

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

IN RE:

BROOKSIDE CLINICAL :  
LABORATORY, INC., : Chapter 11  
: :  
Debtor : No. 15-19215

**BROOKSIDE CLINICAL LABORATORY, INC.'S  
SECOND AMENDED COMBINED PLAN OF REORGANIZATION  
AND DISCLOSURE STATEMENT  
DATED JANUARY 10, 2017**

This Second Amended Combined Plan of Reorganization and Disclosure Statement is presented to you to inform you of the proposed Plan for restructuring the debt of Brookside Clinical Laboratory, Inc., and to seek your vote to accept the Plan.

You are encouraged to carefully review the full text of this document, including all exhibits and attachments, before deciding how to vote on the Plan. To assist you in your review, please note that a list of definitions and a section of frequently asked questions appear at the end of this document.

**IN ADDITION TO CASTING YOUR VOTE TO ACCEPT OR REJECT THE PLAN, YOU MAY OBJECT TO THE ADEQUACY OF THE DISCLOSURES MADE IN THIS DOCUMENT, OR YOU MAY OBJECT TO THE TERMS OF THE PROPOSED PLAN. IF YOU WISH TO OBJECT TO THE ADEQUACY OF THE DISCLOSURES OR TO THE TERMS OF THE PROPOSED PLAN, YOU MUST DO SO BY TBD.**

**YOUR BALLOT STATING HOW YOU ARE VOTING ON THE PLAN MUST BE RETURNED BY TBD. THE BALLOT MUST BE SENT BY US MAIL, FACIMILE OR EMAIL TO THE FOLLOWING:**

**Eugene J. Malady, LLC  
211 N. Olive Street, Suite 1  
Media, PA 19063  
Facsimile: 610 565-1201  
Email: [kjones@ejmcounselors.com](mailto:kjones@ejmcounselors.com)**

**A HEARING ON THE CONFIRMATION OF THE PLAN IS SCHEDULED FOR TBD IN COURTROOM No. 3 AT THE UNITED STATES BANKRUPTCY COURT, 900 MARKET STREET, PHILADELPHIA, PA.**

Your rights may be affected by this Combined Plan and Disclosure Statement. You should consider discussing this document with an attorney.

Respectfully submitted,

/s/ John Iacono  
John Iacono  
President, Brookside Clinical Laboratory, Inc.

/s/ Eugene J. Malady  
Eugene J. Malady, Esquire  
Attorney for Debtor

**TABLE OF CONTENTS**

INTRODUCTION	Page 1
Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing	
1. Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan.	
2. Deadline for Voting to Accept to Reject the Plan.	
3. Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan.	
4. Identity of Person to Contact for More Information.	
ARTICLE I. SUMMARY OF PLAN AND DISTRIBUTIONS TO CREDITORS	Page 5
ARTICLE II. CLASSIFICATION OF CLAIMS AND INTERESTS	Page 5
ARTICLE III. TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, US TRUSTEE FEES AND PRIORITY TAX CLAIMS	Page 6
ARTICLE IV. TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN	Page 6
ARTICLE V. ALLOWANCE AND DISALLOWANCE OF CLAIMS	Pages 6-7
ARTICLE VI. PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES	Page 7
ARTICLE VII. MEANS FOR IMPLEMENTATION OF THE PLAN	Page 7
ARTICLE VIII. GENERAL PROVISIONS	Page 7
ARTICLE IX. DISCHARGE	Page 8
I. BACKGROUND OF THE DEBTOR	Pages 8-9
A. Filing of the Debtor's Chapter 11 Case	
B. Nature of Debtor's Business	
C. Legal Structure and Ownership	
D. Debtor's Assets	
E. Debtor's Liabilities	
F. Current and Historical Financial Conditions	
G. Events Leading to the Filing of the Bankruptcy Case	
H. Significant Events During the Bankruptcy Case	
I. Projected Recovery of Avoidable Transfers	
II. THE PLAN	Pages 9-16
A. What is the Purpose of the Plan of Reorganization?	Page 9

