

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

*In re*

**TRIDENT HOLDING COMPANY, LLC, *et al.*,  
Debtors.<sup>1</sup>**

**Chapter 11**

**Case No. 19-10384 (\_\_\_)**

**(Joint Administration Pending)**

**DECLARATION OF DAVID F. SMITH, III PURSUANT TO LOCAL  
BANKRUPTCY RULE 1007-2 AND IN SUPPORT OF  
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

I, David F. Smith, III, being duly sworn, deposes, and says:

1. I am the Chief Financial Officer of FC Pioneer Holding Company, LLC (“**FC Pioneer**”) and its debtor subsidiaries in the above-captioned cases (the “**Debtors**,” the “**Company**,” or “**Trident**”).<sup>2</sup>

2. To minimize any disruption to the Debtors’ businesses, preserve their enterprise value, and ensure a smooth transition into chapter 11, the Debtors are requesting various types of relief in “first day” applications and motions (collectively, the “**First Day**

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of their respective tax identification numbers, are as follows: Trident Holding Company, LLC (6396); American Diagnostics Services, Inc. (2771); Community Mobile Diagnostics, LLC (9341); Community Mobile Ultrasound, LLC (3818); Diagnostic Labs Holdings, LLC (8024); FC Pioneer Holding Company, LLC (6683); JLMD Manager, LLC (8470); Kan-Di-Ki LLC (6100); Main Street Clinical Laboratory, Inc. (0907); MDX-MDL Holdings, LLC (2605); MetroStat Clinical Laboratory – Austin, Inc. (4366); MX Holdings, LLC (8869); MX USA, LLC (4885); New Trident Holdcorp, Inc. (4913); Rely Radiology Holdings, LLC (3284); Schryver Medical Sales and Marketing, LLC (9620); Symphony Diagnostic Services No. 1, LLC (8980); Trident Clinical Services Holdings, Inc. (6262); Trident Clinical Services Holdings, LLC (1255); TridentUSA Foot Care Services LLC (3787); TridentUSA Mobile Clinical Services, LLC (0334); TridentUSA Mobile Infusion Services, LLC (5173); U.S. Lab & Radiology, Inc. (4988). The address of the Debtors’ corporate headquarters is 930 Ridgebrook Road, 3rd Floor, Sparks, MD 21152.

<sup>2</sup> FC Pioneer’s affiliate, MDX-MDL Holdings, LLC is incorporated in the State of New York, establishing venue in the Southern District of New York over these Chapter 11 Cases.

**Pleadings**”) in connection with the Debtors’ chapter 11 cases (the “**Chapter 11 Cases**”).<sup>3</sup> I submit this declaration in support of the Debtors’ (a) voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) and (b) the First Day Pleadings. I am over the age of 18, competent to testify, and authorized to submit this declaration (the “**Declaration**”) on behalf of the Debtors.

3. I joined the Debtors on March 23, 2017 as Chief Financial Officer. Prior to joining the Debtors, I was the President and Chief Executive Officer of Cornerstone Healthcare Group, and was a Managing Director at Highland Capital Management.

4. As a result of my time with the Debtors, my review of relevant documents, and my discussions with other members of the Debtors’ management team, I am familiar with the Debtors’ day-to-day operations, business and financial affairs, and books and records. Except as otherwise noted, I have personal knowledge of the matters set forth herein and all facts set forth in the Declaration are based on my personal knowledge, my discussions with other members of the Debtors’ senior management, my review of relevant documents, or my opinion based on my experience and knowledge of the Debtors’ operations and financial conditions. In making the Declaration, I have relied in part on information and materials that the Debtors’ personnel and advisors have gathered, prepared, verified, and provided to me, in each case under my ultimate supervision, at my direction, and/or for my benefit in preparing the Declaration. If I were called to testify as a witness in this matter, I would testify competently to the facts set forth herein.

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<sup>3</sup> Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the relevant First Day Pleadings.

5. The Declaration is divided into two parts. Part I provides background information about, among other things, the Debtors' business operations, their workforce, their corporate and capital structures, and the events leading up to the filing of these Chapter 11 Cases. Part II sets forth the relevant facts in support of each of the First Day Pleadings.

## **PART I**

### **BACKGROUND**

#### **A. The Debtors' Businesses**

6. Trident is the leading national provider of bedside diagnostic and related services in the United States, with operations in more than 35 states serving more than 12,000 post-acute care, assisted living facilities, and correctional facilities. Trident provides a high volume of services – executing over 1 million transactions per month, ranging from visits by x-ray technicians, ultrasound sonographers, registered nurses, nurse practitioners, and phlebotomists to serve its customers' patients.

7. Trident offers a full suite of imaging (*e.g.*, x-ray, ultrasound, cardiac monitoring), lab, and clinical services to provide essential bedside diagnostics to patients in skilled nursing facilities, long-term care, assisted living, correctional facilities, hospice, rehabilitation centers, and other patient settings, including patients' homes. Trident generates revenue from three payor types: facility customers (50% of gross revenue), government payors including Medicare and Medicaid (35% of gross revenue), and non-government commercial payors (15% of gross revenue).

8. Originally, the "Tri" in Trident meant x-ray, lab, and ultrasound. To this day, those three lines of business remain Trident's largest sources of revenue, as set forth in more detail below:

- **X-ray**: X-ray is Trident's largest line of business by revenue. In this line of business, portable x-ray technologists perform essential bedside examinations for patients in skilled nursing facilities and other settings, which are processed by an affiliated radiology practice and generally made available to customers as quickly as four hours.
- **Lab**: In its lab line of business, which is second largest by revenue, Trident's phlebotomists collect blood samples bedside, which are generally processed in Trident's owned laboratories,<sup>4</sup> and which generally provide results to customers within six to eight hours of collection.
- **Ultrasound**: Similarly, in Trident's ultrasound line of business, Trident's sonographers perform bedside ultrasounds, with results processed in-house and made available generally within 24 hours.
- **Other**: Other business segments include Infusion Support (PICC),<sup>5</sup> where registered nurses administer central line insertion bedside, and Mobile Clinical, where nurse practitioners provide primary patient care not available from registered nurses.

9. Trident differentiates itself from its competition in multiple ways. First, Trident provides a full suite of complementary diagnostic and clinical services. This one-stop model generates higher customer retention that protects its recurring revenue stream, with a majority of all customer accounts utilizing at least two of Trident's services. Second, Trident is able to capitalize on economies of scale, with a leading position within the x-ray and lab businesses. Third, using Trident's services is a lower-cost option for its customers relative to

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<sup>4</sup> From time to time, Trident will also refer lab tests to reference labs or to stat labs for processing. For example, certain required tests are uneconomical or impractical for the Debtors to undertake within their owned laboratories, due to, among other things, economies of scale. Accordingly, the Debtors routinely deliver patient samples and information for tests that the Debtors do not process within their own laboratories to an established network of laboratories ("**Reference Labs**") across the country who receive, process, and provide diagnostic data to the Debtors.

In addition, given the Debtors' broad geographic operations, the Debtors do not have access to Reference Labs in all states in which they serve patients. Accordingly, the Debtors rely on certain other established relationships with alternative testing laboratories ("**Stat Labs**") to ensure patients' access to high-quality, rapid test results in areas not served by the Debtors' owned laboratories or the Reference Labs. The Debtors also rely on Stat Labs when the Reference Labs are closed and unable to test samples in the narrow window the Debtors' patients sometimes require for critical test results.

<sup>5</sup> PICC refers to Peripherally Inserted Central Catheter. These types of catheters are a form of intravenous access that can be used for extended periods of time or for administration of substances that should not be administered at a peripheral site.

alternative service models, such as out-patient facilities and emergency rooms. Finally, while the Company's ability to make capital expenditures has lagged, Trident prides itself on customer experience, with industry-leading connectivity with all leading electronic medical record providers and an online ordering and resulting platform.

