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**THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT ARE NOT INTENDED AND SHOULD NOT IN ANY WAY BE CONSTRUED AS A SOLICITATION OF VOTES ON THE PLAN, NOR SHOULD THE INFORMATION CONTAINED HEREIN BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.**

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

<b>IN RE:</b>	§	
<b>ABC DENTISTRY, P.A., <i>et al.</i>,<sup>1</sup></b>	§	<b>CHAPTER 11</b>
<b>DEBTORS.</b>	§	
	§	<b>CASE NO. 16-34221</b>
	§	<b>Jointly Administrated</b>
	§	

**[PROPOSED] DISCLOSURE STATEMENT UNDER  
11 U.S.C. § 1125 AND BANKRUPTCY RULE 3016 IN  
SUPPORT OF JOINT CHAPTER 11 PLAN OF REORGANIZATION  
OF ABC DENTISTRY, P.A., ABC DENTISTRY WEST OREM, P.L.L.C., ABC  
DENTISTRY OLD SPANISH TRAIL, P.L.L.C., ABC DENTISTRY HILLCROFT,  
P.L.L.C., ABC DENTISTRY PASADENA, P.A. AND IRAJ S. JABBARY, DDS**

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**THIS DISCLOSURE STATEMENT IS SUBMITTED TO ALL HOLDERS OF CLAIMS AND INTEREST OF THE DEBTORS ENTITLED TO VOTE ON THE PLAN OF REORGANIZATION HEREIN DESCRIBED AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO ACCEPT OR REJECT THE PLAN OF REORGANIZATION. THIS DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE AS TO THE PLAN OF REORGANIZATION. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO READ THE DISCLOSURE STATEMENT AND ATTACHMENTS WITH CARE AND IN THEIR ENTIRETY.**

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<sup>1</sup> The Debtors in these chapter 11 cases are: ABC Dentistry, P.A.; ABC Dentistry West Orem, P.L.L.C.; and ABC Dentistry Old Spanish Trail, P.L.L.C.

**ON \_\_\_\_\_, THE BANKRUPTCY COURT APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE. SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN OF REORGANIZATION HEREIN DESCRIBED AND ATTACHED AS EXHIBIT A, IS BEING SOUGHT FROM HOLDERS WHOSE CLAIMS AGAINST OR INTERESTS IN THE DEBTORS ARE IMPAIRED UNDER THE PLAN OF REORGANIZATION. HOLDERS ENTITLED TO VOTE ON THE PLAN OF REORGANIZATION ARE URGED TO VOTE IN FAVOR OF THE PLAN AND TO RETURN THE BALLOT INCLUDED WITH THIS DISCLOSURE STATEMENT UPON COMPLETION IN THE ENVELOPE ADDRESSED TO BAKER BOTTS LLP., ATTENTION: OMAR J. ALANIZ, 2001 ROSS AVENUE, DALLAS, TEXAS 75201, NOT LATER THAN \_\_\_\_\_, AT \_:\_.\_ \_ .M. CENTRAL TIME.**

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## **DISCLOSURE STATEMENT**

ABC Dentistry, P.A. (“ABC Dentistry”), ABC Dentistry West Orem, P.L.L.C. (“West Orem”) and ABC Dentistry Old Spanish Trail, P.L.L.C. (“OST”), each a debtor and debtor-in-possession herein (each a “Debtor” and, collectively, the “Debtors”), ABC Dentistry Hillcroft, P.L.L.C. (“Hillcroft”) and ABC Dentistry Pasadena, P.A. (“Pasadena” and together with Hillcroft, the “Non-Debtor Affiliates”) and Iraj S. Jabbarly, DDS (“Jabbarly” and together with the Debtors and the Non-Debtor Affiliates, the “Plan Proponents”), submit this Disclosure Statement (the “Disclosure Statement”) under section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016 in support of the joint Chapter 11 plan of reorganization of the Debtors to all holders of impaired claims against and interests in the Debtors.

### **I. INTRODUCTORY STATEMENT**

The Plan Proponents submit this Disclosure Statement in support of and in connection with their solicitation of acceptances of the *Joint Chapter 11 Plan of Reorganization of Debtors ABC Dentistry, P.A., ABC Dentistry West Orem, P.L.L.C. and ABC Dentistry Old Spanish Trail, P.L.L.C., ABC Dentistry Hillcroft, P.L.L.C., ABC Dentistry Pasadena, P.A. and Iraj S. Jabbarly, DDS* (the “Plan”). A copy of the Plan is attached as Exhibit A for your review. All terms used in this Disclosure Statement but not otherwise defined herein have the meanings given such terms in the Plan.

Each Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of Texas, Houston Division, on August 26, 2016. The Plan Proponents have prepared this Disclosure Statement to disclose information which, in its opinion, is material, important and necessary to an evaluation of the Plan. Pursuant to the terms of the United States Bankruptcy Code, this Disclosure Statement must be presented to and approved by the Bankruptcy Court. Such approval only reflects the Bankruptcy Court’s judgment that the Disclosure Statement provides the information and notice required by the Bankruptcy Code and does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereby.

The material herein contained is intended solely for the use of known Holders of Claims and Interests, and may not be relied upon for any purpose other than a determination by them of how to vote on the Plan. As to contested matters, adversary proceedings and other actions or threatened actions, this Disclosure Statement shall not constitute or be construed as an admission of any fact or liability, stipulation or waiver, but rather as a statement made in settlement negotiations under Rule 408 of the Federal Rules of Evidence. This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding nor shall it be construed as to be advice on the tax, securities or other legal effects of the Plan as to the Holders of Claims and Interests.

To ensure compliance with Treasury department circular 230, each holder of a claim or interest is hereby notified that: (a) any discussion of U.S. Federal Tax issues in this Disclosure Statement is not intended or written to be relied upon, and cannot be relied upon, by any holder for the purpose of avoiding penalties that may be imposed upon a holder under the Tax Code; (b) such discussion is included hereby by the Plan Proponents in connection with the promotion

or marketing (within the meaning of Circular 230) by the Debtors of the transactions or matters addressed herein; and (c) each holder should seek advice based upon its particular circumstances from an independent tax advisor.

No representations concerning the Debtors or the Plan are authorized other than those that are set forth in this Disclosure Statement. No other party has been authorized to provide any information concerning the Debtors or their affairs, other than the information contained in this Disclosure Statement, to solicit votes on the Plan. Holders of Claims and Interests should not rely on any information relating to the Debtors, other than that contained in this Disclosure Statement and the exhibits attached hereto. Any representations or inducements made by any person to secure your vote which are other than those contained herein should not be relied upon, and such representations or inducements should be reported to counsel for the Debtors who shall deliver such information to the Bankruptcy Court. Finally, all terms not otherwise defined in this Disclosure Statement shall have the meanings assigned to them under the Plan.

Holders of Claims and Interests should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes on the Plan may be made, except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code.

**EXCEPT AS SPECIFICALLY NOTED, THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. NEITHER THE PLAN PROPONENTS NOR COUNSEL FOR THE DEBTORS CAN WARRANT NOR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACIES. NEITHER THE DEBTORS NOR THEIR COUNSEL HAS VERIFIED THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, ALTHOUGH THEY DO NOT HAVE ACTUAL KNOWLEDGE OF ANY INACCURACIES. THE FACTUAL INFORMATION REGARDING THE DEBTORS, INCLUDING THE ASSETS AND LIABILITIES OF THE DEBTORS, HAS BEEN DERIVED FROM NUMEROUS SOURCES, INCLUDING, BUT NOT LIMITED TO, THE DEBTORS' BOOKS AND RECORDS, SCHEDULES AND DOCUMENTS SPECIFICALLY IDENTIFIED HEREIN.**

**THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.**

**IF THE REQUISITE VOTE IS ACHIEVED FOR EACH OF THE REQUISITE CLASSES OF IMPAIRED CLAIMS AND INTERESTS, THE PLAN IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS AND INTERESTS WHO ARE NOT ENTITLED TO VOTE OR WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN), WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.**

## II. SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

The Plan Proponents will seek to confirm either the Settlement Plan or the New Value Plan. The Settlement Plan incorporates the Rohi Settlement. The Rohi Settlement provides that the Rohi shall receive the Rohi Settlement Claim in full satisfaction of the Rohi Claim. The State of Texas and Rohi shall negotiate the apportionment of such distribution. All other Holders of General Unsecured Claims shall be Paid In Full.

There is a material risk that the Plan Proponents will not seek to confirm the Settlement Plan at the Confirmation Hearing. The Rohi Settlement provided that the Plan Proponents could determine not to proceed with the settlement under certain circumstances. The State of Texas filed the State of Texas Claim, and the Plan Proponents believe that the filing of such claims alone means that the Plan Proponents may abandon the Settlement Plan. In addition to other conditions, the Plan Proponents could determine not to proceed with confirming the Settlement Plan if any entity objects to any of the discharges, injunctions, releases, or similar relief contained in Article XII of the Plan. The Plan Proponents believe that the State of Texas is likely to object to some of the relief requested in Article XII as currently drafted.

If the Plan Proponents determine not to proceed with confirming the Settlement Plan at the Confirmation Hearing, the Plan Proponents will seek to confirm the New Value Plan at the Confirmation Hearing. Under the New Value Plan, the Plan Proponents will establish a Claims Pool from which all Holders of General Unsecured Claims, the Rohi Claim, and the State of Texas Claim shall share pro rata. The Claims Pool will be funded with \$3.5 million minus the professional fees and expenses that the Plan Proponents will incur in liquidating the Rohi Claim and the State of Texas Claim as well as the professional fees associated with the bankruptcy filings of the Non-Debtor clinics that will occur under the New Value Plan.

The following table summarizes the classification and treatment of Claims and Interests against each Debtor under the Settlement Plan and the New Value Plan and the estimated distributions to be received by the Holders of Allowed Claims and Interests under the Plan. Amounts assumed for purposes of projected recoveries are estimates only; actual recoveries received under the Plan may differ materially from the projected recoveries.

The summaries in this table are qualified in their entirety by the description of the treatment of such Claims in Article IV of the Plan. All claims and interests against a particular Debtor are placed in classes for each of the Debtors.

Class	Claim or Interest	Treatment of Allowed Claims (Unless Holder Agrees to Different Treatment)	Voting Rights	Projected Plan Recovery
1	Other Priority Claims	Payment in Cash on the later of thirty (30) days after the Effective Date or the date such Claim becomes an Allowed Other Priority Claim.	Unimpaired / Deemed to Accept	100%
2	Secured Tax Claims	At the option of the applicable Debtor or Reorganized Debtor, either: (i) Cash on the Effective Date or as soon as reasonably practicable thereafter in an amount equal to the full unpaid amount of such Allowed Secured Tax Claim; or (ii) period not exceeding five (5) years from and after the Petition Date, equal semi-annual Cash payments in an aggregate amount equal to	Unimpaired / Deemed to Accept	100%

Class	Claim or Interest	Treatment of Allowed Claims (Unless Holder Agrees to Different Treatment)	Voting Rights	Projected Plan Recovery
		the unpaid portion of such Allowed Secured Tax Claim, together with interest at the applicable rate under non-bankruptcy law, subject to the sole option of the Reorganized Debtors to prepay the entire amount of the unpaid portion of the Allowed Secured Tax Claim in the ordinary course of business. Any Lien securing an Allowed Secured Tax Claim shall be retained until paid in full.		
3	First Bank Secured Claim	The maturity date of the First Bank Loan Agreement shall be deemed to be modified from May 27, 2019 to May 27, 2020. West Orem's remaining payments under the First Bank Loan Agreement shall be re-amortized from the Effective Date through May 27, 2020 by the Debtors' financial advisor. All other provisions of the First Bank Loan Agreement shall not be deemed to be affected by the Plan.	Impaired / Entitled To Vote	100%
4	General Unsecured Claims	<p><b>Settlement Plan:</b> The Holders of Allowed General Unsecured Class 4 Claims shall be Paid In Full as follows: the Holder of such Allowed General Unsecured Claim shall receive (i) 50% of the Allowed amount of such Holder's Claim on the Initial Distribution Date and (ii) the remaining 50% of the Allowed amount of such Holder's Claim on the first Semi-Annual Payment Date following the Initial Distribution Date. Notwithstanding the foregoing, Holders of General Unsecured Claims in Class 4 may elect to be treated as a Class 5 Convenience Claim by making such election on the Ballot for Class 4 General Unsecured Claims.</p> <p><b>New Value Plan:</b> Except to the extent that a Holder of a General Unsecured Claim has been paid by the Debtor prior to the Effective Date or agrees to different treatment more favorable to the Debtor, each Holder of an Allowed General Unsecured Claim shall receive Cash in an amount equal to its pro rata share (the denominator of which shall equal the sum of the Allowed amounts of all Class 4, Class 6, and Class 7 Claims) of the Claims Pool within 10 days after the later of (1) the date the Rohi Claim becomes an Allowed Claim, (2) the date of the State of Texas Claim becomes and Allowed Claim, or (3) the date such Holder's General Unsecured Claim becomes an Allowed Claim. Notwithstanding the foregoing, Holders of General Unsecured Claims in Class 4 may elect to be treated as a Class 5 Convenience Claim by making such election on the Ballot for Class 4 General Unsecured Claims.</p>	Impaired/Entitled to Vote	0-100%
5	Convenience Claims	The Holders of Allowed Convenience Class 5 Claims shall be Paid In Full on the Initial Distribution Date.	Unimpaired / Deemed to Accept	100%