B. Unclassified Claims	Pages 10-12
1. Administrative Expenses	
2. Priority Tax Claims	
C. Classes of Claims and Equity Interests	Pages 12-13
1. Classes of Secured Claims	
2. Classes of Priority Unsecured Claims	
3. Class[es] of General Unsecured Claims	
4. Class[es] of Equity Interest Holders	
D. Estimated Number and Amount of Claims Objections	Pages 13-14
E. Treatment of Executory Contracts and Unexpired Leases	Pages 14-15
F. Means of Implementing the Plan	Page 15
G. Disbursing Agent	Page 15-16
H. Post-confirmation Management	Page 16
I. Tax Consequences of Plan	Page 16
III. FEASIBILITY OF PLAN	Page 16
1. Ability to Initially Fund Plan	
2. Ability to Make Future Plan Payments And Operate Without Further Reorganization	
IV. LIQUIDATION VALUATION	Page 17
V. EFFECT OF CONFIRMATION OF PLAN	Page 17
A. DISCHARGE OF DEBTOR	
B. Modification of Plan	
C. Final Decree	
VI. OTHER PLAN PROVISIONS	Page 17
EXHIBITS	
A- Amended Schedule G: Executory Contracts and Unexpired Leases	
B- Schedule A/B: Assets – Real and Personal Property	
C- Schedule E/F: Creditors Who Have Unsecured Claims	
D- Amended Plan Payment Schedule	
E- Cash Flow Projections	
F- Liquidation Summary	

**ARTICLE I**  
**SUMMARY OF THE PLAN AND DISTRIBUTIONS TO CREDITORS**

This Plan of Reorganization (the "Plan") under chapter 11 of the Bankruptcy Code (the "Code") proposes to pay creditors of Brookside Clinical Laboratory, Inc. (the "Debtor") from future earnings.

This Plan provides for one class of secured claims and one class of unsecured priority claims. Unsecured creditors holding allowed claims will receive distributions, which the proponent of this Plan has valued at approximately 10.00% of their claim as follows: \$824.62 per month for 48 months. *(the total amount of the plan payments is \$39,581.93 divided by the total amount of unsecured claims of \$395,819.32 = 10.00% return on each undisputed claim)*

Debtor proposes Plan payments at \$24,087.04 per month for 48 months<sup>1</sup> for a total of \$1,751,407.73 (which includes proceeds from the sale of real estate) payable according to the attached Amended Plan Payment Schedule (Exhibit "D").

1.01. Administrative claims include counsel for the Debtors, Eugene J. Malady, Esquire, upon application to the Court and consistent with the Local Bankruptcy Rules.

1.02. Priority claims include the IRS, PA Department of Revenue, Commonwealth of Pennsylvania and the City of Philadelphia. These claims will be paid in full through the Plan and at 3% interest.

All creditors and equity security holders should refer to Articles III through VI of this Plan for information regarding the precise treatment of their claim. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)**

**ARTICLE II**  
**CLASSIFICATION OF CLAIMS AND INTERESTS**

- |      |          |   |
|------|----------|---|
| 2.01 | Class #1 | All allowed claims entitled to priority under §507 of the Code (except administrative expense claims under §507 (a)(2), ["gap" period claims in an involuntary case under §507(a)(3),] and priority tax claims under §507(a)(8)). There are no class #1 claims. |
| 2.02 | Class #2 | The claims of the IRS, PA Department of Revenue, Commonwealth of Pennsylvania and the City of Philadelphia, to the extent allowed as a secured claim under §506 of the Code.  |
| 2.03 | Class #3 | All unsecured claim allowed under §502 of the Code.   |
| 2.04 | Class #4 | The interests of the Debtor in property of the Estate.  |

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<sup>1</sup> The IRS has agreed to extend their payments to 60 months.

**ARTICLE III**  
**TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS,**  
**U.S. TRUSTEES FEES, AND PRIORITY TAX CLAIMS**

3.01 Unclassified Claims. Under section §1123(a)(1), administrative expense claims, and priority tax claims are not in classes.

3.02 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, and pursuant to an application to the Court seeking approval of same.

3.03 Priority Tax Claims. Each holder of a priority tax claim will be paid in full through the plan.

3.04 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.