**B. The Debtors' Workforce**

10. With operations across the country, Trident maintains a sizeable workforce. In particular, the Debtors employ approximately 5,600 total employees, approximately 4,500 of which are full-time employees, 660 are part-time employees, 420 are *pro re nata* employees and 20 are temporary employees.

11. Approximately 4,900 of the Debtors' employees are paid on an hourly basis, and approximately 700 are paid on a salaried basis. Generally speaking, the salaried employees include senior management, employees in supervisory and departmental management roles, and nurse practitioners. The hourly employees generally include, *inter alios*, the Debtors' laboratory staff, phlebotomists, radiology and ultrasound technicians, couriers, administrative staff, and IT staff.

12. Approximately 4,200 of the employees are directly involved in the provision of the Debtors' clinical services, such as performing medical tests and imaging scans, administering medication, collecting and processing lab specimens, and dispatching service providers. The remaining approximately 1,400 employees perform back-office, administrative, and business development tasks, such as accounting and billing functions, data processing, records management, sales, quality assurance, departmental and company management, customer service, and IT.

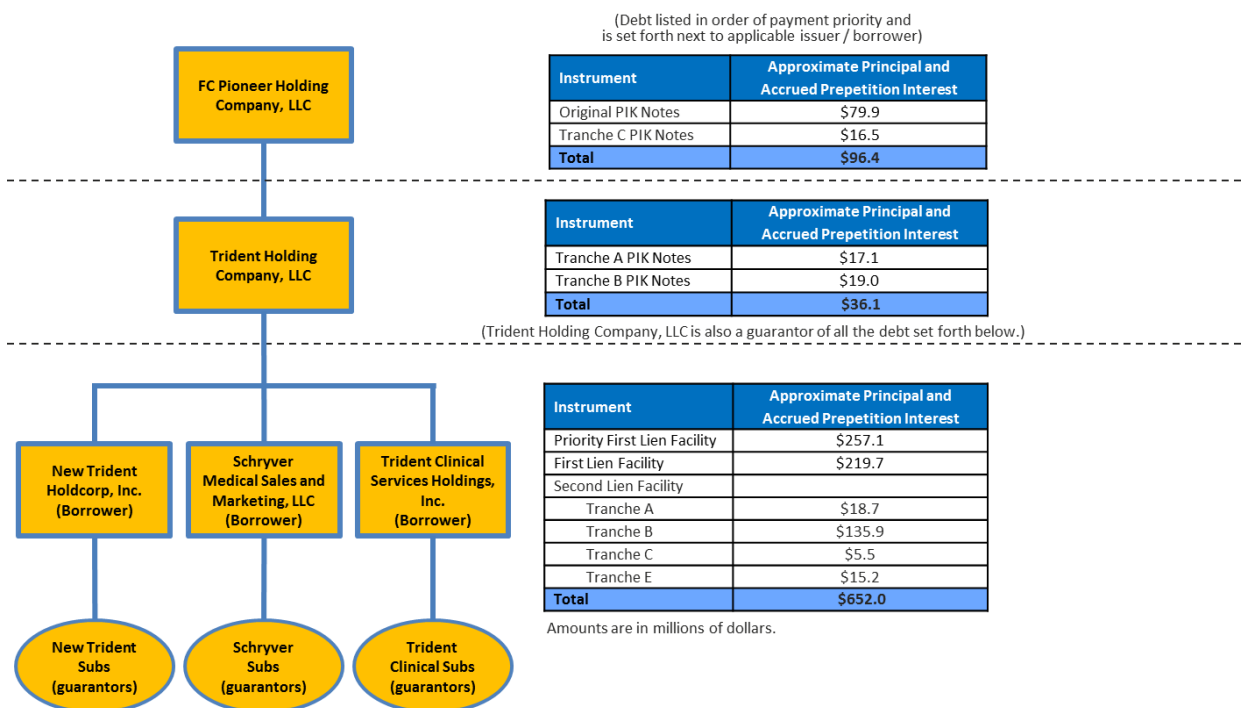
13. In addition to the employees, the Debtors utilize approximately 200 independent contractors to provide specialized medical services that are critical to the Debtors' operations, such as interpreting x-rays, inserting catheters, and reading EKGs.

**C. The Debtors' Corporate and Capital Structures**

14. FC Pioneer is the direct or indirect parent company of each of the Debtors, which are all incorporated in the United States. A corporate organization chart of the Debtors and certain non-Debtor affiliates is attached hereto as **Exhibit A**. As of the Petition Date, each of the Debtors other than FC Pioneer (the "**Secured Facilities Loan Parties**") are obligated as borrowers or guarantors on three secured credit facilities, referred to as the Priority First Lien Facility, the First Lien Facility, and the Second Lien Facility (each as defined below, and collectively, the "**Secured Facilities**"). Each of the Secured Facilities is secured by a lien on and security interest in substantially all of the Secured Facilities Loan Parties' assets.

15. Trident Holding Company, LLC has also issued two tranches of promissory notes, referred to as the Tranche A PIK Notes and the Tranche B PIK Notes. Additionally, FC Pioneer, the direct parent of Trident Holding Company, LLC has issued two series of promissory notes, the Tranche C PIK Notes and the Original PIK Notes.

16. The approximate amount of the Debtors' prepetition indebtedness outstanding as of February 8, 2019 in order of lien / structural priority is summarized as follows:



17. Priority First Lien Facility. On April 30, 2018, New Trident Holdcorp, Inc., Schryver Medical Sales and Marketing, LLC, and Trident Clinical Services Holdings, Inc. (collectively, the “**Secured Facilities Borrowers**”) entered into the Priority First Lien Credit Agreement (the “**Priority First Lien Facility**”) with SPCP Group, LLC, as lender (the “**Priority First Lien Lender**”) and Silver Point Finance, LLC, as administrative agent (the “**Priority First Lien Agent**”), pursuant to which term loans in an approximate aggregate amount of \$257.1 million remain outstanding as of the Petition Date.<sup>6</sup> The Priority First Lien Facility matures on April 30, 2022 (subject to certain springing maturity events) and immediately prior to the Petition Date accrued interest at a rate of LIBOR + 7.5%, with 4%

<sup>6</sup> This amount includes a \$27.1 million Prepayment Fee, triggered upon the filing of the Chapter 11 Cases.

payable in kind. The principal amount of all outstanding loans and all interest under the Priority First Lien Facility was automatically accelerated upon the filing of the Chapter 11 Cases, including a 12% Prepayment Fee.

18. The Secured Facilities Borrowers' obligations under the Priority First Lien Facility are guaranteed by each of the Debtors other than FC Pioneer (the "**Secured Facilities Guarantors**"). The Secured Facilities Borrowers' obligations and the guaranty obligations of the Secured Facilities Guarantors are secured by first priority liens on, and security interests in, substantially all present and future assets of the Secured Facilities Loan Parties.

19. First Lien Facility. The Secured Facilities Loan Parties are also party to the First Lien Credit Agreement,<sup>7</sup> dated as of July 31, 2013, with the lenders party thereto (the "**First Lien Lenders**") and Cortland Capital Market Services LLC as administrative agent (the "**First Lien Agent**" and together with the First Lien Agent, the "**First Lien Secured Parties**"), pursuant to which term loans in an approximate aggregate amount of \$219.7 million remain outstanding (the "**First Lien Facility**"). The First Lien Facility matures on July 31, 2022 (subject to certain springing maturity events) and bears interest at a rate of LIBOR + 6%, with 3% payable in kind.