Class	Claim or Interest	Treatment of Allowed Claims (Unless Holder Agrees to Different Treatment)	Voting Rights	Projected Plan Recovery
6	Rohi Litigation Claims	<p><b>Settlement Plan:</b> In full satisfaction of all Claims or Causes of Action that Rohi has or may have against any of the Plan Proponents, including, but not limited to those claims and causes of action asserted in the Rohi Litigation, Allowed Class 6 Claims shall (i) accrue interest at a flat rate of 1.5% per annum until paid, and (ii) be paid in full by December 31, 2022. The Clerk of the Court shall release the funds placed in the registry of the Court pursuant to the order appearing in docket number 133 as soon as practical following receipt of the Effective Date Notice. The Plan Proponents shall then tender the Quarterly Payments on the Initial Quarterly Payment Due Date and then subsequently on each Quarterly Payment Due Date until the Rohi Litigation Claim is paid in full. The Plan Proponents shall be permitted to prepay the Rohi Litigation Claim in full at any time prior to December 31, 2022 without paying a penalty or any amount on account of interest that would have otherwise accrued but for the prepayment.</p> <p><b>New Value Plan:</b> The Holder of the Class 6 Rohi Claim that becomes an Allowed Claim pursuant to a Final Order shall receive Cash in an amount equal to its pro rata share (the denominator of which shall equal the sum of the Allowed amounts of all Class 4, Class 6, and Class 7 Claims) of the Claims Pool within 10 days after the later of (1) the date the Rohi Claim becomes an Allowed Claim or (2) the date of the State of Texas Claim becomes and Allowed Claim.</p>	Impaired/Entitled To Vote	0-9%
7	State of Texas Claims	<p><b>Settlement Plan:</b> In consideration of the treatment afforded to Class 6 Claims, the Holders of State of Texas Claims shall not receive any further Distributions from the Debtors' Bankruptcy Estates. The State of Texas and Rohi shall negotiate and apportion between themselves the Distribution to Rohi on account of his Class 6 Claim. For the avoidance in doubt, the treatment afforded to the State of Texas herein shall be deemed to be a Bankruptcy-Related Action.</p> <p><b>New Value Plan:</b> The Holder of the Class 7 State of Texas Claim that becomes an Allowed Claim pursuant to a Final Order shall receive Cash in an amount equal to its pro rata share (the denominator of which shall equal the sum of the Allowed amounts of all Class 4, Class 6, and Class 7 Claims) of the Claims Pool within 10 days after the later of (1) the date the Rohi Claim becomes an Allowed Claim or (2) the date of the State of Texas Claim becomes and Allowed Claim.</p>	Impaired/Entitled To Vote	0-9%
8	Interests	The Holders of Class 8 Interests shall retain the Interests held on the date of the filing of the Chapter 11 Cases.	Unimpaired / Deemed to Accept	100%

### III. VOTING PROCEDURES

Acceptances of the Plan are being solicited only from those persons who hold Claims or Interests in an impaired class entitled to receive a distribution under the Plan. Any Holder whose Claim or Interest is IMPAIRED under the Plan is entitled to vote, if either (1) the Claim or



Interest has been scheduled by the Debtors and such Claim or Interest is not scheduled as disputed, contingent or unliquidated, (2) the Holder has filed a proof of claim or interest on or before the last date set by the Bankruptcy Court for such filings, *provided, however*, any claim or interest as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court temporarily allows the Holder to vote upon motion by the Holder heard and determined by the Bankruptcy Court prior to the date established by the Bankruptcy Court for a hearing to confirm the Plan or (3) the Claim has otherwise been Allowed by order of the Court. In addition, a Holder's vote may be disregarded if the Bankruptcy Court determines that the Holder's acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Holders of impaired Claims or Interests who are entitled to vote and fail to do so will not be counted as either accepting or rejecting the Plan. Nevertheless, if the requisite vote is achieved for your class of impaired Claims and Interest and/or from sufficient other classes of impaired Claims or Interests consistent with the requirements of the Bankruptcy Code to confirm the Plan, you will be bound by the terms of the Plan.

A Ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure Statement. A Holder must (1) carefully review the Ballot and the instructions thereon, (2) execute the Ballot and (3) return it to the address indicated thereon by the deadline to enable the Ballot to be counted for voting proposes.

**THE DEADLINE FOR RETURNING YOUR BALLOT  
IS \_\_\_\_\_M. CENTRAL TIME ON \_\_\_\_\_, 2017  
(THE "VOTING DEADLINE").**

After completion of the Ballot, Holders should return the executed Ballot in the self-addressed envelope to:

**ABC DENTISTRY, P.A.  
c/o OMAR J. ALANIZ  
BAKER BOTTS LLP  
2001 ROSS AVENUE  
DALLAS, TX 75201**

**VOTING INFORMATION AND INSTRUCTION FOR COMPLETING THE BALLOT:**

**FOR YOUR VOTE TO BE COUNTED YOU MUST COMPLETE THE BALLOT, INDICATE ACCEPTANCE OR REJECTION OF THE PLAN IN THE BOXES INDICATED ON THE BALLOT AND SIGN AND RETURN THE BALLOT TO THE ADDRESS SET FORTH ON THE PRE-ADDRESSED ENVELOPE. IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED.**

**IF YOU HOLD CLAIMS OR INTERESTS IN MORE THAN ONE CLASS UNDER THE PLAN, YOU MAY RECEIVE MORE THAN ONE BALLOT. EACH BALLOT YOU RECEIVE VOTES ONLY YOUR CLAIMS OR INTERESTS FOR THAT CLASS. PLEASE COMPLETE AND RETURN EACH BALLOT YOU RECEIVE. YOU MUST VOTE ALL OF YOUR CLAIMS WITHIN A SINGE CLASS UNDER THE PLAN TO**



**EITHER ACCEPT OR REJECT THE PLAN. ACCORDINGLY, A BALLOT (OR MULTIPLE BALLOTS WITH RESPECT TO MULTIPLE CLAIMS OR INTERESTS WITHIN A SINGLE CLASS) THAT PARTIALLY REJECTS AND PARTIALLY ACCEPTS THE PLAN WILL NOT BE COUNTED.**

**THE BALLOT IS FOR VOTING PURPOSES ONLY AND DOES NOT CONSTITUTE AND SHALL NOT BE DEEMED A PROOF OF CLAIM OR INTEREST OR AN ASSERTION OF A CLAIM OR INTEREST.**

#### **IV. VOTING CLASSES**

A class is “impaired” if the legal, equitable or contractual rights attaching to the claims or interest of that class are modified under a plan. Modification for purposes of determining impairment however, does not include curing defaults and reinstating maturity or cash payment in full. Classes of claims or interests that are not “impaired” under a plan are conclusively presumed to have accepted the plan and are thus not entitled to vote. Classes of claims or interests receiving no distribution under a plan are conclusively presumed to have rejected the plan and thus are not entitled to vote.

Under Section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan, **unless**, with respect to each claim or interest of such class, the plan:

1. Leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or
2. Notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to receive accelerated payment of its claim or interest after the occurrence of a default:
  - (a) Cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in Section 365(b)(2) of the Bankruptcy Code;
  - (b) Reinstates the maturity of such claim or interest as it existed before the default;
  - (c) Compensates the holder of such claim or interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and
  - (d) Does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or interest; or
3. Provides that, on the Effective Date the holder of such claim or interest receives, on account of such claim or interest, cash, equal to:
  - (a) With respect to a claim, the allowed amount of such claim; or

- (b) With respect to an interest, if applicable, the greater of:
- (i) Any applicable fixed liquidation preference; or
  - (ii) Any fixed preference at which the Debtor, under the terms of the security, may redeem the security.

In Article IV of the Plan, the Plan Proponents have identified the impaired classes of Claims and Interests under the Plan. The following Classes are the only Classes entitled to vote to accept or reject the Plan (the “Voting Classes”):

<b>Class</b>	<b>Claim or Interest</b>	<b>Status</b>
3	First Bank Secured Claim	Impaired/Entitled to Vote
4	General Unsecured Claims	Impaired/Entitled to Vote
6	Rohi Litigation Claims	Impaired/Entitled to Vote
7	State of Texas Claims	Impaired/Entitled to Vote

If your Claim or Interest is not included in the Voting Classes, you are not entitled to vote. In the event there are questions regarding whether a person is in an impaired class, the person should assume that his or her Claim or Interest is impaired and vote. If the Claim or Interest is determined to be impaired, the vote will be counted by the Bankruptcy Court. If you hold an Administrative Claim or Unimpaired Claim, the Plan Proponents are not soliciting your vote.

If your Claim is included in the Voting Classes, you should read your Ballot and carefully follow the instructions included in the Ballot. Please use only the Ballot that accompanies the Disclosure Statement or the Ballot that the Plan Proponents otherwise provide to you.

#### **Votes Required for Acceptance by a Class**

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims or interests is determined by calculating the amount and, if a class of claims, the number, of claims and interests voting to accept, as a percentage of the allowed claims or interests, as applicable, that have voted. Acceptance by a class of claims requires an affirmative vote of (i) at least two-thirds in dollar amount of the total allowed claims that have voted and (ii) more than one-half in number of the total allowed claims that have voted. Acceptance by a class of Interests requires an affirmative vote of at least two-thirds in amount of the total interests that have voted. **Your vote on the Plan is important.** The Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each class that is impaired and entitled to vote under a plan votes to accept such plan, unless the plan is being confirmed under the “cram down” provisions of section 1129(b) of the Bankruptcy Code (as discussed further in Section XIII.E of this Disclosure Statement), in which case at least one Class that is impaired must vote to accept.

## **V. NATURE AND HISTORY OF BUSINESS**

### **A. General Information**

#### **1. History of The Debtors**

ABC Dentistry, West Orem and OST are part of a family of six clinics doing business as ABC Dental in the Houston area. In addition to West Orem and OST, the Non-Debtor Affiliates each operate a dental clinic. ABC Dentistry was founded by Jabbarly in December 1995.

Jabbarly is the director of ABC Dentistry, the sole member of West Orem and the sole member of OST. He is also the director of Pasadena and the sole member of Hillcroft. He owns 100% of the equity interests in each of the Debtors and the Non-Debtor Affiliates.

#### **2. Business Operations**

The clinics provide a variety of dental and orthodontic services to their patients. The substantial majority of the Debtors' patients are children who are on Medicaid assistance — meaning that, for a family of four in Texas, their annual household income is no more than \$33,534 per year. The Debtors provide services to nearly 25,000 patients per year. In addition to providing dental and orthodontic services, the Debtors also provide dental health educational programs and other charitable services for their local communities.

The Debtors employ approximately 40 people. Additionally, eighteen dentists, employed as independent contractors, rotate to provide services to the Debtors' patients and the patients of four other affiliated clinics, though six dentists are the primary health care providers to the Debtors' patients.

The Debtors generate revenue from patient payments for their services or, in the case of eligible patients, Medicaid reimbursements from the Texas state government. In 2016, the Debtors received approximately \$895,926 from patients and \$5,089,208 from the state of Texas.