**ARTICLE IV**  
**TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN**

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

<b>Class</b>	<b>Impairment</b>	<b>Treatment</b>
Class 1 – Priority Claims	N/A	Debtor believes that there are no priority claims other than the tax claims previously mentioned.
Class 2 – Secured Claims of the IRS and PA Department of Revenue	Impaired	Creditors in this class will be paid in monthly installments over a period of 48 months. The IRS has agreed to be paid in monthly installments over a period of 60 months. Creditors in this class shall retain their security interest until the debt has been paid in full.
Class 3 – General Unsecured Claims	Impaired	Creditors in this class will be paid pro-rata over a period of 48 months with monthly payments of \$501.06.
Class 4 – Debtor	Unimpaired	Debtor to retain all exempt assets

**ARTICLE V**  
**ALLOWANCE AND DISALLOWANCE OF CLAIMS**

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

5.02 Delay of Distribution on a Disputed Claim. No distribution will be made on account of a disputed claim unless such claim is allowed by a final non-appealable order.

5.03 Settlement of Disputed Claims. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

**ARTICLE VI**  
**PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

6.01 Assumed Executory Contracts and Unexpired Leases. Debtor will assume unexpired leases.

**ARTICLE VII**  
**MEANS FOR IMPLEMENTATION OF THE PLAN**

7.01 Debtor will fund the plan with operating income pursuant to the Cash Flow projections and Small Business Monthly Operating Reports to the limit of net funds as per 11 U.S.C. § 1123 (a)(8). Debtor shall manage the plan.

**ARTICLE VIII**  
**GENERAL PROVISIONS**

8.01 Definitions and Rules of Construction. The definitions and rules of construction set forth in §§ 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan.

8.02 Effective Date of Plan. The effective date of this Plan is the first business day following the date that is fourteen days after the entry of the order of confirmation. If, however, a stay of the confirmation order is in effect on that date, the effective date will be the first business day after the date on which the stay of the confirmation order expires or is otherwise terminated.

8.03 Severability. If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

8.04 Binding Effect. The rights and obligations of any entity named or referred to in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.

8.05 Captions. The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

8.06 Controlling Effect. Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State of Pennsylvania govern this Plan and any agreements, documents, and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

**ARTICLE IX**  
**DISCHARGE**

9.01 Discharge. Confirmation of this Plan does not discharge any debt provided for in this Plan until the court grants a discharge on completion of all payments under this Plan, or as otherwise provided in §1141(d)(5) of the Code. The Debtor will not be discharged from any debt excepted from discharge under §523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

**I. BACKGROUND OF THE DEBTOR**

**A. Filing of the Debtor's Chapter 11 Case.**

On December 31, 2015, the Debtor filed a voluntary petition for relief under the Bankruptcy Code. The Chapter 11 case is pending in the Bankruptcy Court in Eastern District of Pennsylvania.

**B. Nature of the Debtor's Business.**

The Debtor is a corporation which was formed in 1975 for the purpose of laboratory services. The corporation provides on-site phlebotomy and full laboratory testing services to patients in nursing homes and critical care facilities who are typically bed-ridden and cannot travel to have their blood drawn. The services are provided 24/7, 365 days a year and fulfil a critical niche within the medical services industry.

**C. Legal Structure and Ownership.**

The debtor is a Pennsylvania S-Corporation. Its founder, John Iacono currently owns 100% of the business and there are no affiliated or subsidiary entities.

**D. Debtor's Assets.**

Please see Schedule A/B attached as Exhibit B.

**E. Debtor's Liabilities.**

Please see Schedule E/F attached as Exhibit C.

**F. Current and Historical Financial Conditions.**

Please see Small Business Monthly Operating Reports filed since the commencement of the case.



**G. Events Leading to the Filing of the Bankruptcy Case.**

The business has been controlled and operated by its founder since its inception, without the benefit of regularly-prepared financial statements or other sound management tools. While that “checkbook management” worked fine for the majority of the company’s existence, it did not provide sufficient feedback to navigate through the economic downturn that occurred over the past 3-4 years. The business began losing money in 2012 and, by 2015, the loss of several major accounts created significant losses that blind-sided management. The resulting cash-flow shortages were partially offset by underpayments of payroll taxes, which led to collection actions by the IRS and State/Local tax authorities and the imminent threat by those authorities to shut the business down. In November of 2015, the Owner hired a financial management consultant who determined that the business could become a going concern if properly managed, however, the only option to keep the tax authorities from closing & liquidating the company was to seek protection through Chapter 11 bankruptcy.