20. The Secured Facilities Borrowers' obligations under the First Lien Facility are guaranteed by each of the Secured Facilities Guarantors. The Secured Facilities Borrowers' obligations and the guaranty obligations of the Secured Facilities Guarantors are secured by second priority liens on, and security interests in, substantially all present and future

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<sup>7</sup> Each of the First Lien Facility and the Second Lien Facility was subordinated in lien priority and right of payment to the Priority First Lien Facility on April 30, 2018 in connection with the Refinancing Transaction, described below. As a result of that subordination, the First Lien Facility was subordinated to a second lien position and the Second Lien Facility was subordinated to a third lien position.



assets of the Secured Facilities Loan Parties subordinate to the Priority First Lien Facility. The First Lien Facility is payment and lien subordinated to the Priority First Lien Facility pursuant to the terms of the Priority/First Lien/Second Lien Intercreditor Agreement, dated as of April 30, 2018, by and among the Secured Facilities Loan Parties, the Priority First Lien Agent, the First Lien Agent, and the Second Lien Agent (the “**Intercreditor Agreement**”). Under the Intercreditor Agreement, the First Lien Secured Parties agreed to a “standstill,” whereby they must wait at least 180 days after accelerating their loans prior to exercising remedies. *See* Intercreditor Agreement § 2.03(b)

21. **Second Lien Facility.** The Secured Facilities Loan Parties are also party to the Second Lien Credit Agreement, dated as of July 31, 2013, with the lenders party thereto and Ares Capital Corporation as administrative agent (the “**Second Lien Agent**”), pursuant to which term loans in an approximate aggregate amount of \$175.2 million remain outstanding (the “**Second Lien Facility**”). The Second Lien Facility matures on July 31, 2020 (subject to certain springing maturity events) and generally bears interest at a rate of LIBOR + 10%, with half payable in kind.<sup>8</sup>

22. The Secured Facilities Borrowers’ obligations under the Second Lien Facility are guaranteed by each of the Secured Facilities Guarantors. The Secured Facilities Borrowers’ obligations and the guaranty obligations of the Secured Facilities Guarantors are secured by third priority liens on, and security interests in, substantially all present and future assets of the Secured Facilities Loan Parties subordinate to the Priority First Lien Facility and the First Lien Facility. The Second Lien Facility is payment and lien subordinated to the

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<sup>8</sup> The Second Lien Facility is further divided into four tranches. On the most junior tranche (consisting of approximately \$15 million of term loans), no PIK interest has accrued and cash interest is payable at LIBOR + 9.5%.

Priority First Lien Facility and is lien subordinated to the First Lien Facility pursuant to the terms of the Intercreditor Agreement. Under the Intercreditor Agreement, the Second Lien Secured Parties agreed to a “standstill,” whereby they must wait at least 180 days after accelerating their loans prior to exercising remedies. *See* Intercreditor Agreement § 2.03(b)

23. Tranched PIK Notes. Pursuant to an Investment Agreement, dated as of November 29, 2017 (the “**Tranched PIK Note Facility**”), Trident Holding Company, LLC issued the Tranche A PIK Notes and the Tranche B PIK Notes with a maturity date of the later of July 29, 2020 and the maturity date under the First Lien Facility plus 91 days.<sup>9</sup> FC Pioneer issued the Tranche C PIK Notes (together with the Tranche A PIK Notes, and the Tranche B PIK Notes, the “**Tranched PIK Notes**”) with a maturity date of the later of December 9, 2022 and the maturity date under the First Lien Facility plus 91 days. As of the date hereof, the Tranche A PIK Notes and the Tranche C PIK Notes are interest-free, while the Tranche B PIK Notes bear interest at LIBOR + 9.5%, all of which is payable in kind.

24. All of the Tranched PIK Notes are unsecured, and the Tranche C PIK Notes are subordinate in right of payment to the Original PIK Notes, described below. In connection with their consent to the Recapitalization Transactions (as described below), holders of the Tranched PIK Notes have agreed not to exercise any remedies at law or in equity or any rights under the Investment Agreement without the consent of the Priority First Lien Agent.

25. Original PIK Notes. Pursuant to an Investment Agreement, dated as of December 6, 2016 (the “**Original PIK Note Facility**”), FC Pioneer issued the Original PIK

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<sup>9</sup> The original maturity date of each of the Tranche A PIK Notes, the Tranche B PIK Notes, and the Tranche C PIK Notes was modified pursuant to an amendment dated April 30, 2018.

Notes with a maturity date of December 9, 2022. As of the date hereof, the Original PIK Notes bear interest at a rate of 16.75%. The Original PIK Notes are unsecured but are senior in right of payment to the Tranche C PIK Notes.

26. Trade Claims. As of the Petition Date, the Debtors also estimate that more than \$40 million in general unsecured trade claims are outstanding.

**D. Events Leading to Debtors' Chapter 11 Filing**

27. A number of factors have contributed to a decline in Trident's earnings and liquidity, ultimately making this chapter 11 filing a necessary step for Trident to de-lever its balance sheet and implement a restructuring plan with the tools available to it under the Bankruptcy Code. These forces have included:

- **General Sector Distress.** Trident has suffered ripple effects from the distress faced by skilled nursing facilities ("SNF"), which are its primary direct customers. SNF occupancy rates have declined to a multi-year low as a result of structural and reimbursement changes not yet offset by demographic trends. These structural changes include, among other things, patient migration to home health care. The decline in SNF occupancy rates has led to reduced demand for Trident's services. At the same time, Trident has only had limited success reducing costs in response to lower volumes, as volume declines are driven by lower utilization per facility rather than a reduction in the number of facilities served.
- **Reimbursement Rate Pressures.** Like many healthcare sector participants, Trident has experienced declining revenues resulting from government-imposed reductions in reimbursement rates. Specifically, as a result of the Protecting Access to Medicare Act of 2014 ("PAMA"), the Debtors have faced an 8-10% decline in reimbursements for their lab business in 2018 and 2019, and additional declines are expected through 2020. While profit margins on the Company's lab business have historically been tight, PAMA has eliminated even those minimal profits and caused the Company to reduce its service footprint.
- **Intense Capital Requirements.** Given liquidity issues, Trident has been unable to invest in capital requirements as it would have desired. As a result of this shortage, Trident estimates that it needs to catch up on approximately \$30 million of deferred capital expenditures over the next three years. In particular, the Debtors seek to (i) replace their older computed radiography ("CR") x-ray technology with newer digital radiography ("DR") technology, (ii) replace x-ray machines that are greater than 10 years old, and (iii) replace x-ray vehicles that are greater than 5 years old. Whereas CR uses a cassette based system, which requires a longer time to view an

image, DR uses a digital x-ray to automatically acquire images and transfer them to a computer. To illustrate the need for these upgrades, Trident's reimbursement rates are 7% lower using its current CR rather than DR technology, with additional cuts to reimbursement rates scheduled to occur in the future. Moreover, DR provides for a more efficient workflow, allowing employees to service more customers in the same amount of time. Beyond these technology upgrades, Trident's limited investment ability has forced it to share existing equipment more widely. Due in part to these constraints, the Company was not able to fully capitalize on the relatively-severe 2017-2018 influenza season, which could have provided a needed boost to earnings.

- **Billing System Transition.** Beginning in 2014, Trident launched an effort to consolidate its various billing software applications into a new, unified system. The first billing center went live on the new system in January 2015. In June 2016, Trident commenced the transition of its largest billing center in Sparks Glencoe, Maryland. Implementation problems, particularly with payor eligibility testing, hampered the processing of certain third party claims. Because such claims generally become time-barred after six months to one year, many could not be manually reprocessed in time to be paid. These complications also negatively impacted Trident's ability to collect certain receivables.
- **Constrained Liquidity and Leverage.** In the midst of market and competitive challenges, Trident has significant debt service obligations. Over the course of 2018, Trident paid approximately \$26,185,667.75 in cash interest on the Secured Credit Facilities. On January 31, 2019, the Company missed an interest payment of \$9,187,477.07 on the Secured Credit Facilities, resulting in an Event of Default on February 8, 2019 after the cure period expired. Moreover, a number of recent customer bankruptcies – including those of Senior Care Centers, LLC, 4 West Holdings, Inc., and Promise Healthcare Group, LLC – have exacerbated the Company's liquidity shortfall by limiting the collectability of amounts owed from these entities. A number of other customers who have not yet filed bankruptcy cases are generally not paying the Debtors within contractual terms due to their own liquidity problems. As a result of these collection difficulties and challenges with the new billing system in the Sparks Glencoe billing center, the Debtors recorded \$27.8 million of extraordinary bad debt expense in 2018 and \$12.7 million in 2017.