### **B. Debtors' Assets and Pre-Petition Liabilities**

As of the Petition Date, the Debtors' principal assets consisted of cash, security deposits, accounts, receivable, office furnishings and leasehold improvements. The following table summarizes the value of these assets as of March 31, 2017:

Cash	\$37,382.15
Security Deposits	\$16,296.00
Accounts Receivable	\$275,014.98
Office Furnishings/Improvements	\$138,421.54
Non-Debtor Affiliate Intercompany Notes	\$239,741.39
<b>TOTAL</b>	<b>\$706,856.06</b>

**1. Accounts Receivable**

The Debtors primary source of revenue is from payment for services provided to its customers. As of the Petition Date, as set forth in the Debtors' schedules, the Debtors had accounts receivable outstanding from non-debtors in the aggregate amount of \$384,056.86. The Debtors have continued to collect and create accounts receivable since the filing of the petition under Chapter 11. As of March 31, 2017, accounts receivable from non-debtors were approximately \$275,014.98, and cash was \$37,382.15.

**2. Security Deposits and Office Furnishings/Improvements**

The Debtors lease various real property for use in their business and, in most cases, are required under the leases to provide a security deposit or prepaid rent to their landlords. As of the Petition Date, the Debtors had outstanding prepaid amounts of \$19,330.50 in the aggregate.

The Debtors have various office furnishings and leasehold improvements valued collectively at \$138,421.54. The valuation of these assets is the net book value (i.e. cost less depreciation) derived from Debtors' books and records. The office furnishings are in good condition and are maintained well from the perspective of preventive maintenance.

**3. Non-Debtor Affiliate Intercompany Notes**

The Debtors and their Non-Debtor Affiliates engage in various business and financial transactions together that at times result in one indebted to the other. In order to document these transactions, the affiliates issue intercompany notes. As of the Petition Date, West Orem held intercompany notes from Non-Debtor Affiliates in an aggregate amount of \$212,141.39, while OST held such notes in an aggregate amount of \$72,600.00. West Orem also held an intercompany note from OST in the amount of 46,446.98.

**C. Liabilities.**

The Debtors' secured indebtedness consists of a single claim totaling approximately \$232,265.19. That secured claim arises from a secured lending facility with First Bank & Trust East Texas. Only one of the Debtors (West Orem) is a party to that facility and it is secured by a lien on certain of West Orem's assets. The Debtors have no other secured debt.

As of the Petition Date, the Debtors had general unsecured obligations of approximately \$370,754.21, including \$205,944.26 owed to Non-Debtor Affiliates and \$46,446.98 owed to other Debtors. The non-affiliate obligations are owed to approximately 50 trade creditors who have provided various goods and services to the Debtors.

In addition to the amount above, as discussed more fully herein, the Debtors, along with the other Plan Proponents, are defendants in litigation brought by Dr. Saeed Rohi. Dr. Rohi filed proofs of claim against ABC Dentistry, West Orem and OST in the respective amounts of \$38,649,929.59, \$30,668,193.35 and \$10,712,821.26, which claims the Debtors dispute. However, pursuant to a settlement agreement between the parties, the Debtors and Dr. Rohi have agreed to allow Dr. Rohi's unsecured claim in the aggregate amount of \$3,500,000, plus interest.

Additionally, as of March 31, 2017, there are approximately \$135,057.88 in post-petition liabilities owed which will be paid in the ordinary course of business. No further administrative expenses are known other than accrued, unpaid professional fees. The Debtors believe that they have sufficient funds to satisfy ordinary course post-petition payables and attorneys' fees. Based on the foregoing, the Plan Proponents believe that they will have sufficient funds to pay all administrative expense claims which will come due on the Effective Date.

- a. *Priority Claims (Class 1)*: Scheduled Priority Claims were \$14,505 related to amounts owed to certain employee benefit providers. In addition to the scheduled priority claims, the IRS filed a priority claim against each of the Debtors: \$0.00 against ABC Dentistry; \$0.00 against OST; and \$300.00 against West Orem. The Plan Proponents are unaware of the existence of any other priority claims.
- b. *Secured Tax Claims (Class 2)*: There were no Scheduled Secured Tax Claims. However, Harris County filed a secured tax claim against ABC Dentistry in the amount of \$12,792.13 and against West Orem in the amount of \$3,927.58. Harris County also filed a secured tax claim against OST for an undetermined amount. The Debtors are unaware of the existence of any other secured tax claims.
- c. *First Bank Secured Claim (Class 3)*: First Bank holds a secured claim against West Orem in the amount of \$232,265.19 in connection with a secured loan facility. The Plan Proponents are unaware of the existence of any other secured claims.
- d. *General Unsecured Claims (Class 4)*: The scheduled unsecured claims (excluding the claims of Dr. Saeed Rohi) were \$155,863.72. Additional unsecured proofs of claim have been filed in the amount of \$29,602.23. The Plan Proponents are unaware of the existence of any other unsecured claims.
- e. *Convenience Claims (Class 5)*: The schedule convenience claims were \$24,999.07. The Plan Proponents are unaware of the existence of any other convenience claims.
- f. *Rohi Litigation Claims (Class 6)*: Dr. Rohi has asserted a claim against (i) ABC Dentistry Old Spanish Trail, P.L.L.C. in the amount of \$10,712,821.26; (ii) ABC Dentistry West Orem, P.L.L.C. in the amount of \$30,668,193.35; and (iii) ABC Dentistry, P.A. in the amount of \$38,649,929.59. Under the Settlement Plan, Rohi and the Debtors have agreed to allow Rohi's claims in the aggregate amount of \$3,500,000, plus interest, subject to various conditions precedent, including Bankruptcy Court approval of the Rohi Settlement and confirmation of the Settlement Plan.
- g. *State of Texas Claim (Class 7)*: The State of Texas filed a proof of claim against each of the Debtors for an unliquidated amount.

## 2. Events Leading to Bankruptcy

Prior to the initiation of the Rohi Litigation described below, the Debtors were profitable and had no significant financial issues. Rohi is a former employee of the Debtors. After his separation, in July 2014, Rohi brought suit against Plan Proponents. Dr. Rohi asserted personal

causes of action for breach of contract, promissory estoppel, and retaliatory discharge (the “Employment Claims”). Rohi also brought claims as a relator (a) under Texas Human Resources Code chapters 32 and 36, for providing medically unnecessary and improperly provided services (the “Unnecessary Services Claims”) and for improperly identifying the provider group as the service provider, rather than each distinct individual who provided a service to the patient, in submitting Medicare claims (the “Provider Information Claims” and together with the Unnecessary Services Claims, the “Act Claims”), and (b) under the Texas Occupations Code, for utilizing an improper compensation system (collectively, the “Compensation System Claims”).

At the outset of Rohi’s action, the case was sealed and stayed until the state of Texas declined to intervene in February 2015. The Plan Proponents submitted answers denying all allegations in March 2015. Rohi then engaged in aggressive discovery with respect to the Provider Information Claims, and thereafter sought partial summary judgment on the Provider Information Claims. Settlement negotiations ensued and on September 28, 2015, Rohi, the Plan Proponents and a representative from the Office of the Texas Attorney General agreed to the terms of a global settlement and a litigation stand-down pending the state’s approval of the proposed settlement.

The settlement never became effective, however, because the state never took action to approve or reject the proposed settlement. Litigation then resumed in March 2016 when Dr. Rohi renewed his motion for partial summary judgment on the Provider Information Claims. The Plan Proponents moved to dismiss the case, a motion which the state court denied. The Plan Proponents appealed but, notwithstanding an automatic stay pending appeal pursuant to Tex. Civ. Prac. and Rem. Code § 51.014(b), the court granted partial summary judgment against the Plan Proponents on the Provider Information Claims and set the issue of damages for further consideration (now subject to a pending mandamus challenge).

The partial summary judgment decision exposed the Plan Proponents to an immediate and existential threat. If a judgment on the Provider Information Claims is entered—even one for nominal damages—the Debtors could have their licenses to participate in the Medicaid program immediately suspended pursuant to Tex. Hum. Res. Code § 36.005(b-1). Inability to receive payment for services rendered to Medicaid patients alone would result in such diminished cash flow that the Debtors would be unable to pay for basic expenses such as employee wages and would therefore be unable to continue as going concerns. In addition, Rohi argued that, among other penalties, the state court was required to impose a \$5,500 penalty for each of the 4,368 Medicaid reimbursement claims subject to the lawsuit, for a total penalty of over \$24 million, without any consideration of whether there was wrongful intent, actual harm to the state or the possibility of mitigating circumstances. The Plan Proponent would be unable to pay such an enormous judgment, regardless of whether they kept their Medicaid license.

Rather than await a potential judgment and the dire consequences attendant thereto—firing employees, default on meritorious obligations to trade creditors, and cessation of dental services to needy children—the Debtors filed the chapter 11 petitions and removed the state court case to preserve the value of the Debtors’ businesses and to ensure that all stakeholders in the Debtors are treated equitably.



**3. Significant Events During Bankruptcy**

**a. *Voluntary Petition filing***

On the Petition Date, each Debtor filed a voluntary reorganization case under Chapter 11 of the Bankruptcy Code. The cases are jointly administered under Case No. 16-34221 in the United States Bankruptcy Court for the Southern District of Texas.

The Debtors continue to operate their business and manage their affairs as debtors-in-possession since the Petition Date, but have not made any extraordinary disposition or acquisition of assets since that date.

**b. *Administration***

On the Petition Date, the Debtors filed a number of “first day” motions, including the following:

*Wages and Benefits Motion:* The Debtors filed a motion seeking authority to (i) pay prepetition wages, salaries, and other compensation; (ii) pay prepetition payroll taxes and benefits and continue benefit programs in the ordinary course; and (iii) direct banks to honor checks for payment of prepetition Payment and Program Obligations. The Debtors estimated that approximately \$19,000 had accrued and was outstanding on account of their employees and related obligations. The Bankruptcy Court granted the motion on an interim basis September 6, 2016.

*Utilities Motion:* The Debtors filed a motion seeking an order (i) prohibiting utility providers from altering, refusing, or discontinuing services on account of prepetition amounts outstanding or on account of any perceived inadequacy of the Debtors’ proposed adequate assurance; (ii) determining that its utility providers have been provided with adequate assurance of payment within the meaning of section 366 of the Bankruptcy Code; (iii) approving the Debtors’ proposed offer of adequate assurance and procedures governing utility providers’ requests for additional or different adequate assurance; and (iv) determining that the Debtors are not required to provide any additional adequate assurance beyond what they proposed. The Bankruptcy Court granted the motion on an interim basis August 31, 2016.

*Cash Collateral Motion:* Debtor West Orem filed a motion seeking authority to use its cash, whether or not such cash is cash collateral, and a finding that the interests of First Bank & Trust East Texas, its secured lender, are adequately protected. West Orem is the borrower under a loan agreement with First Bank & Trust East Texas secured by various collateral including West Orem’s cash and cash equivalents. The Bankruptcy Court granted the motion on an interim basis August 31, 2016, and on a final basis on October 4, 2016.

**c. *Rohi Litigation Adversary Proceeding and Mediation***

Prior to the bankruptcy, Rohi sued the Plan Proponents (together with Rohi, the “Parties”) in Texas state court in Houston alleging a variety of claims. On August 26, 2016, the Debtors removed the litigation to this Court, initiating adversary proceeding No. 16-03193 (the “Adversary Proceeding”). Rohi responded by filing a motion asking the Bankruptcy Court to



remand the matter to Texas state court and/or abstain from hearing the matter. The Debtors objected to the motion and filed a motion to estimate Rohi's claims.

On October 19, 2016, the Court (i) abated the Adversary Proceeding and the Debtors' motion to estimate claims until November 28, 2016 and (ii) ordered the Parties to mediation before Barbara Radnofsky.

Following mediation, the Parties reached an agreement in principle (subject to Court approval) resolving the claims in the Adversary Proceeding, which represented the largest contingent claims against the Debtors. The Plan incorporates the mediated resolution.

**d. Case Management Going Forward**

**1. Creditors Committee**

The United States Trustee is responsible for soliciting a committee of creditors holding unsecured claims pursuant to 11 U.S.C. §1102(a)(1). No committee has been appointed or formed in this case.

**2. Plan Exclusivity**

The Bankruptcy Code provides debtors with an exclusive period within which debtors may propose a plan of reorganization, which initially lasts 120 days, and to solicit votes on a plan. On December 19, 2016, the Debtors filed a motion seeking to extend their exclusivity period for filing a plan until February 26, 2017 and for soliciting acceptances until May 1, 2017. The Bankruptcy Court approved the motion on December 23, 2016. On January 25, 2017, the Debtors filed a second motion seeking to extend their exclusivity period for filing a plan to May 15, 2017 and for soliciting acceptances of the plan until July 14, 2017 in order to extend the Debtors' exclusivity period beyond the government deadline applicable to certain Texas state agencies having jurisdiction over Medicaid overpayments to file a proof of claim. The Bankruptcy Court approved the motion on February 16, 2017.