**H. Significant Events During the Bankruptcy Case.**

- A cost reduction plan was drafted in December of 2015 and implemented in the first week of January 2016. The plan included significant reductions to both executive and middle-management and small wage reductions to the majority of the employees. Additionally, the company eliminated several redundant positions. These along with reductions to other operating costs has transformed the business into financial and cash-flow profitability.
- The Owner has 2 properties listed for sale. The eventual proceeds from these will be used to make significant reductions to the company’s tax liabilities.

The attorney approved by the Court is Eugene J. Malady, Esquire, counsel for the Debtor.

The professional approved by the Court is Mitchell Sherman, MBA, who has continued to work with debtor to improve operations and profitability of the Debtor.

No adversary proceedings have been filed in this matter.

**I. Projected Recovery of Avoidable Transfers**

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

**II. THE PLAN**

**A. What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

**B. Unclassified Claims.**

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

**1. *Administrative Expenses***

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses and their proposed treatment under the Plan:

All administrative expenses are expected to be paid in full and pursuant to an appropriate motion under the Local Bankruptcy Rules on the effective date of the plan.

<b><u>Type</u></b>	<b><u>Estimated Amount Owed</u></b>	<b><u>Proposed Treatment</u></b>
Professional Fees, as approved by the Court	\$10,000 (projected additional counsel fees)	Debtor will satisfy any shortfall in funds by liquidating exempt assets and payable in full on the effective date of the Plan & pursuant to Court Order.
Professional Fees, tax consultation	\$2,862.50	Debtor will satisfy any shortfall in funds by liquidating exempt assets and payable in full on the effective date of the Plan & pursuant to Court Order.
Office of the U.S. Trustee Fees	\$650	Paid in full as billed on effective date of the Plan. Debtor will file a motion to close the case upon approval and upon execution of the plan Motion the Court to re-open seeking discharge and lien avoidance order.
Beckman Coulter	\$12,017.25	Debtor will satisfy any shortfall in funds by liquidating exempt assets and payable in full on the effective date of the Plan & pursuant to Court Order.

<b>TOTAL</b>	<b>\$ 25,529.75</b>	
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**2. Priority Tax Claims.**

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a) (8) priority tax claims and their proposed treatment under the Plan (Please see Amended Plan Payment Schedule attached as Exhibit "D"):

<b>Description (Name and type of tax)</b>	<b>Estimated Amount Owed</b>	<b>Treatment</b>
Income Tax - IRS	\$671,102.66	Pmt interval = Monthly Monthly Payment = \$12,359.38 Begin Date = February 28, 2017 End Date = January 31, 2022 Interest Rate = 4% Total Payout = \$1,085,250.09 Debtor's principal will be selling two pieces of real estate. If funds are available to reduce the corporate debt, the estimated amount owed may be reduced and the payment will be adjusted accordingly.
State Income Tax - PA Department of Revenue	\$60,165.26	Pmt interval = Monthly Monthly Payment = \$1,331.72 Begin Date = February 28, 2017 End Date = January 31, 2021 Interest Rate = 3% Total Payout = \$63,922.44
Unemployment Tax – Commonwealth of PA	\$7,817.99	Pmt interval = Monthly Monthly Payment = \$173.05 Begin Date = February 28, 2017 End Date = January 31, 2021 Interest Rate = 3% Total Payout = \$8,306.21
Wages – City of Philadelphia	\$5,050.07	Pmt interval = Monthly Monthly Payment = \$111.78 Begin Date = February 28, 2017 End Date = January 31, 2021 Interest Rate = 3% Total Payout = \$5,365.44
State of Delaware Division of Revenue	\$11,122.94	Pmt interval = Monthly Monthly Payment = \$246.20 Begin Date = February 28, 2017

		End Date	= January 31, 2021
		Interest Rate	= 3%
		Total Payout	= \$11,817.54

**C. Classes of Claims and Equity Interests.**

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

**1. Classes of Secured Claims**

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to set off) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan (Please see Amended Plan Payment Schedule attached as Exhibit "D"):