#### **E. Out-of-Court Restructuring Efforts**

28. Over the past 18 months, the confluence of the foregoing factors has led the Company to file for chapter 11 to implement a comprehensive restructuring despite the Company's best efforts to address these issues out of court.

29. In August 2017, the Debtors retained Skadden, Arps, Slate, Meagher & Flom LLP ("**Skadden**") as their legal advisors and PJT Partners LP ("**PJT**") as their financial

advisors to advise management and FC Pioneer's Board of Managers (the "**Board**") regarding potential strategic alternatives to enhance the Debtors' liquidity and address their capital structure. FC Pioneer also retained Alexander D. Greene as an independent director with significant restructuring experience, and appointed him to the Board in October 2017 to help evaluate potential alternatives.<sup>10</sup>

30. November 2017 Equity Cure. Late in 2017, the Company recognized that it would potentially breach the financial covenant under the First Lien Facility and the Second Lien Facility, as its total net leverage ratio was projected to exceed 7.50:1.00. Thus, the Company explored a number of options to deal with the financial covenant default, including a waiver by its secured lenders. Ultimately, because the Company's credit agreements allowed for curing a financial covenant default by an equity contribution, the Company, working with its advisors, negotiated and implemented a transaction whereby certain equity holders and management would make an approximately \$16 million capital contribution to the relevant entities.<sup>11</sup> On November 29, 2017, the Company received the capital contribution and provided notice to the First Lien Agent and the Second Lien Agent that the financial covenant default had been cured. At the time, I personally participated in this investment alongside the Company's then-Chief Executive Officer, General Counsel, and two Senior Vice Presidents, with each of us contributing our own personal funds because of belief in the Company's prospects notwithstanding its challenges at the time.

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<sup>10</sup> After the Company concluded the Recapitalization Transactions (defined below), the Board terminated Mr. Greene's retention. He was subsequently re-appointed to the Board on November 15, 2018, when a further restructuring action appeared potentially necessary.

<sup>11</sup> As the result of a series of transaction steps, the new money investors ultimately received a non-voting principal participation interest under the Second Lien Facility, which was sold by certain second lien lenders in exchange for mezzanine debt issued by Trident Holding Company, LLC.

31. Recapitalization Transactions. As its \$70 million first lien revolving credit facility was scheduled to mature in July 2018, PJT was retained to run a process to address this maturity and the Company's liquidity needs, described in greater detail in the Buschmann Declaration.<sup>12</sup> As a result of that process, the Board authorized the Company to enter a consensual out-of-court recapitalization in April 2018 with certain of its existing lenders (the "**Recapitalization Transactions**"). As part of the Recapitalization Transactions, the Priority First Lien Lender extended a \$216 million term loan, which Trident used to repay its first lien revolving credit facility that was nearing maturity; to refinance the Priority First Lien Lender's holdings under the first lien term loan; to provide an approximately 19% (\$50 million) paydown to other then-existing first lien term lenders; and to provide an additional \$40 million in cash to Trident's balance sheet for general corporate purposes and transaction expenses.

32. The lenders under the First Lien Facility unanimously consented to the Recapitalization Transactions, accepting an approximately 19% paydown of their debt. As a result, they waived their financial covenant through maturity, extended their maturity date by three years, accepted payment-in-kind for 50% of the interest margin, and subordinated both their liens and claims to the Priority First Lien Facility. In connection with this consent, such lenders also unanimously directed the First Lien Agent to execute the Intercreditor Agreement. Required Lenders under the Second Lien Facility also agreed to accept payment-in-kind for half of their interest, and subordinated both their liens and claims to the new Priority First Lien Facility.

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<sup>12</sup> Declaration Of Mark Buschmann In Support Of DIP Financing Motion, filed substantially contemporaneously herewith (the "**Buschmann Declaration**").

33. Operational Improvements. As the Company and its advisors worked to implement capital structure solutions, Trident's management team also executed on a number of operational initiatives, such as optimized pricing, measures to improve revenue cycle management by increasing collection rates, rationalizing certain services, reducing labor costs, better managing vendor spend, and reducing insurance costs.

34. Shortly after closing the Recapitalization Transactions, Trident also appointed Andrei Soran to become Chief Operating Officer and transition into Chief Executive Officer to lead the Company's turnaround efforts. Mr. Soran had previously served as Chief Executive Officer of Verity Health Systems until July 2017.

35. Under Mr. Soran's direction, Trident has begun to implement a strategy pursuant to which it will focus its efforts on its core profitable business, while exiting certain unprofitable markets. As part of its service rationalization process, Trident is evaluating operating in fewer markets, based upon both profitability and strategic considerations. The Company expects to exit certain lines of business in several states in 2019 to ensure that it will provide high quality services. Despite its exit from these markets, Trident is expanding its business in other areas to capitalize on opportunities. In particular, it has continued to expand home health services to respond to the shifting of patients from SNFs into home care. Toward this end, Trident conducted successful home health care pilot programs in 2018 in two markets to optimize its Care at Home business model with radiology technicians dedicated to servicing home health patients. Trident hopes to expand this business model to an additional seven markets in 2019.

36. The Company has also focused on operational changes to enhance its profit. For example, Trident plans to optimize pricing and reorganize its sales force in order to

drive customer wins and mitigate losses. Greater capital expenditures, made possible through implementation of a balance sheet restructuring, would also improve the Company's ability to provide high levels of service to its customers and gain a technological advantage. Trident is also improving its revenue cycle management processes to eliminate incorrect or time-barred insurance claims that cannot be reimbursed and improve collections from facility clients.

#### **F. Recent Restructuring Negotiations**

37. In recent months, the Company's liquidity position has deteriorated. The Company projected that it would not be able to make an \$9.18 million interest payment due at the end of January 2019. Thus, the Company redoubled its efforts on shoring up liquidity and a capital structure solution.

38. As a result, on November 13, 2018, the Company initiated restructuring discussions to broker a potentially consensual restructuring with its secured lender constituents. On that date, the Board also formed a restructuring committee (the "**Restructuring Committee**"),<sup>13</sup> which would make recommendations to the full Board regarding potential restructuring alternatives. In November 2018, Trident also retained a health care restructuring team at Ankura Consulting Group, LLC ("**Ankura**") to serve as financial advisor, working alongside Skadden and PJT throughout the process.

39. With the authorization of the Restructuring Committee and the Board, beginning in the first week of December 2018, the Company requested that its major lenders<sup>14</sup>

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<sup>13</sup> FC Pioneer's Restructuring Committee consists of Mark Parrish, Alexander Greene, Craig Kahler, Nikhil Chaudhri, Brian Beckwith, and Andrei Soran.

<sup>14</sup> To date, the Company has held discussions with the sole lender under the Priority First Lien Facility, lenders holding over 72% of the loans under the First Lien Facility, lenders holding over 75% of the loans under the Second Lien Facility, as well as significant noteholders under the Original PIK Note Facility and the Tranche PIK Note Facility.



and their advisors enter confidentiality agreements to conduct due diligence and negotiate transaction terms. Soon after, the Company's management and professional advisors met, in person or telephonically, with major lenders or their advisors on more than fifteen occasions and populated a data room in response to extensive due diligence requests. The Company provided all lenders who agreed to enter into confidentiality agreements with equal access to management and diligence information, including its financial projections.

40. After preliminary discussions with lenders during the course of December 2018, the Company sought to kick start negotiations by delivering a "strawman" restructuring proposal to major lenders and Revelstoke Capital Partners ("**Revelstoke**"), an equity sponsor and debt holder who expressed an openness to injecting additional capital.<sup>15</sup> Over the course of the following two weeks, the Company received feedback on its "strawman" and counterproposals from each of the Priority First Lien Lender, Revelstoke, and an ad hoc group of creditors under the First Lien Facility (the "**Ad Hoc Group**"). While discussing transaction terms, the Company continued its diligence efforts by inviting its lenders to additional management meetings. The parties continued to exchange restructuring proposals during the month of January. Ultimately, the "strawman" proposal did not gain traction, while the Company's business continued to deteriorate.