**3. Assumption and Rejection**

The Bankruptcy Code allows the Debtors to assume or reject any pending lease agreements or executory contracts that exist on the Petition Date. Additionally, the law provides that the Debtors can assign their interests in lease agreements and executory contracts provided they cure all defaults and provide adequate assurance that the assignee will comply with the terms of the lease or contract. Executory contract and lease assumption and rejection are treated in the Plan. Any contract or lease not specifically rejected in the Plan, or by prior court order, is deemed accepted.

**VI. DESCRIPTION OF PLAN**

**SUMMARY OF THE PLAN OF REORGANIZATION**

**THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND**

**TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, AND TO THE EXHIBITS ATTACHED THERETO. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS. THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AND INTERESTS, THE REORGANIZED DEBTORS AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.**

**A. Overall Structure of the Plan**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors and shareholders. Upon the filing of a petition for relief under Chapter 11, Section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the Chapter 11 case.

The consummation of a plan of reorganization is the principal objective of a Chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor of, or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions, and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes for such debt the obligations specified under the confirmed plan.

The Plan should be read carefully and independently of this Disclosure Statement. The following analysis of the Plan is intended to provide a context for understanding the remainder of this Disclosure Statement and to assist in an understanding of the Plan and the proposed treatment of the Claims and Interests.

The Plan Proponents will seek to confirm either the Settlement Plan or the New Value Plan. The Settlement Plan incorporates the Rohi Settlement. The Rohi Settlement provides that the Rohi shall receive the Rohi Settlement Claim in full satisfaction of the Rohi Claim. The

State of Texas and Rohi shall negotiate the apportionment of such distribution. All other Holders of General Unsecured Claims shall be Paid In Full.

There is a material risk that the Plan Proponents will not seek to confirm the Settlement Plan at the Confirmation Hearing. The Rohi Settlement provided that the Plan Proponents could determine not to proceed with the settlement under certain circumstances. The State of Texas filed the State of Texas Claim, and the Plan Proponents believe that the filing of such claims alone means that the Plan Proponents may abandon the Settlement Plan. In addition to other conditions, the Plan Proponents could determine not to proceed with confirming the Settlement Plan if any entity objects to any of the discharges, injunctions, releases, or similar relief contained in Article XII of the Plan. The Plan Proponents believe that the State of Texas is likely to object to some of the relief requested in Article XII as currently drafted.

If the Plan Proponents determine not to proceed with confirming the Settlement Plan at the Confirmation Hearing, the Plan Proponents will seek to confirm the New Value Plan at the Confirmation Hearing. Under the New Value Plan, the Plan Proponents will establish a Claims Pool from which all Holders of General Unsecured Claims, the Rohi Claim, and the State of Texas Claim shall share pro rata. The Claims Pool will be funded with \$3.5 million minus the professional fees and expenses that the Plan Proponents will incur in liquidating the Rohi Claim and the State of Texas Claim as well as the professional fees associated with the bankruptcy filings of the Non-Debtor clinics that will occur under the New Value Plan.

**B. Administrative Expenses and Priority Claims and Timing of Payment**

The Holders of Administrative Claims and Priority Claims are treated as generally described below.

**Payment of General Administrative Claims.** Except to the extent that a Holder of an Allowed General Administrative Claim agrees to less favorable treatment, the Holder of each Allowed General Administrative Claim shall receive, in full and final satisfaction, settlement, release and discharge of and in exchange for such Allowed General Administrative Claim, Cash in an amount equal to the full unpaid amount of such Allowed General Administrative Claim on the later of (a) the Effective Date or as soon as reasonably practicable thereafter if such Administrative Claim is Allowed as of the Effective Date, (b) the date on which such Claim is Allowed or as soon as reasonably practicable thereafter, or (c) with respect to Ordinary Course General Administrative Claims, the date such amount is due in accordance with applicable non-bankruptcy law and the terms and conditions of any applicable agreement or instrument.**Payment of Priority Tax Claims.** Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, the Holder of each Allowed Priority Tax Claim due and payable on or prior to the Effective Date shall receive, in full and final satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, at the election of the applicable Debtor or Reorganized Debtor, (a) Cash on the Effective Date or as soon as reasonably practicable thereafter in an amount equal to the full unpaid amount of such Allowed Priority Tax Claim; or (b) commencing on the first Semi-Annual Payment Date following the Initial Distribution Date and continuing over a period not exceeding five (5) years from and after the Petition Date,

equal semi-annual Cash payments in an aggregate amount equal to the unpaid portion of such Allowed Priority Tax Claim, together with interest at the applicable rate under non-bankruptcy law, subject to the sole option of the Reorganized Debtors, to prepay the entire amount of the unpaid portion of the Allowed Priority Tax Claim in the ordinary course of business. Any Allowed Priority Tax Claim that is not due and payable on or prior to the Effective Date shall be paid in the ordinary course of business after the Effective Date as and when due under applicable non-bankruptcy law.

**Payment of United States Trustee Fees.** All fees incurred pursuant to 28 U.S.C. § 1930(a)(6) for time periods prior to entry of the Confirmation Order shall be paid by the Debtor on or before the Effective Date. The Reorganized Debtors shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6) following the Effective Date.

**Payment to Professionals.** All final requests for payment of Professional Claims shall be filed and served no later than 60 days after the Effective Date. The deadline for any Entity to objection to a final request for payment of a Professional Claim shall be 21 days after the filing of the request. The Bankruptcy Court shall determine the Allowed amounts of such Professional Claims. The Reorganized Debtors shall pay in full Professional Claims in Cash as soon as reasonably practicable after such Claims are Allowed by order of the Bankruptcy Court. Professional fees incurred for services rendered and costs advanced subsequent to the Effective Date shall be the liability of the Reorganized Debtors.

### **C. Classification and Treatment of Claims and Interests**

#### **Deemed Substantive Consolidation and Use of Sub-classification**

The Plan shall serve as a motion by the Debtors seeking entry of a Bankruptcy Court order deeming the substantive consolidation of the Debtors' Estates into a single Estate for certain limited purposes related to the Plan, including voting, confirmation, and Distribution. As a result of the deemed substantive consolidation of the Estates, each Class of Claims and Interests will be treated as against a single consolidated Estate without regard to the separate legal existence of the Debtors. The Plan will not result in the merger or otherwise affect the separate legal existence of each Debtor, other than with respect to voting and Distribution rights under the Plan, and otherwise in satisfying the applicable requirements of Bankruptcy Code section 1129. All Claims filed by the same Creditor against more than one Debtor are eliminated, disallowed, and expunged to the extent that such are duplicative Claims. In the event that the Bankruptcy Court does not authorize substantive consolidation, or if the Bankruptcy Court authorizes the Debtors to consolidate for voting and Distribution purposes fewer than all of the Classes of Claims and Interests sought to be consolidated for these purposes, the Debtors may proceed with separate classifications for any such non-consolidated Classes of Claims and Interests, and such non-consolidated Classes of Claims and Interests will be treated as against each individual non-consolidated Debtor for voting and confirmation purposes. In such event, each Class of Claims and Interests shall be divided in subclasses; one for each of the Debtors, as set forth below.

**PA** - ABC Dentistry, P.A.;

**WO** - ABC Dentistry West Orem, P.L.L.C.;

**OST** - ABC Dentistry Old Spanish Trail, L.L.C.;

For example, Class 1 - "Other Priority Claims" -- can be divided into three sub-classes for voting purposes: Class 1-PA, Class 1-WO, and Class 1-OST. Class 1-PA relates to Other Priority Claims asserted against ABC Dentistry, P.A., Class 1-WO relates to Other Priority Claims asserted against ABC Dentistry West Orem, P.L.L.C., and so on. A particular Debtor may have no claims asserted against it in a particular Class.

The Classes of Claims and Interests created under the Plan, the treatment of those Classes under the Plan and the other property to be distributed under the Plan, are generally described below:

**Class 1. Other Priority Claims.**

Class 1 consists of the Other Priority Claims against the Debtors. The Class 1 claims are unimpaired.

Treatment. Class 1 Allowed Other Priority Claims shall be paid in Cash on the later of thirty (30) days after the Effective Date or the date such Claim becomes an Allowed Other Priority Claim, unless the Holder of such Claim agrees to a different treatment.

**Class 2. Secured Tax Claims.**

Class 2 consists of any Secured Tax Claims against any of the Debtors. The Class 2 Claims are unimpaired.

Treatment. Except to the extent that a Holder of an Allowed Secured Tax Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for its Allowed Secured Tax Claims, each holder of an Allowed Secured Tax Claim shall receive, at the option of the applicable Debtor or Reorganized Debtor, either: (i) Cash on the Effective Date or as soon as reasonably practicable thereafter in an amount equal to the full unpaid amount of such Allowed Secured Tax Claim; or (ii) commencing on the first Semi-Annual Payment Date following the Initial Distribution Date and continuing over a period not exceeding five (5) years from and after the Petition Date, equal semi-annual Cash payments in an aggregate amount equal to the unpaid portion of such Allowed Secured Tax Claim, together with interest at the applicable rate under non-bankruptcy law, subject to the sole option of the Reorganized Debtors to prepay the entire amount of the unpaid portion of the Allowed Secured Tax Claim in the ordinary course of business. Any Lien securing an Allowed Secured Tax Claim shall be retained until such time that such Allowed Secured Tax Claim is paid in full.

**Class 3. First Bank Secured Claim**

Class 3 consists of the First Bank Secured Claim against West Orem. The Class 3 Claims are impaired.

Treatment. The maturity date of the First Bank Loan Agreement shall be deemed to be modified from May 27, 2019 to May 27, 2020. West Orem's remaining payments under the First Bank Loan Agreement shall be re-amortized from the Effective Date through May 27, 2020 by the Debtors' financial advisor. All other provisions of the First Bank Loan Agreement shall not be deemed to be affected by the Plan.

**Class 4. General Unsecured Claims.**

Class 4 consists of General Unsecured Claims other than Class 5 Convenience Claims. The Class 4 claims are Impaired.

Treatment under Settlement Plan. The Holders of Allowed General Unsecured Class 4 Claims shall be Paid In Full as follows: the Holder of such Allowed General Unsecured Claim shall receive (i) 50% of the Allowed amount of such Holder's Claim on the Initial Distribution Date and (ii) the remaining 50% of the Allowed amount of such Holder's Claim on the first Semi-Annual Payment Date following the Initial Distribution Date. Notwithstanding the foregoing, Holders of General Unsecured Claims in Class 4 may elect to be treated as a Class 5 Convenience Claim by making such election on the Ballot for Class 4 General Unsecured Claims.

Treatment under New Value Plan. Except to the extent that a Holder of a General Unsecured Claim has been paid by the Debtor prior to the Effective Date or agrees to different treatment more favorable to the Debtor, each Holder of an Allowed General Unsecured Claim shall receive Cash in an amount equal to its pro rata share (the denominator of which shall equal the sum of the Allowed amounts of all Class 4, Class 6, and Class 7 Claims) of the Claims Pool within 10 days after the later of (1) the date the Rohi Claim becomes an Allowed Claim, (2) the date of the State of Texas Claim becomes an Allowed Claim, or (3) the date such Holder's General Unsecured Claim becomes an Allowed Claim. Notwithstanding the foregoing, Holders of General Unsecured Claims in Class 4 may elect to be treated as a Class 5 Convenience Claim by making such election on the Ballot for Class 4 General Unsecured Claims.

**Class 5. Convenience Claims.**

Class 5 consists of Convenience Claims. The Class 5 Claims are unimpaired.

Treatment. The Holders of Allowed Convenience Class 5 Claims shall be Paid In Full on the Initial Distribution Date.



**Class 6. Allowed Rohi Claims.**

Class 6 consists of Claims of Rohi. The Class 6 Claims are impaired.

Treatment under Settlement Plan. In full satisfaction of all Claims or Causes of Action that Rohi has or may have against any of the Plan Proponents, including, but not limited to those claims and causes of action asserted in the Rohi Litigation, Allowed Class 6 Claims shall (i) accrue interest at a flat rate of 1.5% per annum until paid, and (ii) be paid in full by December 31, 2022. The Clerk of the Court shall release the funds placed in the registry of the Court pursuant to the order appearing in docket number 133 as soon as practical following receipt of the Effective Date Notice. The Plan Proponents shall then tender the Quarterly Payments on the Initial Quarterly Payment Due Date and then subsequently on each Quarterly Payment Due Date until the Rohi Litigation Claim is paid in full. The Plan Proponents shall be permitted to prepay the Rohi Litigation Claim in full at any time prior to December 31, 2022 without paying a penalty or any amount on account of interest that would have otherwise accrued but for the prepayment.