<b>Class #</b>	<b>Description</b>	<b>Insider</b>	<b>Impairment</b>	<b>Estimated Amount Owed</b>	<b>Treatment</b>
2	Secured Claim of: Internal Revenue Service  Collateral description: Debtor's property  Allowed Secured Amt: \$395,470.64  Priority of Lien: 1 <sup>st</sup>  Total Claim: \$395,470.64	No	Yes	\$395,470.64	Monthly Payment = \$7,006.95 Pmts Begin = February 28, 2017 Pmts End = January 31, 2022 Interest Rate = 4% Total Payout = \$439,463.08  Debtor's principal will be selling two pieces of real estate. If funds are available to reduce the corporate debt, the estimated amount owed may be reduced and the payment will be adjusted accordingly.
2	Secured Claim of: PA Department of Revenue  Collateral description: Debtor's property  Allowed Secured	No	Yes	\$91,864.29	Monthly Payment = \$2,033.35 Pmts Begin = February 28, 2017 Pmts End = January 31, 2021 Interest Rate = 3% Total Payout = \$97,601.00

Amt: \$91,864.29				
Priority of Lien: 2 <sup>nd</sup>				
Total Claim: \$91,864.29				

**2. Classes of Priority Unsecured Claims.**

Debtor believes that there are no priority claims other than the tax claims previously mentioned in paragraph B(2).

**3. Class[es]of General Unsecured Claims**

General unsecured claims are not secured by property of the estate and are not entitled to priority under§ 507(a) of the Code.

Unsecured creditors holding allowed claims will receive distributions, which the proponent of this Plan has valued at approximately 10.00% of their allowed claim.

Debtor proposes Plan payments at \$824.62 per month for 48 months (Please see Plan Payment Schedule attached as Exhibit “D”).

Class #	Description (unsecured)	Impairment	Estimated Amount Owed	Treatment
3	General Unsecured Class	Yes	\$395,819.32	Monthly Pmt = \$824.62 Pmts Begin= February 28, 2017 Pmts End = January 31, 2021 Estimated percent Of claim paid = 10.00%

*\*the total amount of the plan payments is \$39,581.93 divided by the total amount of unsecured claims of \$395,819.32 = 10.00% return on each undisputed claim.*

**4. Class[es] of Equity Interest Holders.**

John Iacono owns 100% of the Debtor. He is not seeking a distribution other than his regular salary.

**D. Estimated Number and Amount of Claims Objections.**

The Debtor may object to the amount or validity of any Claim within 90 days of the Confirmation Date by filing an objection with the Bankruptcy Court and serving a copy of the

objection on the holder of the Claim. The Claim objected to will be treated as a Disputed Claim under the Plan. If and when a Disputed Claim is finally resolved by the allowance of the Claim in whole or in part, the Debtor will pay the Allowed Claim in accordance with the Plan. [Pursuant to D.N.J. LBR 3016-2, set forth amount and number of Claims in each class that will be objected to.]

Class	Number of Claims Objected To	Amount of Claims Objected To
		\$

**E. Treatment of Executory Contracts and Unexpired Leases.**

Executory Contracts are contracts where significant performance of the contract remains for both the Debtor and another party to the contract. The Debtor has the right to reject, assume (i.e. accept), or assume and assign these types of contracts to another party, subject to the Bankruptcy Court’s approval. The paragraphs below explain the Debtor’s intentions regarding its Executory Contracts (which includes its unexpired leases) and the impact such intentions would have on the other parties to the contracts.

Check all that apply:

Assumption of Executory Contracts.

The Executory Contracts shown on Exhibit A shall be assumed by the Debtor. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Bankruptcy Code, if any.

Debtor will assume the executory contract with Beckman Coulter, Inc. Debtor will cure the pre-petition debt owed to Beckman Coulter, Inc. by making monthly payments of \$2,929.91 for a period of 18 months.

Debtor will assume the executory contract with Medicare.

Executory Contracts:

1. Medicare Enrollment Agreement (Form CMS-855B)
2. Medicare Participating Supplier Agreement (Form CMS-460)

Government Contract number: 39-8126

Name and address:

Secretary of the United States Department of Health and Human Services (“USHHS”)  
Centers for Medicare & Medicaid Services  
c/o Matthew E. K. Howatt  
Assistant Regional Counsel  
Office of the General Counsel, USHHS, Region III  
Public Ledger Building, Suite 429

150 S. Independence Mall West  
Philadelphia, PA 19106  
[Matthew.Howatt@hhs.gov](mailto:Matthew.Howatt@hhs.gov)

Cure:

As of August 19, 2016, Medicare had determined Medicare overpayments of \$31,191.07 pre-petition and \$55,886.03 post-petition, for a total of \$87,077.10, which amounts are subject to change as the Debtor continues to submit claims and all claims are subject to further review pursuant to the Medicare Statute and regulations. Cure for these amounts will be as specified in the Stipulation Regarding Debtor's Assumption of Medicare Agreements.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of future performance, you must file and serve your objection to the assumption within the deadline for objecting to the confirmation of the Plan, unless the Bankruptcy Court has set an earlier time.