41. Simultaneously with the lender diligence process, Ankura, PJT, and members of the Company's management team, including myself, evaluated the Debtors' cash needs and compiled a budget for a restructuring. When it became clear that no additional out-of-court funding would be provided, we concentrated on building a DIP budget, which we used

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<sup>15</sup> Revelstoke's representative resigned from FC Pioneer's Board of Managers prior to the initiation of these Chapter 11 Cases.

to determine the required size of the DIP Facility. Based on our calculations, approximately \$50 million of funding would provide sufficient liquidity for funding the Chapter 11 Cases.

42. Throughout January and early February 2019, the Company continued to participate in back-and-forth negotiations between the Ad Hoc Group and the Priority First Lien Lender while soliciting proposals for debtor-in-possession financing based upon its budget calculations. The Company received an offer for a “priming” DIP financing facility from the Priority First Lien Lender (such credit agreement, the “**DIP Credit Agreement**” and such facility, the “**DIP Facility**”), but did not receive any financing proposals from the Ad Hoc Group. In connection with the Priority First Lien Lender’s proposal, the Company was asked to enter into a restructuring support agreement (the “**RSA**”), pursuant to which the Company would deliver its business plan within the first several weeks of these Chapter 11 Cases, and file and seek confirmation of a plan of reorganization. The terms of such plan would be dictated by the value of the Company based upon its business plan. Ultimately, after exchanging numerous draft agreements with the Priority First Lien Lender, the Company agreed to enter into the DIP Facility and the RSA.

43. Without the DIP Facility, the Debtors’ business would be unable to meet their operational expenses and would face the threat of a liquidation, which would destroy value. However, with the DIP Facility, I believe that the Debtors will be able to meet their go forward expenses and maximize their going concern value. The RSA provides a path for the Debtors to complete their business plan and pursue confirmation of a chapter 11 plan, while continuing their efforts to reach agreement with additional creditor groups. As a result, I believe entry into the DIP Facility and the RSA is in the best interest of the Debtors’ estates and a proper exercise of business judgment.

## PART II

### FIRST DAY PLEADINGS

44. In furtherance of these objectives, the Debtors expect to file, and respectfully requests that this Court approve, the First Day Pleadings. I have reviewed each of the First Day Pleadings and proposed orders (including the exhibits thereto) and the facts set forth therein are true and correct to the best of my knowledge, information, and belief. Moreover, I believe that the relief sought in each of the First Day Pleadings (a) is vital to enable the Debtors to make the transition to, and operate in, chapter 11 with minimum interruption or disruption to its business or loss of productivity or value and (b) constitutes a critical element in maximizing value during the Chapter 11 Cases. The Debtors' attorneys have explained to me the customary practices with regard to the requested relief in chapter 11 business reorganization cases and the rationale for these pleadings.

#### A. Administrative and Procedural First Day Pleadings

45. Joint Administration Motion. The Debtors are requesting that the Chapter 11 Cases be jointly administered for procedural purposes only. As set forth above, the Debtors are affiliated with each other. Joint administration of these cases will avoid the unnecessary time and expense of duplicative motions, applications, orders, and other papers and related notices that otherwise would need to be filed in all of the cases absent joint administration. Accordingly, joint administration will save considerable time and expense.

46. Consolidated Creditors Motion. The Debtors request authority to file a single consolidated list of their top 30 creditors (the "**Consolidated Top 30 List**"). I have been informed that Federal Rule of Bankruptcy Procedure 1007(d) requires a debtor to file a list containing information on its twenty largest unsecured creditors, excluding insiders (a "**Top 20 List**"). I have been advised that the Top 20 List is intended to facilitate the appointment of a

creditors' committee by the U.S. Trustee. If a creditors' committee is appointed, the Consolidated Top 30 List will be sufficient to aid in the U.S. Trustee's appointment of a creditors' committee. In this context, requiring each Debtor to file a Top 20 List would impose an unnecessary administrative burden on the Debtors, without conferring any benefit upon the Debtors' estates or the U.S. Trustee.

47. In addition, the Debtors seek entry of an order (a) authorizing the Debtors to file a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor, (b) authorizing the Debtors to redact certain personal identification information for individual creditors, and (c) granting related relief.

48. Under the circumstances, reformatting the Creditor List, preparing and filing separate formatted creditor matrices, and otherwise complying with the List-Filing Requirements will unnecessarily burden the Debtors, without any corresponding benefit to the estates. Moreover, I believe that cause exists to authorize the Debtors to redact address information of individual creditors – many of whom are the Debtors' employees – from the Creditor List, because such information could be used to perpetrate identity theft.

49. Case Management Motion. The Debtors have proposed certain notice, case management, and administrative procedures (the “**Case Management Procedures**”). Given the size and scope of these cases, I believe the Case Management Procedures will facilitate service of notices, motions, applications, declarations, objections, responses, memoranda, briefs, supporting documents, and other documents filed in these Chapter 11 Cases that will be less burdensome and costly than serving such pleadings on every potentially interested party. This, in turn, will maximize the efficiency and orderly administration of these Chapter 11 Cases, while at the same time ensuring that appropriate notice is provided.

50. Extensions and Waivers Motion. The Debtors are requesting (a) a 30-day extension of time to file their schedules of assets and liabilities and statements of financial affairs (collectively, the “**Schedules and Statements**”) and (b) permission to file their monthly operating reports required by the Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees, issued by the Executive Office of United States Trustees (rev. 12/14/17) (the “**U.S. Trustee Guidelines**”) by consolidating the information required for each Debtor in one report that tracks and breaks out all the specific information (*e.g.*, receipts, disbursements, etc.) on a debtor-by-debtor basis in each monthly operating report (“**MOR**”).

51. I believe that, given the substantial burdens already imposed on the Debtors’ management by the commencement of these Chapter 11 Cases, the limited number of employees available to collect the information, the competing demands upon such employees, and the time and attention the Debtors must devote to the restructuring process, cause exists to extend the deadline to file a list the Debtors’ Schedules and Statements. The requested extension will enhance the accuracy of the Statements and Schedules when filed and help avoid the potential necessity of substantial subsequent amendments. I do not believe that any party-in-interest will be prejudiced by the requested extension of time.

52. Furthermore, I believe that consolidating the information required by the U.S. Trustee Guidelines for each Debtor in one report that tracks and breaks out all specific information on a debtor-by-debtor basis will promote efficiency in these Chapter 11 Cases without prejudicing any party-in-interest, as the MORs would accurately reflect the Debtors’ business operations and financial affairs.

53. Patient Confidentiality Motion. Pursuant to the Patient Confidentiality Motion, the Debtors request entry of an authorizing certain procedures to maintain and protect

the confidentiality of patient information as required by the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”), while providing required disclosure in these Chapter 11 Cases (the “**Privacy Procedures**”).

54. HIPAA and its corresponding regulations impose stringent standards on healthcare providers and establish significant penalties for any health care provider that uses or discloses patient information. *See* 42 U.S.C. § 1302d, et. seq. and 45 C.F.R. § 164.502. Because the Debtors qualify as health care providers that transmit health information, they are considered “covered entities” under 45 C.F.R. § 160.103. This designation prevents the Debtors from disclosing, except in limited circumstances, “individually identifiable health information.” 45 C.F.R. § 164.502. HIPAA defines “individually identifiable health information” as any information relating to the individual’s “past, present or future physical or mental health or condition, the provision of health care to the individual, or the past, present or future payment for the provision of health care to the individual” that also “identifies the individual or for which there is a reasonable basis to believe that the information can be used to identify the individual.” 42 U.S.C. § 1302d(6). Individually identifiable health information is referred to as “patient health information” (“**PHI**”) under HIPAA. The Debtors could be subjected to significant monetary penalties for the unauthorized disclosure of PHI. 45 C.F.R. § 160.402. Such penalties can be imposed even if a person “did not know and, by exercising reasonable diligence, would not have known” that a violation occurred. 45 C.F.R. § 160.404(b)(2)(i).