Treatment under New Value Plan. The Holder of the Class 6 Rohi Claim that becomes an Allowed Claim pursuant to a Final Order shall receive Cash in an amount equal to its pro rata share (the denominator of which shall equal the sum of the Allowed amounts of all Class 4, Class 6, and Class 7 Claims) of the Claims Pool within 10 days after the later of (1) the date the Rohi Claim becomes an Allowed Claim or (2) the date of the State of Texas Claim becomes and Allowed Claim.

**Class 7. State of Texas Claim.**

Class 7 consists of State of Texas Claims. The Class 7 Claims are impaired.

Treatment under Settlement Plan. In consideration of the treatment afforded to Class 6 Claims, the Holders of State of Texas Claims shall not receive any further Distributions from the Debtors' Bankruptcy Estates. The State of Texas and Rohi shall negotiate and apportion between themselves the Distribution to Rohi on account of his Class 6 Claim. For the avoidance in doubt, the treatment afforded to the State of Texas herein shall be deemed to be a Bankruptcy-Related Action.

Treatment under New Value Plan. The Holder of the Class 7 State of Texas Claim that becomes an Allowed Claim pursuant to a Final Order shall receive Cash in an amount equal to its pro rata share (the denominator of which shall equal the sum of the Allowed amounts of all Class 4, Class 6, and Class 7 Claims) of the Claims Pool within 10 days after the later of (1) the date the Rohi Claim becomes an Allowed Claim or (2) the date of the State of Texas Claim becomes and Allowed Claim.

**Class 8. Interests.**

Class 8 consists of Interests. The Class 8 Interests are impaired.

Treatment. The Holders of Class 8 Interests shall retain the Interests held on the date of the filing of the Chapter 11 Cases.



**D. Means for Execution of Plan**

1. Vesting of Property of the Estates in Reorganized Debtors. On the Effective Date of the Plan, all property of each Debtor and of its Estate shall vest in its respective equivalent Reorganized Debtor free and clear of liens, claims and encumbrances, except as otherwise provided by the terms of the Plan.

2. Rohi Settlement. If the Plan Proponents seek to confirm the Settlement Plan and not the New Value Plan, the Rohi Settlement will be incorporated into this Plan by reference. Pursuant Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided to Rohi under this Plan, the provisions of this Plan shall constitute a good faith compromise and settlement of all Claims and controversies relating to the Rohi Litigation. Within 7 days after the Effective Date of the Settlement Plan, Rohi shall dismiss adversary proceeding number 16-03193 (Bankr. S.D. Tex.) and any of the pending proceeding against any of the Plan Proponents with prejudice.

3. Estimation of Rohi Claim and State of Texas Claim under the New Value Plan. In the event any of the Plan Proponents decide to seeking confirmation of the New Value Plan, the Debtors will proceed with requesting that the Bankruptcy Court estimate the Rohi Claim under 11 U.S.C. § 502(c). The Debtors will also request that the Bankruptcy Court estimate the State of Texas Claim under 11 U.S.C. § 502(c). The Non-Debtor Affiliates will file petitions for bankruptcy relief under chapter 11 and will seek to estimate any Claim asserted by Rohi or the State of Texas against any of the Non-Debtor Affiliates under 11 U.S.C. § 502(c). Nothing herein shall limit the Debtors or Reorganized Debtors from seeking estimation of any other Claims under 11 U.S.C. § 502(c).

4. Continuation of Business Operations. From and after the Effective Date of the Plan, each Reorganized Debtor shall be authorized to continue its normal business operations. Each Reorganized Debtor shall enter into such transactions as it deems advisable, free of any restriction or limitation imposed under any provision of the Bankruptcy Code, except to the extent otherwise provided in the Plan.

5. Dissolution of ABC Density, P.A. Upon the Effective Date, ABCD shall be deemed dissolved. Jabbary, as Sole Member of ABCD, shall have the power to wind up the affairs of ABCD under applicable state laws in addition to all the rights, powers, and responsibilities conferred by the Bankruptcy Code and the Plan.

6. Source of funds for Payments Under the Plan. The Plan Proponents will commit to fund the Plan in an amount sufficient to make (1) all of the required payments under the Settlement Plan, or (2) contributions to fund the Claims Pool in the event that the Plan Proponents seek to confirm the New Value Plan.

7. Directors and Officers of Reorganized Debtors. The directors, officers, or members of each Debtor, including Jabbary, are authorized to continue as directors, officers, or members (as applicable) of the Reorganized Debtors from and after the Effective Date of the Plan.

8. Agreements, Instruments and Documents. All agreements, instruments, and documents required under the Plan to be executed or implemented, together with such others as may be necessary, useful, or appropriate in order to effectuate the Plan shall be executed on or before the Effective Date or as soon thereafter as is practicable. The Reorganized Debtor shall have a power of attorney, coupled with an interest, to execute and deliver any document to the extent that counterparty to such document fails to execute and deliver any document required to effectuate the Plan following 20 days written notice and request to such counterparty. Further Authorization. The Reorganized Debtors shall be entitled to seek such orders, judgments, injunctions, and rulings from the Bankruptcy Court, in addition to those specifically listed in the Plan, as may be necessary to carry out the intentions and purposes, and to give full effect to the provisions, of the Plan. The Bankruptcy Court shall retain jurisdiction to enter such orders, judgments, injunctions and rulings.

## VII. OTHER PROVISIONS OF PLAN

### A. Assumption and Rejection of Executory Contracts.

The Debtors shall reject the executory contracts and leases set forth in Exhibit “A” to the Plan. All executory contracts not expressly rejected under the Plan or rejected pursuant to an order of the Bankruptcy Court shall be assumed by the Debtors. For the avoidance in doubt, the Debtors shall assume the following: (i) all licenses issued to the Debtors by governmental authorities; (ii) all Medicaid provider agreements; (iii) all employment and severance policies, and all compensation and benefits plans, policies and programs of the Debtors applicable to their respective employees, retirees and non-employee directors, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans and life and accidental death and dismemberment insurance plans; and (iv) insurance policies to which any Debtor is a party as of the Effective Date.

Any objections by a counterparty to an Executory Contract regarding the assumption of the contract or the proposed cure amounts shall be filed by the Plan Objection Deadline and be heard by the Court at the Confirmation Hearing. Any counterparty that fails to timely object to the cure amount shall be deemed to have assented to such assumption and/or cure amount. Except as specifically provided for in the Plan, the Debtor shall pay all cure amounts in the amount listed on Exhibit “B” to the Plan on or before thirty (30) days after the bar date for Administrative Claims set forth in paragraph 2.1 of the Plan.

### B. Rejection Damages Bar Date

Any Claims arising from rejection of an executory contract or lease must be filed on or before twenty (20) days from the Effective Date. Otherwise, such Claims are forever barred and will not be entitled to share in any distribution under the Plan. Any Claims arising from rejection, if timely filed and allowed, will be treated as Class 4 General Unsecured Claims.

### C. Disbursing Agent.

Each Reorganized Debtor shall act as the Disbursing Agent or shall designate a substitute to act as Disbursing Agent at any time after the Effective Date. The rights, powers and duties of

the Disbursing Agent and the procedures for making distributions under the Plan are set forth in Article VI of the Plan.

**D. Conditions to Confirmation.**

Confirmation of the Plan shall not occur and the Bankruptcy Court shall not enter the Confirmation Order unless all of the requirements of the Bankruptcy Code for confirmation of the Plan with respect to each Debtor shall have been satisfied. In addition, confirmation shall not occur, the Plan shall be null and void and of no force and effect, and the Plan shall be deemed withdrawn unless the Court shall have entered all orders (which may be orders included within the Confirmation Order) required to implement the Plan.

**E. Waiver and Nonfulfillment of Conditions to Confirmation.**

Nonfulfillment of any condition to confirmation of the Plan may be waived only by the Plan Proponents. In the event the Plan Proponents determine that the conditions to the Plan's confirmation which they may waive cannot be satisfied and should not, in their discretion, be waived, the Plan Proponents may propose a new plan, may modify this Plan as permitted by law or may request other appropriate relief.

**F. Confirmation Order Provisions for Pre-Effective Date Actions.**

The Confirmation Order shall empower and authorize the Debtors to take or cause to be taken, prior to the Effective Date, all actions which are necessary to enable it to implement the provisions of the Plan and satisfy all other conditions precedent to the effectiveness of the Plan.

**G. Conditions to the Effective Date.**

The following are conditions precedent to the effectiveness of the Plan:

1. In the event the Plan Proponents seek to confirm the Settlement Plan at the Confirmation Hearing:

- a. the total amount of proofs of claim that are filed in the Chapter 11 Cases shall not exceed \$250,000;
- b. no party in interest, including the Holder of any Claim or any Governmental Unit (including the State of Texas), shall have objected to any of the discharges, releases, or injunctions set forth in Article XII as to any Plan Proponent; and
- c. the Bankruptcy Court shall have entered an order approving the Rohi Settlement, which could be the Confirmation Order.

2. In the event the Plan Proponents seek to confirm the New Value Plan at the Confirmation Hearing:

- a. the Bankruptcy Court grants the Debtors' motion to estimate the Rohi Claim and the State of Texas Claim; and

- b. the Bankruptcy Court confirms the Chapter 11 Plan proposed by the Non-Debtor Affiliates in the Non-Debtor Affiliates Chapter 11 Cases providing for treatment of the Rohi Claim and the State of Texas Claim in a manner substantially similar to the treatment afforded to such claims in this Chapter 11 Plan.
3. The Confirmation Order shall have been duly entered and shall be a Final Order and the Plan shall be in form and substance acceptable to the Plan Proponents;
4. The Plan Proponents do not withdraw the Plan at any time prior to the Effective Date; and
5. The Debtors shall have sufficient Cash on hand or otherwise available to make the initial payments and distributions required under the Plan.

**H. Binding Effect.**

As provided for in Section 1141(d) of the Bankruptcy Code, the provisions of the Plan shall bind the Debtors, any entity acquiring property under the Plan and any Holder of a Claim or Interest, whether or not the Claim or Interest is impaired under the Plan and whether or not such Holder has accepted the Plan, and the United States and any licensing authority. After confirmation, the property dealt with by the Plan shall be free and clear of all Claims and Interests, except to the extent as provided for in the Plan as the case may be.

**I. Satisfaction of Claims and Interests.**

Holders of Claims and Interests shall receive the distributions provided for in this Plan, if any, in full settlement and satisfaction of all such Claims, and any interest accrued thereon, and all Interests.

**J. Vesting of Property.**

Except as otherwise expressly provided in the Plan or the Confirmation Order, pursuant to Section 1141(b) of the Bankruptcy Code, upon the Effective Date, all Property and assets of the Estates shall vest in the respective Reorganized Debtors free and clear of all Claims, liens, encumbrances, charges or other interests. Moreover, all licenses and permits held by each Debtor shall continue be held by its Reorganized Debtor counterpart. Subject to the terms of this Plan, on and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire and dispose of property and prosecute, compromise or settle any Claims (including any Administrative Expense Claims) and causes of action without supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules other than restrictions expressly imposed by this Plan or the Confirmation Order.

**K. Discharge of the Debtors.**

**Pursuant to section 1141(d) of the Bankruptcy Code and effective as of the Effective Date, and except as otherwise specifically provided in the Plan: (a) the distributions, rights and treatment that are provided in the Plan shall be in complete satisfaction, discharge and**

release of all Claims of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, the Debtors, the Reorganized Debtors or any of their assets, properties or Estates, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, including demands, liabilities and Causes of Action that arose before the Effective Date; (b) the Plan shall bind all holders of Claims, notwithstanding whether any such holders failed to vote to accept or reject the Plan or voted to reject the Plan; (c) all Claims shall be satisfied, discharged, and released in full, and the Debtors' liability with respect thereto shall be extinguished completely, including all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not (i) a Proof of Claim based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim based upon such debt or right is Allowed; or (iii) the holder of such a Claim has accepted the Plan or is entitled to receive a distribution hereunder; and (d) all Entities shall be precluded from ever asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, their successors and assigns, and their assets and properties any Claims based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims subject to the Effective Date occurring. Any Entity that does not object to the scope of the discharge in this Section 12.4 by the Confirmation Objection Deadline will be deemed to have waived any right to determine, or otherwise challenge, the dischargeability of any debt against any of the Debtors under 11 U.S.C. § 1141.

