidation proceeds would go to the IRS to satisfy the secured claim and tax liens. In addition, there are substantial unsecured priority claims in favor of the Internal Revenue Service, the Minnesota Department of Economic Security and the Minnesota Department of Revenue. There would likely be funds available to pay Chapter 7 Administrative Expenses and unpaid Chapter 11 Administrative Expenses. However, unsecured creditors would receive nothing on their Claims in the event the Chapter 11 case was converted to a Chapter 7 case.**