55. The Debtors believe that the requirements to maintain patient confidentiality under HIPAA conflict with the requirements to disclose information under the Bankruptcy Code, specifically the duty to file a list of all creditors under Bankruptcy Code

section 521(a)(1)(A) and the duty to file schedules of all assets and liabilities under Bankruptcy Code section 521(a)(1)(B)(i). The Debtors therefore respectfully request that such patient information be protected through the proposed Privacy Procedures herein pursuant to Bankruptcy Code section 107(c), which allows a bankruptcy court, for cause, to protect an individual if disclosure would create an undue risk of unlawful injury. *See also* Bankruptcy Rule 9018 (allowing a bankruptcy court to protect governmental matters that are made confidential by statute or regulation).

56. The Debtors believe that the relief requested herein appropriately balances the need to maintain confidential patient information under HIPAA with the need for adequate disclosure under the Bankruptcy Code. Given the nature of any information that may reveal even the identity of patients, confidentiality in this context is of paramount importance.

57. Application to Retain Epiq as Claims and Noticing Agent. The Debtors seek authority to retain Epiq Corporate Restructuring, LLC (“**Epiq**”) as claims and noticing agent in the Chapter 11 Cases. I understand that requesting such appointment is required by the rules of this Court given that the Debtors have more than 250 creditors and/or parties-in-interest listed on their creditor matrix. I believe that Epiq’s retention is the most effective and efficient manner of noticing these creditors and parties-in-interest of the filing of the Chapter 11 Cases and other developments in the Chapter 11 Cases. In addition, Epiq will transmit, receive, docket, and maintain proofs of claim filed in connection with the Chapter 11 Cases. Accordingly, I believe that retention of Epiq, an independent third party with significant experience in this role to act as an agent of this Court is in the best interests of the Debtors and their estates and their creditors.

**B. Operational First Day Pleadings**

58. Motion to Reject Certain Leases. The Debtors seek authority to reject certain leases. As part of the Debtors' efforts to maximize value for their creditors and other stakeholders, the Debtors have focused on terminating burdensome and costly contractual arrangements that do not advance the Debtors' long-term business plans and are not beneficial to the Debtors' operations. The leases fall into two primary categories:

59. *Vacant leases for immediate rejection nunc pro tunc to the Petition Date.* The Debtors have identified certain real property vacant leases which it believes are unnecessary to their business because, amongst other reasons, they are currently vacant. The Debtors believe that no material benefits remain to be conferred upon the Debtors under these leases, the Debtors do not need the locations for their operations, and there is no business reason to keep the leases. The Debtors seek to reject these leases *nunc pro tunc* to the Petition Date.

60. *Exit Leases.* As part of their restructuring strategy, the Debtors have begun to implement a "shrink to grow" strategy, under which the Debtors will focus their efforts on their core profitable business, while exiting certain unprofitable markets. As part of this process, the Debtors are evaluating operating in fewer markets, based upon both profit and strategic considerations. In connection with this strategy, the Debtors have identified certain burdensome leases that do not fit into the Debtors' long-term business plans, generally in markets which they do not plan to continue operations. Moreover, in connection with the Debtors comprehensive review and analysis of their lease portfolio, the Debtors have identified other leases, not part of the "shrink to grow" strategy, that will not be needed for ongoing operations. Rejection of these leases will stop the accrual of costs for the estate and benefit the Debtors' restructuring.



61. I believe that rejecting the leases is a sound exercise of the Debtors' business judgment and is in the best interests of the Debtors' estates, their creditors, and all other parties in interest.

62. Contract Rejection and Assumption Procedures Motion. The Debtors seek authority to establish expedited procedures for rejecting and assuming executory contracts and unexpired leases effective *nunc pro tunc* to the Petition Date. Bankruptcy Code section 365(a) allows Debtors to assume or reject executory contracts or unexpired leases, subject to the bankruptcy court's approval. In these Chapter 11 Cases, the Debtors are party to thousands of executory contracts and unexpired leases. As a part of their restructuring efforts, the Debtors are evaluating whether these executory contracts and unexpired leases should be rejected as unfavorable or assumed (or assumed and assigned) as beneficial to their estates.

63. Establishing uniform, expedited procedures would streamline the process of rejection, assumption and assignment of the Debtors' executory contracts and unexpired leases and would protect counterparties by providing notice, an opportunity to object, and a hearing for resolution of any unresolved objections. Absent the relief requested in the Contract Rejection and Assumption Procedures Motion, the Debtors would be required to file separate motions to reject or assume individual executory contracts and unexpired leases, resulting in substantial costs to, and administrative burdens on, the Debtors' estates – not to mention the attendant burden on the Court's docket.

64. I believe that the proposed expedited procedures are appropriate and consistent with the sound exercise of the Debtors' business judgment and are appropriate and necessary to minimize costs and burdens on the Debtors and the Court's docket. Accordingly,

on behalf of the Debtors, I respectfully submit that the Contract Rejection and Assumption Procedures Motion should be approved.

65. Wages and Benefits Motion. To minimize the personal hardship that the Debtors' employees will suffer if prepetition obligations are not honored, as well as the harm which would result to the Debtors if employee morale is not maintained, I believe it is critically important that the Debtors (a) pay and/or perform, as applicable, prepetition obligations to current employees (collectively, the "**Employees**"), including accrued prepetition wages, salaries, other cash, and non-cash compensation claims, except as otherwise set forth in the Wages and Motion filed concurrently herewith (collectively, the "**Employee Claims**"), and pay obligations to or on account of independent contractors (collectively, the "**Independent Contractor Claims**"); (b) honor and continue in the ordinary course of business, until further notice, and pay (but not assume) any prepetition amounts associated with the Debtors' employee benefit programs, savings and retirement plans, and worker's compensation plans, the most significant of which are described below, and to pay all fees and costs in connection therewith, except as otherwise set forth herein (collectively, the "**Employee Benefit Obligations**"); (c) continue to pay for expenses incurred by Employees in connection with their work for the Debtors in the ordinary course of business (the "**Employee Expense Obligations**"); and (d) pay over to the appropriate parties all prepetition withholdings from Employees and payroll-related taxes associated with the Employee Claims and the Employee Benefit Obligations (the "**Employee Withholdings**" and, together with the Employee Claims, the Independent Contractor Claims, the Employee Benefit Obligations, and the Employee Expense Obligations, the "**Prepetition Employee Obligations**").

66. With operations across the country, the Debtors maintain a sizeable workforce. In particular, the Debtors employ approximately 5,600 total Employees, approximately 4,500 of which are full-time Employees (the “**Full-Time Employees**”), 660 are part-time Employees (the “**Part-Time Employees**”), 420 are *pro re nata* Employees (the “**PRN Employees**”)<sup>16</sup> and 20 are temporary Employees (the “**Temporary Employees**”).<sup>17</sup>

67. Approximately 4,900 of the Employees are paid on an hourly basis (the “**Hourly Employees**”), and approximately 700 are paid on a salaried basis (the “**Salaried Employees**”). Generally speaking, the Salaried Employees include senior management, Employees in supervisory and departmental management roles, and nurse practitioners. The Hourly Employees generally include, *inter alios*, the Debtors’ laboratory staff, phlebotomists, radiology and ultrasound technicians, couriers, administrative staff, and IT staff.

68. Approximately 4,200 of the Employees are directly involved in the provision of the Debtors’ clinical services, such as performing medical tests and imaging scans, administering medication, collecting and processing lab specimens, and dispatching service providers. The remaining approximately 1,400 Employees perform back-office, administrative, and business development tasks, such as accounting and billing functions, data processing, records management, sales, quality assurance, departmental and company management, customer service, and IT.

69. In addition to the Employees, the Debtors utilize approximately 200 independent contractors (the “**Independent Contractors**”) to provide specialized medical services that are critical to the Debtors’ operations, such as interpreting x-rays, inserting

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<sup>16</sup> The PRN Employees do not have a regular schedule and instead work on an as-needed basis. The PRN Employees remain continuously employed with the Debtors even when they are not working.