**L. Release of Holders of Claims.**

Except as otherwise specifically provided in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the reorganization of the Debtors and the compromises contained herein, on and after the Effective Date, to the fullest extent permitted by applicable law, the Releasing Parties (regardless of whether a Releasing Party is a Released Party) shall be deemed to conclusively, absolutely, unconditionally, irrevocably and forever release, waive and discharge the Released Parties of any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including, but not limited to any claims or Causes of Action related to or arising under chapter 36 of the Texas Human Resources Code, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or fixed, existing or hereafter arising, in law, at equity or otherwise, whether for indemnification, tort, contract, or otherwise, including, those that any of the Debtors, the Reorganized Debtors or the Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or any other Person, based on or relating to, or in any manner arising from, in whole or in part, the conduct of the businesses of the Plan Proponents, or upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date of the Plan. The Releasing Parties (regardless of whether a Releasing Party is a Released Party) shall also be deemed to conclusively, absolutely, unconditionally, irrevocably and forever release, waive and discharge the Released Parties of any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities related to the Chapter 11 Cases, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the

Plan, the negotiation, formulation or preparation of the Plan, any documents related to the Plan, the Plan Supplements, the Disclosure Statement, any action or omission with respect to Intercompany Claims, any action or omission as an officer, director, member, agent, representative, fiduciary, controlling person, affiliate or responsible party, or any transaction entered into or affecting, a non-Debtor affiliate, other than claims or liabilities arising out of or relating to any act or omission of a Released Party to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, fraud or a criminal act.

Each Entity providing releases under the Plan, including the Debtors, the Reorganized Debtors, the Estates and the Releasing Parties, shall be deemed to have granted the releases set forth in those sections notwithstanding that such Entity may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery, investigations or existence of such different or additional facts, and such Entity expressly waives any and all rights that it may have under any statute or common law principle which would limit the effect of such releases to those claims or causes of action actually known or suspected to exist at the time of execution of such release.

**M. Releases by State of Texas under Settlement Plan**

In addition to the releases in Section 12.5 of the Plan, the State of Texas, for good and valuable consideration, including the implementation of the Rohi Settlement and other restructuring by the Plan, and the compromises contained herein, on and after the Effective Date, shall be deemed to release and discharge the Released Parties from any and all Texas Medicaid administrative complaints and appeals that currently exist or may exist, whether known or unknown, and whether asserted or unasserted, arising out of the Covered Conduct, that the State of Texas has or may have against the Released Parties.

**N. Releases by State of Texas and Rohi under New Value Plan**

Notwithstanding Article 12.5 of the Plan, neither the State of Texas nor Rohi shall be deemed to release or waive any rights, Claims, or Causes of Action against the Non-Debtor Affiliates or Jabbary under this Chapter 11 Plan.

**O. Exculpation.**

Notwithstanding anything herein to the contrary, the Exculpated Parties shall neither have nor incur any liability to any Entity for any Bankruptcy-Related Action; provided that nothing in the foregoing "Exculpation" shall exculpate any Entity from any liability resulting from any act or omission that is determined by Final Order to have constituted fraud, willful misconduct, gross negligence, or criminal conduct; provided that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement.

Notwithstanding anything herein to the contrary, as of the Effective Date, pursuant to section 1125(e) of the Bankruptcy Code, the Solicitation Parties and their member, employees, attorneys, financial advisors, and other professional advisors, representatives and agents upon appropriate findings of the Bankruptcy Court will be deemed to have solicited acceptance of the



Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code, in the offer, issuance, sale, or purchase of a security, offered or sold under the Plan of a Reorganized Debtor, and shall not be liable to any Entity on account of such solicitation or participation.

In addition to the protections afforded in Section 12.8 of the Plan to the Exculpated Parties and Solicitation Parties, and not in any way reducing or limiting the application of such protections, the Bankruptcy Court retains exclusive jurisdiction over any and all Causes of Action asserted against any Solicitation Party for any Bankruptcy-Related Action that are not otherwise exculpated or enjoined by this Plan.

**P. Injunction.**

**EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN OR FOR OBLIGATIONS ISSUED PURSUANT HERETO, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS, CAUSES OF ACTION OR ARE SUBJECT TO EXCULPATION PURSUANT TO SECTION 12.8 ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, THE PLAN PROPONENTS, OR THE RELEASED PARTIES: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR PROCEEDING, OF ANY KIND, ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR CAUSES OF ACTION, INCLUDING UNDER CHAPTER 36 OF THE TEXAS HUMAN RESOURCES CODE; (2) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR CAUSES OF ACTION; (3) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH RELEASED PARTIES OR THE PROPERTY OR ESTATES OF SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR CAUSES OF ACTION; (4) ASSERTING ANY RIGHT OF RECOUPMENT, SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATIONS DUE FROM THE DEBTORS, THE REORGANIZED DEBTORS, OR THE PLAN PROPONENTS OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF THE DEBTORS ON ACCOUNT OF ANY SUCH CLAIM OR CAUSE OF ACTION; AND (5) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR CAUSES OF ACTION RELEASED, SETTLED, EXCULPATED OR DISCHARGED PURSUANT TO THE PLAN OR CONFIRMATION ORDER. THIS INJUNCTION ALSO PERMITS THE REORGANIZED DEBTOR TO ENFORCE 11 U.S.C. § 525(A) UPON IMPROPER REVOCATION OR RESTRICTION OF LICENSES.**



**Q. Injunction under New Value Plan**

**THE INJUNCTIONS IN SECTION 12.9 OF THE PLAN SHALL HAVE FULL FORCE AND EFFECT UNDER THE NEW VALUE PLAN, PROVIDED HOWEVER, THAT THE INJUNCTIONS THAT BENEFIT THE NON-DEBTOR AFFILIATES AND JABBARY SHALL BE AUTOMATICALLY LIFTED UNDER THIS CHAPTER 11 PLAN UPON ENTRY OF A FINAL ORDER RESOLVING THE ROHI CLAIM AND THE STATE OF TEXAS CLAIM.**

**R. Preservation of Setoff Rights.**

In the event that a Debtor has a claim of any nature whatsoever against a Holder of a Claim, the Debtor may, but is not required to setoff against such Claim (and any payments or other distributions to be made in respect of such Claim hereunder), subject to the provisions of Section 553 of the Bankruptcy Code. Neither the failure to setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors of any claim that any Debtor has against any Holder of a Claim.

**S. Releases by the Debtors.**

**On the Effective Date and pursuant to section 1123(b)(3)(A) of the Bankruptcy Code, the Debtors, and to the maximum extent provided by law, its agents, release and forever discharge all Avoidance Actions (except those related to the claim objection process) and other claims, including acts taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into or any other act taken or entitled to be taken in connection with the Plan or those Chapter 11 Cases against the following, whether known or unknown:**

- 1. Jabbary, the Non-Debtor Affiliates and the Debtors' and the Non-Debtor Affiliates' employees, agents, affiliates, attorneys and representatives ("Insider Released Parties"), in connection with any and all claims and causes of action arising on or before the Confirmation Date that may be asserted by or on behalf of the Debtors or the Estates and/or on account of the Debtors' Chapter 11 Cases.**
- 2. The Debtors' Professionals, other than claims based on willful misconduct or the release of which is otherwise restricted by the Texas Disciplinary Rules of Professional Conduct.**

**If the Plan Proponents seek to confirm the New Value Plan at the Confirmation Hearing, the Plan Proponents reserve all of their rights, claims, defenses, and causes of action against Rohi and the State of Texas, including but not limited to, those rights, claims, defenses, and causes of action that any of the Plan Proponents have asserted in the Rohi Litigation and related proceedings.**

**T. Lawsuits.**

On the Effective Date, all lawsuits, litigations, administrative actions or other proceedings, judicial or administrative, in connection with the assertion of Claims or Causes of Action against any of the Plan Proponents and any guarantor except proofs of claim and/or objections thereto pending in the Bankruptcy Court shall be dismissed as to the Plan Proponents. Such dismissal shall be with prejudice to the assertion of such Claim in any manner other than as prescribed by the Plan. All parties to any such action shall be enjoined by the Bankruptcy Court by the Confirmation Order from taking any action to impede the immediate and unconditional dismissal of such actions. All lawsuits, litigations, administrative actions or other proceedings, judicial or administrative, in connection with the assertion of a claim(s) by any of the Debtors or any entity proceeding in the name of or for the benefit of any of the Debtors against a person shall remain in place only with respect to the claim(s) asserted by such Debtor or such other entity, and shall become property of the applicable Reorganized Debtor to prosecute, settle or dismiss as it sees fit.

**U. Insurance.**

Confirmation and consummation of the Plan shall have no effect on insurance policies of the Debtors or Reorganized Debtors in which the Debtors or any of the Debtors' representatives or agents is or was the insured party; the Reorganized Debtors shall become the insured party under any such policies without the need of further documentation other than the Plan and entry of the Confirmation Order. Each insurance company is prohibited from denying, refusing, altering or delaying coverage on any basis regarding or related to the Debtors' bankruptcy, the Plan or any provision within the Plan.

**V. U.S. Trustee Fees.**

The Debtor shall timely pay post-Effective Date quarterly fees assessed pursuant to 28 U.S.C. § 1930(a)(6) until such time as the Bankruptcy Court enters a final decree closing these Chapter 11 Cases, or enters an order either converting these cases to cases under Chapter 7 or dismisses the Chapter 11 Cases. After confirmation, the Reorganized Debtor shall file with the Bankruptcy Court and shall transmit to the United States Trustee quarterly a true and correct statement of all disbursements made by them in a format prescribed by the United States Trustee.

**W. Allowance of Claims Under the Plan.**

Allowance is a procedure whereby the Bankruptcy Court determines the amount and enforceability of a Claim against a Debtor, if the parties cannot agree upon such allowance. It is expected that a Debtor and/or the Disbursing Agent will file objections to Claims, if any are deemed necessary, before and after confirmation of the Plan. The Plan merely provides for payment of Allowed Claims, but does not attempt to pre-approve the allowance of any Claims.

**X. Claims Objection Deadline.**

Objections to Claims may be filed at any time until one hundred twenty (120) days after the Effective Date, unless extended by order of the Bankruptcy Court. Objections to Claims

shall be filed with the Bankruptcy Court and served upon the Holders of each of the Claims to which objections are made.

**Y. Prosecution of Claims Objections.**

On and after the Effective Date, except as the Bankruptcy Court may otherwise order, the filing, litigation, settlement or withdrawal of all objections to Claim may be made only by the Reorganized Debtor and/or Disbursing Agent.

**Z. Directors and Officers of the Debtor**

Jabbary is the sole officer and director or manager of each of the Debtors. Jabbary shall continue to hold those roles with the Reorganized Debtors from and after the Effective Date of the Plan.

**AA. Management Compensation**

As of the Effective Date, Jabbary shall continue to receive salaries as follows: \$50,000 per month from West Orem and \$20,000 per month from OST. The foregoing salaries shall be paid in two installments: once on the 15th of the month and second at the end of the month. The Reorganized Debtors reserve the right increase these salaries in accordance with their usual and customary practices.

**VIII. RISKS POSED TO HOLDERS OF CLAIMS AND INTERESTS**

**Holders of Claims and Interests should read and consider carefully the risk factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated herein by reference) prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.**

**The Rohi Settlement Could Be Terminated.**

The agreement governing the Rohi Settlement contains certain terms regarding, among other things, the form of the Plan, the treatment and satisfaction of Rohi's Claims, and encumbrance of the Debtors' assets to secure the Debtors' obligations under the agreement. To the extent the Debtors default on any of these terms, Rohi may notice the Debtors, who then have 10 days to cure the default. Failure to do so results in termination of Rohi's agreement not to exercise remedies against the Debtors. As noted above, termination of the Rohi Settlement could result in protracted Chapter 11 Cases or conversion of the cases to Chapter 7, which would make the Plan unsustainable and could significantly and detrimentally impact relationships with vendors, suppliers, employees and major customers.