**F. Means for Implementation of the Plan.**

Debtor proposes to fund the plan at \$24,087.04 per month for 48 months<sup>2</sup>, with operating income. The plan also proposes that Debtor's principal will sell his assets as follows which may reduce the amount of debt owed to the Internal Revenue Service:

<b>Property</b>	<b>Estimated Net Proceeds to reduce secured claim of IRS</b>
Land located on Ivy Mills Road	\$200,000.00
Condo in Stone Harbor, NJ	\$707,222.00

On Confirmation of the Plan, all property of the Debtor, tangible and intangible, including, without limitation, licenses, furniture, fixtures and equipment, will revert, free and clear of all Claims and Equitable Interests except as provided in the Plan, to the Debtor. The Debtor expects to have sufficient cash on hand to make the payments required on the Effective Date.

As provided in Paragraph 3.04 of this Combined Plan and Disclosure Statement, all United States Trustee Fees accrued prior to the Effective Date shall be paid in full, on or before the Effective Date, by the Debtor or any successor to the Debtor. All United States Trustee Fees which accrue post-Effective Date shall be paid in full on a timely basis by the Debtor or any successor to the Debtor prior to the Debtor's case being closed, converted or dismissed.

The Board of Directors of the Debtor immediately prior to the Effective Date shall serve as the initial Board of Directors of the Reorganized Debtor on and after the Effective Date. Each member of the Board of Directors shall serve in accordance with applicable non-bankruptcy law and the Debtor's certificate or articles of incorporation and bylaws, as each of the same may be amended from time to time.

**G. Disbursing Agent.**

Distributions to Creditors provided for in this Plan will be made directly by Debtor.

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<sup>2</sup> The IRS has agreed to extend their payments to 60 months.

## **H. Post-Confirmation Management**

Debtor will manage the operations of the business with the assistance of Mitchell Sherman, MBA.

## **I. Tax Consequences of Plan**

***Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.***

The following are the anticipated tax consequences of the Plan: (1) Tax consequences to the Debtor are not applicable as the Debtor is funding the Plan with their operating income; and, (2) General tax consequences on Creditors of any discharge, and the general tax consequences of receipt of Plan consideration after Confirmation.]

## **III. FEASIBILITY OF PLAN**

The Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

### **1. *Ability to Initially Fund Plan***

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

### **2. *Ability to Make Future Plan Payments And Operate Without Further Reorganization***

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit E.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes. The final Plan payment is expected to be paid on 1/31/2022.

### **3. *Default***

In the event that Debtor defaults on the plan payments, the creditor will give notice of the default to Debtor and Debtor's counsel. Upon notice of the default, Debtor will have 30 days to cure the default. If the debtor fails to cure the default, the creditor may immediately exercise its administrative rights to fully collect the remaining debt.



*You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.*

**IV. LIQUIDATION VALUATION.**

To confirm the Plan, the Bankruptcy Court must find that all Creditors and Equity Interest holders who do not accept the Plan will receive at least as much under the Plan as such Claimants and Equity Interest holders would receive in a Chapter 7 liquidation. A liquidation analysis is attached hereto as Exhibit F.

**V. EFFECT OF CONFIRMATION OF PLAN**

**A. DISCHARGE OF DEBTOR** Discharge. Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141 ( d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

**B. Modification of Plan**

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting of the Plan.

**C. Final Decree**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

**VI. OTHER PLAN PROVISIONS**

Upon confirmation Debtor's will move the Court for an order closing the case thereby avoiding additional administrative expenses in the nature of quarterly United States Trustee monitoring fees. Upon completion of the Plan, Debtors will move to re-open the case seeking a discharge order and lien avoidance order. The claims bar date is to be determined upon application to the court.

The United States Bankruptcy Court for the Eastern District of Pennsylvania shall retain jurisdiction over this matter in the event there is a change in circumstances.

/s/ John Iacono  
President, Brookside Clinical Laboratory, Inc.

/s/ Eugene J. Malady  
Eugene J. Malady, Esquire  
Attorney for Debtor