<sup>17</sup> The Temporary Employees are hired for limited periods of time in order to fulfill temporary staffing needs.

catheters, and reading EKGs. In particular, the Independent Contractors include approximately 100 radiologists (the “**Independent Radiologists**”), approximately 100 PICC nurses (the “**Independent PICC Nurses**”),<sup>18</sup> and a small group of cardiologists (the “**Independent Cardiologists**”). The Independent Radiologists and the Independent Cardiologists are paid by volume of services performed, and the Independent PICC Nurses are paid on an hourly basis. In some cases, the Debtors procure the services of the Independent Contractors through companies that receive payment from the Debtors and remit payments to the Independent Contractors on the Debtors’ behalf.

70. I believe the services provided by the Independent Radiologists are particularly crucial to the Debtors’ business because x-ray services account for the largest portion of the Debtors’ revenues. Without the Independent Radiologists, these revenues would not be available, since the Debtors would not only lose the ability to bill for x-ray readings, but also for ancillary activities related thereto, such as image collection, equipment setup, and local delivery of services. As such, losing the services of the Independent Radiologists could threaten the viability of the Debtors’ business.

71. I am advised that the Debtors are able to achieve significant operational efficiencies by utilizing PICC nurses as independent contractors rather than as employees. Due to fluctuations in patient volume with respect to the services provided by PICC nurses, it is not cost-effective for the Debtors to commit salary or guarantee hours to individual PICC nurses on a wide scale. Utilizing the Independent PICC nurses—who do not have a fixed salary or schedule—allows the Debtors to match the availability of PICC nurses with demand for their

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<sup>18</sup> The Independent PICC Nurses are nurses with special certification and accreditation to insert peripherally inserted central catheters (PICC lines) into patients’ blood vessels for the delivery of medication into the body for long-term care.

services. Given the specialized nature of the services provided by the Independent PICC Nurses and the value they provide to the Debtors' business, the Debtors believe it is important to maintain existing arrangements with the Independent PICC nurses.

72. *Wages and Salaries.* Employees are paid according to one of two different payroll schedules, depending on the region in which they are employed. Employees in the Eastern United States are paid on Fridays in odd-numbered weeks, while Employees in the Western United States are paid on Fridays in even numbered weeks. As such, the Debtors incur payroll obligations every week. Furthermore, while all Debtors in the Western United States pay their Employees one week in arrears, some Debtors in the Eastern United States pay their Employees one week in arrears and others pay their Employees two weeks in arrears. In sum, the average monthly payroll for the Debtors' Employees is approximately \$22.1 million, including payroll taxes but excluding all bonuses and incentive-based pay.<sup>19</sup>

73. The Debtors made their most recent payroll with respect to Employees in the Western United States on February 8, 2019, for the period beginning on January 20 and ending on February 2, 2019. Thus, these Employees have one week's worth of accrued and unpaid wages and salaries as of the Petition Date. The next pay date for Employees in the Eastern United States is February 15. As of the Petition Date, some of these Employees have two weeks' worth of accrued and unpaid wages and salaries, while others have three weeks' worth. As such, all Employee Wage Claims will come due in the ordinary course over the three Fridays succeeding the Petition Date. The Debtors estimate that, as of the Petition Date,

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<sup>19</sup> Each month, approximately \$5.4 million is paid to salaried Employees and approximately \$16.7 million is paid to hourly Employees.

approximately \$11 million is owed on account of accrued and unpaid wages, salaries, and related payroll taxes and withholdings (the “**Employee Wage Claims**”).

74. In addition, the Debtors pay approximately \$1.44 million per month on average to the Independent Radiologists, \$240,000 per month to the Independent PICC Nurses, and \$25,000 per month to the Independent Cardiologist. Payment to the Independent Contractors is remitted either through the Debtors’ payroll processing systems or by checks issued directly by the Debtors’ accounts payable department. The Debtors pay the Independent Radiologists on or about the tenth day of each month; the Independent PICC Nurses are paid bi-weekly, one week in arrears; and the Independent Cardiologist is paid monthly. As of the Petition Date, the Debtors estimate that they owe approximately \$1 million to the Independent Contractors in the aggregate for services performed for the Debtors (the “**Independent Contractor Claims**”).

75. The Debtors fund payroll obligations using bank accounts with M&T Bank and Cathay Bank (the “**Payroll Banks**”), and all of the Debtors’ payroll functions are administered externally by a third-party payroll processor, Ultimate Software (“**UltiPro**” and, together with the Payroll Banks, the “**Payroll Vendors**”). For each payroll, the Debtors fund their accounts with the Payroll Banks, which disburse direct deposit and live check payments out of those accounts. UltiPro provides payroll processing, accounting, tax computation, check preparation, payroll transfer administration, and other administrative services. The Payroll Vendors’ services are crucial to the smooth functioning of the Debtors’ payroll system because they ensure that (a) the Employees are paid on time, (b) source deductions and withholdings are appropriately determined, (c) payroll reporting is accurate, and (d) appropriate amounts are

remitted to taxing authorities and other payees.<sup>20</sup> The Debtors pay total monthly fees of approximately \$5,000 to the Payroll Banks on average. Additionally, the Debtors pay an average of approximately \$125,000 in monthly fees to UltiPro (approximately \$44,000 of which are directly related to payroll services)<sup>21</sup> (together with fees due to the Payroll Processors, the “**Payroll Processing Expenses**”). As of the Petition Date, the Debtors estimate they owe \$170,000 in Payroll Processing Expenses.

76. *Variable Compensation Plan.* In the ordinary course of business, the Debtors maintain an incentive plan (the “**Variable Compensation Program**”) to reward certain sales Employees for achieving objectives relating to revenue, business retention, and client development. The Variable Compensation Program includes both quarterly and annual objectives, and payouts relating to a particular period are typically made within a few months of the end of such period.

77. Approximately 140 Sales Employees are eligible to participate in the Variable Compensation Program.<sup>22</sup> None of the participants in the Variable Compensation Program are involved in the management of the Debtors’ businesses. Amounts payable to the eligible Employees under the Variable Compensation Program depend upon the qualifying

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<sup>20</sup> Periodically, the states in which the Debtors have Employees are permitted to adjust their unemployment tax rates and, in doing so, additional, unforeseen payroll taxes may be owed by the Debtors. To the extent this occurs, the Debtors seek permission to pay any additional payroll taxes owed as a result of adjustments to state unemployment tax rates.

<sup>21</sup> Amounts paid to UltiPro include fees for other Employee-related software modules. These modules are used by the Debtors for, *inter alia*, tracking Employee census data, time entry, benefits tracking, performance evaluation, employment applications, and new hire onboarding. These modules are included as part of the UltiPro service package to which the Debtors subscribe.

<sup>22</sup> In exceptional circumstances, non-sales Employees may be awarded nominal payments under the Variable Compensation Program if they are instrumental in helping to secure a particular business opportunity. In 2018, three non-sales Employees received payments under the Variable Compensation Program, and payments awarded to these Employees totaled approximately \$2,500.

Employees' position level and performance during the applicable period, with various incentive components designed to reward the eligible Employees for business development and client preservation.

78. The Debtors have not yet determined the amounts payable under the Variable Compensation Program for the fourth quarter of 2018. However, the Debtors estimate that incentive payments due for the fourth quarter of 2018 will total approximately \$500,000.<sup>23</sup> Payments under the Variable Compensation Program for the fourth quarter of 2018 would, in the ordinary course of business, be paid in March 2019. Additionally, a portion of payments that will eventually be due for the first quarter of 2019 relates to the prepetition period. The Debtors have budgeted approximately \$430,000 in payments under the Variable Compensation Program for the first quarter of 2019 and estimate that approximately \$187,000 of this amount would relate to the prepetition period.