**The State of Texas Could Object to the Releases and Injunctions in the Chapter 11 Plan**

The Rohi Settlement may be terminated if any party in interest objects to the releases and injunctions contained in Article XII of the Plan. After the Plan Proponents and Dr. Rohi entered into the Rohi Settlement, certain Texas state agencies having jurisdiction over Medicaid

overpayments (“State of Texas”) contacted counsel for the Debtors and advised that if the Rohi Settlement were included in the Debtors’ plan of reorganization, the State of Texas would object to such plan. The State of Texas requested an extension of the government bar date to allow the State of Texas to (i) complete a pending investigation of one of the non-debtors that may resolve pending issues between the Debtors, non-debtors, and the State of Texas and (ii) if necessary, file a proof of claim against one or more of the Debtors upon completing said investigation. As a result, the Debtors filed the *Debtors’ Motion to Approve Stipulation with State of Texas Regarding Government Bar Date*, which the Bankruptcy Court granted on February 16, 2017. On April 28, 2017, the State of Texas filed a proof of claim in each of the Debtors’ cases for an undetermined amount, which was later amended on May 2, 2017.

It is highly likely that the Debtors would withdraw the Plan if the State of Texas objects to any of the releases or injunctions in Article 12 of the Plan. Termination of the Rohi Settlement could result in protracted Chapter 11 Cases or conversion of the cases to Chapter 7, which would make the Plan unsustainable and could significantly and detrimentally impact relationships with vendors, suppliers, employees and major customers.

#### Risk of Non-Confirmation or Delay of the Plan.

For the Debtors to emerge successfully from the Chapter 11 Cases as a viable enterprise, the Debtors, like any other Chapter 11 debtor, must obtain approval of the Plan from its creditors and confirmation of the Plan through the Bankruptcy Court and then successfully implement the Plan. The foregoing process requires the Debtors to (i) meet certain statutory requirements with respect to the adequacy of this Disclosure Statement, (ii) solicit and obtain creditor acceptances of the Plan and (iii) fulfill other statutory conditions with respect to the confirmation of the Plan.

Although the Debtors believe that the Plan satisfies all of the requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for Confirmation, or that such modifications would not necessitate the re-solicitation of votes to accept the Plan as modified. Additionally, by its terms, the Plan will not become effective unless, among other things, the conditions precedent described in this Disclosure Statement have been satisfied or waived in accordance with [Article X of the Plan].

#### Risk of Non-Occurrence of the Effective Date.

There can be no assurance that the conditions to the Effective Date contained in the Plan will ever occur. The impact that a prolonging of the Chapter 11 Cases may have on the Company’s operations cannot be accurately predicted or quantified. The continuation of the Chapter 11 Cases, particularly if the Plan is not approved, confirmed or implemented within the time frame currently contemplated, could adversely affect operations, result in increased professional fees and similar expenses, further weaken the Company’s liquidity position and, ultimately, jeopardize the Debtors’ exit from chapter 11 and ability to continue as a going concern.

The Debtors Have No Duty to Update.

The statements contained in this Disclosure Statement are made by the Plan Proponents as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Although the Plan Proponents may subsequently update the information in this Disclosure Statement, they have no affirmative duty to do so unless otherwise ordered to do so by the Bankruptcy Court.

No Representations Made Outside this Disclosure Statement Are Authorized.

The information contained in this Disclosure Statement is for purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose. Except as otherwise provided herein or in the Plan, no representations relating to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court, the Bankruptcy Code or otherwise. Any representations or inducements made to secure your acceptance or rejection of the Plan, other than as contained in or included with this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors and, if applicable, the U.S. Trustee.

The Information Herein Was Provided by the Debtors and Relied upon by Their Advisors.

Counsel to and other advisors retained by the Plan Proponents have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Plan Proponents have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not independently verified the information contained herein.

While the Plan Proponents have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Plan Proponents nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. The financial information contained in this Disclosure Statement has not been audited unless explicitly stated otherwise. In preparing this Disclosure Statement, the Plan Proponents relied on financial data derived from the Debtors' books and records that was available at the time of such preparation. Although the Plan Proponents have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement, and while the Plan Proponents believe that such financial information fairly reflects the financial condition of the Debtors, the Plan Proponents are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

No Legal or Tax Advice Is Provided to You by this Disclosure Statement.

**This Disclosure Statement is not legal advice to you.** The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or an Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Interest. This Disclosure Statement may not

be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

No Admissions Are Made by this Disclosure Statement.

The information and statements contained in this Disclosure Statement will neither constitute an admission of any fact or liability by any Entity (including, without limitation, the Plan Proponents) nor be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, holders of Allowed Claims or Interests or any other parties in interest. Except as otherwise provided in the Plan, the vote by a holder of an Allowed Claim or Interest for or against the Plan does not constitute a waiver or release of any Claims or rights of the Debtors or the Reorganized Debtors (or any party in interest, as the case may be) to object to that holder's Allowed Claim or Interest, or recover any preferential, fraudulent or other voidable transfer or assets, regardless of whether any Claims or Causes of Action of the Debtors or their respective Estates are specifically or generally identified herein.

In addition, no reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtors may seek to investigate, file and prosecute objections to Claims and Interests and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such claims or objections to Claims or Interests.

## **IX. ALTERNATIVES**

Although the Disclosure Statement is intended to provide information to assist creditors in making a judgment on whether to vote for or against the Plan, and although creditors are not being offered through that vote an opportunity to express an opinion concerning alternatives to the Plan, a brief discussion of alternatives to the Plan may be useful.

If the Plan is not confirmed, the Rohi Settlement would be cancelled and the Debtors would likely be unable to continue their business in the face of the liability associated with the litigation. Moreover, if a judgment were to be entered in the Rohi Litigation on the Provider Information Claims, the Debtors could lose their Texas Medicaid license, depriving them of their primary source of revenue. Consequently, the alternatives to the Plan include conversion to a Chapter 7 or dismissal of the proceedings and a winding down of the businesses without bankruptcy protection. The Plan Proponents, of course, believe the proposed Plan to be in the best interests of creditors. The Plan Proponents assess the alternatives as follows:

### **A. Conversion to Chapter 7**

The first alternative would be to convert the Chapter 11 case to a Chapter 7 liquidating bankruptcy to liquidate the business.

In a Chapter 7 liquidation, the Bankruptcy Court will appoint a trustee to liquidate the Debtor's assets for the benefit of its creditors. The costs associated with a trustee would then be added to the additional tier of administrative expenses entitled to priority over general unsecured claims upon conversion. Such administrative expenses include the Trustee's commissions, as



well as fees for professionals retained by the Trustee to assist in the liquidation. The Trustee's commissions are based on disbursements to creditors. The Trustee receives 25% of the first \$5,000, 10% of the next \$45,000, 5% of the next \$950,000 and 3% on all amount disbursed in excess of \$1 million.

A discussion of the effects that a Chapter 7 liquidation would have on the recoveries of holders of Claims and Interests is set forth in the Liquidation Analysis annexed as **Exhibit C** to this Disclosure Statement (the "Liquidation Analysis"). The Liquidation Analysis compares the projected recoveries that would result from the liquidation of the Debtors in a hypothetical case under chapter 7 of the Bankruptcy Code with the estimated distributions to holders of Allowed Claims and Interests under the Plan. The Liquidation Analysis is based on the value of the Debtors' assets and liabilities as of a certain date and incorporates various estimates and assumptions, including a hypothetical conversion to a chapter 7 liquidation as of a certain date. Further, the Liquidation Analysis is subject to potentially material changes, including with respect to economic and business conditions and legal rulings. Therefore, the actual liquidation value of the Debtors could vary materially from the estimate provided in the Liquidation Analysis.

The Liquidation Analysis indicates, and the Plan Proponents believe, that the Plan provides a greater recovery for holders of Allowed Claims and Interests than would be achieved in a liquidation under chapter 7 of the Bankruptcy Code. In liquidation, there would be additional administrative expenses and Claims against the Debtors, including, significantly, a much larger Claim related to the Rohi Litigation. Creditors would likely receive a much smaller distribution, if any, and not receive any distribution until the assets were fully liquidated by the Chapter 7 Trustee, a process that would likely take several months and possibly years.

The Plan Proponents believe that liquidation under Chapter 7 of the Bankruptcy Code would result in smaller distributions being made to Holders of Claims and Interests than those provided for in the Plan.

#### **B. Dismissal**

Dismissal of the Chapter 11 Cases would likely result in the Debtors defending the Rohi Litigation and potentially other lawsuits. If the Rohi Litigation resulted in a judgment, the Debtors would likely lose their Texas Medicaid license, foreclosing their ability to carry on as a going concern. Additionally, First Bank, West Orem's secured creditor, could foreclose on its collateral assets. Under this scenario, there may be minimal assets available to pay other creditors and the unsecured creditors would likely receive little or no payment on their claims.

#### **C. No Assurance of Either**

There are other possibilities which are less likely, such as a competing plan proposed by a different party. The Debtors have attempted to set forth the reasonable alternatives to the proposed Plan. However, the Debtors must caution holders of Claims and Interests that a vote must be for or against the Plan. The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what course the proceedings will take if the Plan fails acceptance.

## **X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

### **A. Tax Consequences to Creditors**

#### *1. General*

The tax consequence to any particular creditor may vary depending on their own circumstances and each creditor should consult with their own tax professional for advice regarding the impact of the Plan on them prior to voting to accept or reject the Plan.

#### *2. Unsecured Claims*

Holders of unsecured Claims in Classes 4, 5 and 6 will receive distributions from the Debtors. These Holders should either be treated as (i) recognizing ordinary income in an amount equal to cash received and recognizing a loss in an amount equal to the tax basis in the Claim or (ii) recognizing a loss equal to the difference between the amount of cash received and their tax basis in their Claim.

A Holder's tax basis in a Claim should generally equal the amount included in income as a result of the provision of goods or services to the Debtors, except to the extent that a bad debt loss had previously been claimed. The gain or loss with respect to the Claim should be ordinary to the extent that it arose in the ordinary course of trade or business for services rendered or from the sale of inventory to the Debtors.

**DUE TO THE COMPLEX NATURE OF APPLICABLE TAX LAWS, HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR TAX PROFESSIONAL CONCERNING COMPLIANCE WITH AND THE AFFECT OF BOTH STATE AND FEDERAL TAX LAWS APPLICABLE TO THEM BEFORE THEY CAST A BALLOT TO ACCEPT OR REJECT THE PLAN.**

**THE ACCOUNTANTS, ATTORNEYS, AND THE MANAGEMENT OF THE PLAN PROPONENTS MAKE NO REPRESENTATIONS HEREIN CONCERNING THE IMPACT OF THE TAX LAW ON ANY INDIVIDUAL TREATED UNDER THE PLAN.**

## **XI. PREFERENCES AND FRAUDULENT TRANSFERS**

Under the Bankruptcy Code and Texas state law, a bankruptcy estate may sue to recover assets (or their value) that were transferred by "voidable transfers", which includes assets transferred:

- (A) in fraud of creditors,
- (B) in constructive fraud of creditors – because the asset was transferred without sufficient consideration while the debtor was insolvent,

- (C) as a preferential transfer - a payment before bankruptcy outside the ordinary course that allows a creditor to receive more than it would receive in liquidation, or
- (D) as an unauthorized post-bankruptcy transfer by the debtor outside of the ordinary course.

Because the Plan Proponents do not believe that any transfers are voidable under Sections 544, 547, 548, 550, or similar provision of the Bankruptcy Code, the Plan contemplates a release of all Avoidance Actions.

If the Plan is not confirmed and a liquidating trustee or Chapter 7 trustee is appointed, it is possible that the trustee's analysis will differ from that of the Plan Proponents and that avoidance actions will be commenced against creditors of the Estates, insiders, or others.

## **XII. CONFIRMATION PROCEDURES**

### **A. Confirmation Hearing and Objections**

The Debtors anticipate filing a motion that will, among other things, request that the Bankruptcy Court schedule a hearing at which the Bankruptcy Court will consider confirmation of the Plan (the "Confirmation Hearing"). Notice of the Confirmation Hearing will be provided to holders of Claims and Interests or their agents or representatives (the "Notice of Confirmation Hearing"). Objections to the confirmation of the Plan must be filed with the Bankruptcy Court by the date set forth in the Notice of Confirmation Hearing and will be governed by Bankruptcy Rules 3020(b) and 9014 and the local rules of the Bankruptcy Court. **UNLESS AN OBJECTION IS TIMELY FILED AND SERVED, IT MAY NOT BE CONSIDERED BY THE COURT.**

### **B. Standards for Confirmation**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all impaired classes of Claims and Interests or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible and (iii) in the "best interests" of creditors and equity interest holders that are impaired under the plan.

The following requirements must be satisfied pursuant to section 1129(a) of the Bankruptcy Code before a bankruptcy court may confirm a plan of reorganization. The Plan fully complies with the statutory requirements for Confirmation listed below.

- i. The Plan complies with the applicable provisions of the Bankruptcy Code.
- ii. The Plan Proponents have complied with the applicable provisions of the Bankruptcy Code.

- iii. The Plan has been proposed in good faith and not by any means forbidden by law.
- iv. Any payment made or to be made by the Debtors (or any other Plan Proponent) for services or for costs and expenses in or in connection with the Chapter 11 Cases, in connection with the Plan and incident to the Chapter 11 Cases is subject to the approval of the Bankruptcy Court as reasonable.
- v. The Plan Proponents have disclosed the identity and affiliations of any individual proposed to serve, after the Effective Date, as a director or officer of the Reorganized Debtors, and the appointment to, or continuance in, such office of such individual is consistent with the interests of Holders of Claims or Interests and with public policies.
- vi. The Plan Proponents have disclosed the identity of any Insider (as defined in section 101(31) of the Bankruptcy Code) that will be employed or retained by the Reorganized Debtors and the nature of any compensation for such Insider.
- vii. Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtors has approved any rate change provided for in the Plan or such rate change is expressly conditioned on such approval.
- viii. With respect to each Holder within an Impaired Class of Claims or Interests, each such Holder (a) has accepted the Plan or (b) will receive or retain under the Plan on account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.
- ix. With respect to each Class of Claims or Interests, such Class (a) has accepted the Plan or (b) is unimpaired under the Plan (subject to the “cram-down” provisions discussed below).
- x. The Plan provides for treatment of Claims, as applicable, in accordance with the provisions of section 507(a) of the Bankruptcy Code.
- xi. If a Class of Claims or Interests is Impaired under the Plan, at least one Class of Claims or Interests that is Impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any Insider.
- xii. Confirmation is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Reorganized Debtors, or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

- xiii. All fees payable under 28 U.S.C. § 1930 have been paid or the Plan provides for the payment of all such fees on the Effective Date.

**C. Best Interests Test/Liquidation Analysis**

As described above, section 1129(a)(7) of the Bankruptcy Code requires that each holder of an Impaired Claim or Interest either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. To assist holders in determining whether the Plan meets this requirement, the Debtors have prepared an unaudited Liquidation Analysis, which is attached hereto as Exhibit C. As discussed above and in more detail in the Liquidation Analysis, the distributions to all Impaired classes of Claims and Interests will exceed any likely recovery under chapter 7 of the Bankruptcy Code. Therefore, the Debtors believe that the Plan satisfies the best interests test of Bankruptcy Code section 1129(a)(7).

**D. Feasibility**

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan of reorganization is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Plan Proponents have analyzed the Debtors' ability to meet their obligations under the Plan. As part of this analysis, the Plan Proponents have prepared projections, which, together with the assumptions on which they are based, are attached hereto as **Exhibit D** (the "Financial Projections").

The Financial Projections assume that the Plan will be implemented in accordance with its stated terms. The Plan Proponents are unaware of any circumstances as of the date of this Disclosure Statement that would require the re-forecasting of the Financial Projections due to a material change in the Debtors' prospects. The Financial Projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes and/or a variety of other factors, including the factors listed in this Disclosure Statement and in the projections. Accordingly, the estimates and assumptions underlying the Financial Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, such Financial Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein. The Financial Projections should be read in conjunction with the assumptions, qualifications and explanations set forth in this Disclosure Statement and other financial information.

Based on such Financial Projections, the Plan Proponents believe that they will be able to make all payments required under the Plan. Therefore, the Plan Proponents believe that Confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

**E. Confirmation without Acceptance of All Impaired Classes**

Under Bankruptcy Code section 1129(b), the Bankruptcy Court may confirm a plan of reorganization over the rejection or deemed rejection of the plan of reorganization by a class of claims or interests if the plan of reorganization “does not discriminate unfairly” and is “fair and equitable” with respect to such class.

One or more of the Voting Classes may vote to reject the Plan. However, the Plan does not unfairly discriminate against any of the Voting Classes and is fair and equitable to the Claims in those Voting Classes.

*No Unfair Discrimination*

This test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.” The Plan Proponents do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Plan Proponents believe the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation.

*Fair and Equitable Test*

This test applies to Classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no Class of Claims or Interests receive more than 100% of the amount of the allowed Claims or Interests in such Class. As to the dissenting Class, the test sets different standards depending on the type of Claims or Interests of the Debtors in such Class. In order to demonstrate that a plan is fair and equitable, the plan proponent must demonstrate:

- i. Secured Creditors: Each holder of a secured claim: (1) retains its liens on the property, to the extent of the allowed amount of its secured claim, and receives deferred cash payments having a value, as of the effective date of the chapter 11 plan, of at least the allowed amount of such claim; (2) has the right to credit bid the amount of its claim if its property is sold and retains its liens on the proceeds of the sale; or (3) receives the “indubitable equivalent” of its allowed secured claim.
- ii. Unsecured Creditors: Either (1) each holder of an impaired unsecured claim receives or retains under the chapter 11 plan property of a value equal to the amount of its Allowed Claim or (2) the holders of claims and interests that are junior to the claims of the non-accepting class will not receive any property under the chapter 11 plan.
- iii. Equity Interests: Either (1) each holder of an impaired interest will receive or retain under the chapter 11 plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of the interest or (2) the holders of interests that are junior to the



non-accepting class will not receive or retain any property under the chapter 11 plan.

The Plan Proponents believe the Plan satisfies the “fair and equitable” requirement additional Voting Classes may vote to reject the Plan, because, as to such Classes, with the exception of Class 6, all Classes are being paid in full and the Holder of the Class 6 Claims has agreed to vote in favor of the Plan pursuant to the Rohi Settlement. The Plan Proponents believe that the Plan meets the “fair and equitable” test and does not discriminate unfairly with respect to secured class of creditors or interest holders.

### **XIII. CONCLUSION**

The information provided in this Disclosure Statement is intended to assist you in voting on the Plan. If the Plan is confirmed, you will be bound by its terms. Accordingly, you are urged to make such further inquiries as you may deem appropriate and then cast an informed vote on the Plan.

Respectfully submitted this 15th day of May, 2017.

ABC DENTISTRY, P.A.  
ABC DENTISTRY WEST OREM, P.L.L.C.  
ABC DENTISTRY OLD SPANISH TRAIL,  
P.L.L.C.  
ABC DENTISTRY HILLCROFT, P.L.L.C.  
ABC DENTISTRY PASADENA, P.A.  
IRAJ S. JABBARY, DDS

By: \_\_\_\_\_  
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ATTORNEYS FOR PLAN PROPONENTS

**EXHIBIT A TO THE DISCLOSURE STATEMENT**

**The Plan**

**EXHIBIT B TO THE DISCLOSURE STATEMENT**

**Rohi Settlement Agreement**

**EXHIBIT C TO THE DISCLOSURE STATEMENT**

**Liquidation Analysis**

ABC Dentistry - Old Spanish Trail  
Liquidation Analysis - March 31, 2017

Assets	Book Value	Estimated Recovery Rate		Estimated Liquidation Value	
		Low	High	Low	High
<b>Current Assets</b>					
Cash and Cash Equivalents					
Chase Bank Cking 5157	2,593	100%	100%	\$ 2,593	\$ 2,593
Chase Bank Cking 9267	18,027	100%	100%	18,027	18,027
Petty Cash	350	100%	100%	350	350
Settlement Reserve	30,798	100%	100%	30,798	30,798
Total Cash and Cash Equivalents	51,768			51,768	51,768
Accounts Receivables	83,976	70%	85%	58,783	71,380
Total Accounts Receivables	83,976			58,783	71,380
Other Current Assets					
Loan to Crosstimbers	35,600	75%	90%	26,700	32,040
Loan to Hillcroft	37,000	75%	90%	27,750	33,300
Total Other Current Assets	72,600			54,450	65,340
<b>Total Current Assets</b>	<b>208,344</b>			<b>165,002</b>	<b>188,488</b>
<b>Fixed Assets</b>					
Computer Hardware	23,992	10%	20%	2,399	4,798
Computer Software	18,767	10%	20%	1,877	3,753
Dental Equipment	250,435	30%	60%	75,130	150,261
Furniture & Fixtures	69,259	20%	40%	13,852	27,704
Leasehold Improvements	183,899	0%	10%	-	18,390
Signage	5,160	0%	10%	-	516
<b>Total Fixed Assets</b>	<b>551,513</b>			<b>93,258</b>	<b>205,423</b>
<b>Other Assets</b>					
Deposit Rent	6,899	90%	100%	6,209	6,899
Deposit Utility	1,975	90%	100%	1,778	1,975
<b>Total Other Assets</b>	<b>8,874</b>			<b>7,986</b>	<b>8,874</b>
<b>Total Assets</b>	<b>\$ 768,731</b>			<b>\$ 266,246</b>	<b>\$ 402,784</b>

ABC Dentistry - West Orem  
Liquidation Analysis - March 31, 2017

Assets	Book Value	Estimated Recovery Rate		Estimated Liquidation Value	
		Low	High	Low	High
<b>Current Assets</b>					
Cash and Cash Equivalents					
Chase Bank Cking 8224	12,958	100%	100%	\$ 12,958	\$ 12,958
Chase Bank Cking 1172	3,354	100%	100%	3,354	3,354
Petty Cash	100	100%	100%	100	100
Settlement Reserve	80,298	100%	100%	80,298	80,298
Total Cash and Cash Equivalents	96,710			96,710	96,710
Accounts Receivables	191,039	70%	80%	133,727	152,831
Total Accounts Receivables	191,039			133,727	152,831
Other Current Assets					
Loan to Crosstimbers	54,212	75%	90%	80	48,791
Loan to Pasadena	40,000	100%	100%	40,000	40,000
Loan to Hillcroft	72,929	75%	90%	54,697	65,636
Loan to OST	66,947	0%	0%	-	-
Total Other Current Assets	234,088			94,777	154,427
<b>Total Current Assets</b>	<b>521,838</b>			<b>325,214</b>	<b>403,969</b>
<b>Fixed Assets</b>					
Computer Hardware	45,983	10%	20%	4,598	9,197
Computer Software	23,070	10%	20%	2,307	4,614
Dental Equipment	284,948	30%	60%	85,484	170,969
Furniture & Fixtures	69,162	20%	40%	13,832	27,665
Leasehold Improvements	209,430	0%	10%	-	20,943
Phone System	5,865	30%	70%	1,759	4,105
Signage	5,103	0%	10%	-	510
<b>Total Fixed Assets</b>	<b>643,561</b>			<b>107,982</b>	<b>238,003</b>
<b>Other Assets</b>					
Security Deposit	14,321	90%	100%	12,889	14,321
<b>Total Other Assets</b>	<b>14,321</b>			<b>12,889</b>	<b>14,321</b>
<b>Total Assets</b>	<b>\$ 1,179,720</b>			<b>\$ 446,085</b>	<b>\$ 656,293</b>



**EXHIBIT D TO THE DISCLOSURE STATEMENT**

**Financial Projections**

**Consolidated - Litigation Defendants**

	Historical			Forecast				
	2014	2015	2016	2017	2018	2019	2020	2021
<b>EBITDA</b>	1,313,109	1,392,825	582,567	897,792	1,711,161	1,750,133	1,790,154	1,831,256
Depreciation	239,084	178,018	225,510	202,845	214,178	208,511	211,344	209,928
Amortization	31,421	14,102	3,623	3,623	3,623	3,623	3,623	3,623
Interest - Loan	30,859	42,280	33,908	18,784	6,438	583	-	-
Settlement Payment - Pre-tax								
Principal	-	-	50,798	471,946	577,756	586,471	595,318	604,298
Interest	-	-	-	40,834	41,419	32,704	23,857	14,877
<b>Pre-tax Income</b>	1,011,745	1,158,425	268,728	159,759	867,747	918,241	956,012	998,530
Provision for Taxes	354,111	405,449	94,055	55,916	303,712	321,384	334,604	349,485
Loan Principal Repayment	251,421	298,019	310,959	307,482	178,485	46,605	-	-
<b>Available Income</b>	676,718	647,077	92,847	2,830	603,352	762,386	836,375	862,595