79. *Operations Bonus Plan.* The Debtors also maintain a quarterly incentive plan (the “**Operations Bonus Program**”) for certain Employees involved in coordinating aspects of the Debtors' business operations under their purview. Approximately 30 Employees are eligible for the Operations Bonus Program, none of whom are members of the Debtors' senior management. The Operations Bonus Program awards amounts to the eligible Employees based on the achievement of financial targets relating to several aspects of the Debtors' operations that are relevant to each eligible Employee's respective business unit, including service volume, laboratory expenses, labor costs, workplace injuries, and automobile accidents.

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<sup>23</sup> The Debtors do not anticipate that any amounts will be due under the Variable Compensation Program on account of annual targets, as opposed to quarterly targets.



80. The Debtors paid an average of approximately \$42,000 in bonuses under the Operations Bonus Program for each of the first three quarters of 2018. Although the maximum amount of bonuses that could be paid out under the Operations Bonus Program for the fourth quarter of 2018 is approximately \$90,000, the Debtors estimate that they will owe an amount approximately equal to the quarterly average. Payments under the Operations Bonus Program for the fourth quarter of 2018 would, in the ordinary course of business, be paid in March 2019. Additionally, a portion of payments under the Operations Bonus Program that will eventually be due for the first quarter of 2019. The Debtors have budgeted approximately \$41,000 in payments under the Operations Bonus Program for the first quarter of 2019 and estimate that approximately \$19,000 of this amount would relate to the prepetition period.

81. *Revenue Cycle Management Incentive Plan.* The Debtors also maintain a quarterly incentive plan for certain Employees involved in administering the Debtors' revenue cycle management program (the "**RCM Incentive Program**"). These Employees help collect receivables on behalf of the Debtors and are vital to the Debtors' business given the complexities in collecting receivables in the Debtors' industry, which is subject to various regulations and involves different types of payors, including government agencies and private insurers.

82. Approximately 350 Employees were eligible for the RCM Incentive Program in 2018, none of whom are members of the Debtors' senior management. The RCM Incentive Program awards amounts to the eligible Employees based on departmental cash collection rate performance and individual objectives formulated by their respective supervisors.

83. In the aggregate, the Debtors paid approximately \$550,000 in bonuses under the RCM Incentive Program in 2018. As of the Petition Date, no amounts are due and owing for 2018 under the RCM Incentive Program; however, a portion of bonus payments that will eventually become due for the first quarter of 2019 may relate to the prepetition period. Although actual amounts due under the RCM Incentive Program are not yet certain, the Debtors have budgeted approximately \$125,000 in payments under the RCM Incentive Program for the first quarter of 2019 and estimate that approximately \$56,000 of this amount would relate to the prepetition period.

84. *Supervisor Employee Incentive Plan.* The Debtors also maintain an annual incentive plan (the “**Supervisor Employee Incentive Program**” and, together with the Variable Compensation Program, the Operations Bonus Program, the RCM Incentive Program, and the Shift Incentives, the “**Incentive Programs**”<sup>24</sup>) for certain Employees performing particular middle-management functions. These Employees help administer several of the Debtors’ critical business functions—including operations, financial planning and analysis, accounting, IT, compliance, and sales—and generally report to departmental leaders.

85. Approximately 90 Employees are eligible to participate in the Supervisor Employee Incentive Program, none of whom are members of the Debtors’ senior management. The Supervisor Employee Incentive Program awards bonuses to eligible

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<sup>24</sup> The Incentive Programs include special payments to certain Employees made on a discretionary basis in exchange for such Employees agreeing to fill critical staffing needs beyond their regular work schedule (the “**Shift Incentives**”). Offering the Shift Incentives allows the Debtors to quickly address staffing needs that arise suddenly or emergently, thus avoiding unexpected business disruptions. The Debtors paid an aggregate of approximately \$1 million in Shift Incentives in 2018. Although no Shift Incentive payments are outstanding as of the Petition Date, the Debtors request authority, but not direction, to continue making such payments in the ordinary course of business and in their sole discretion.

Employees based on performance metrics relating to employee satisfaction, customer service, market growth, service quality, and cashflow.

86. No bonuses were awarded under the Supervisor Employee Incentive Program in 2018, and no amounts are currently outstanding under the plan. To the extent bonuses under the Supervisor Employee Incentive Program have been earned so far in 2019, a portion of such payments that may eventually become due at the end of the year would relate to the prepetition period. The Debtors have budgeted \$1.79 million for the Supervisor Employee Incentive Program in 2019 and estimate that approximately \$196,000 of this amount would relate to the prepetition period.

87. *Retention Bonus.* The Debtors offer retention bonuses (the “Retention Bonus Program” and, together with the Incentive Programs, the “Bonus Programs”) to certain Employees. As of the Petition Date, the Debtors have offered participation in the Retention Bonus Program to Employees for 2019 and 2020. Amounts payable under the Retention Bonus Program are not earned until the end of the applicable calendar year. The Debtors have budgeted approximately \$950,000 in payments under the Retention Bonus Program for the end of 2019.

88. *Vacation, Holiday, Bereavement, and Sick Time.* In addition to the foregoing, the Debtors offer their Employees other forms of compensation, including paid vacation time, paid sick time, paid holidays, and paid bereavement. These forms of compensation are usual, customary, and necessary if the Debtors are to retain qualified Employees during the reorganization process.

89. The Debtors’ Employees who work a minimum of 20 hours per week are eligible to receive paid vacation time, holiday time, and sick time. Paid vacation time

(“**Vacation Time**”) accrues based on how long an Employee has worked at the Company. Unused Vacation Time is carried over from year to year, and Employees who have unused Vacation Time at the time of their departure from the Company are entitled to be reimbursed for such unused Vacation Time in accordance with their hourly compensation rates at the time of departure (the “**Vacation Payouts**”).<sup>25</sup> Employees accrue and use Vacation Time constantly, making it difficult to quantify the amount of accrued Vacation Payouts as of the Petition Date. However, the Debtors estimate that the Employees have accrued an aggregate of approximately \$6 million worth of Vacation Time. The Vacation Time accrual rates are as follows:

<b>Years of Service</b>	<b>Total Annual Accrual (based on 40 hours per week)</b>	<b>Maximum Accrual</b>
Less than 3	80 hours (2 weeks)	120 hours
3 to 5	80 hours (2 weeks)	160 hours
5 to 10	12 hours (3 weeks)	160 hours
10 or more	120 hours (3 weeks)	200 hours

90. The Debtors also provide Employees with paid holiday time (“**Holiday Time**”), which includes one floating holiday per year (the “**Floating Holiday Time**”). Unused Holiday Time (including Floating Holiday Time) does not carry over from year to year, but upon termination of employment with the Company, the Debtors pay the Employees for unused Floating Holiday Time (the “**Floating Holiday Payouts**” and, together with the Vacation Payouts, the “**Absence Payouts**”). The Debtors do not pay the Employees for any other Holiday time. The Debtors estimate that the Employees have accrued an aggregate of approximately \$900,000 worth of Floating Holiday Time.

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<sup>25</sup> The Debtors calculate an hourly rate for the Salaried Employees based on their respective salaries and assigned hours.

91. Further, the Debtors provide paid sick time and bereavement (“**Other Absence Time**” and, together with Vacation Time and Holiday Time, “**PTO**”). However, the Debtors do not pay Employees for unused Other Absence Time.

92. *Employee Benefits.* In addition, the Debtors provide benefit packages to their Employees, including medical plans, dental plans, vision plans, life, AD&D, long and short-term disability insurance plans, and savings and retirement plans, among others, which are described in more detail below.

93. The Debtors offer self-insured medical and prescription drug plans (the “**Medical Plans**”) that are administered by Cigna Corporation (“**Cigna**”). The Debtors also maintain an individual stop-loss insurance policy (the “**Stop-Loss Policy**”) to provide protection against catastrophic losses under their self-insured Medical Plans. The Stop-Loss Policy is also administered by Cigna. As of the Petition Date, approximately 1,700 Employees had elected individual coverage under the Medical Plans, and 800 Employees had elected to cover themselves and one or more family members or dependents.<sup>26</sup>

94. Approximately 65 percent of the cost of the Medical Plans is borne by the Debtors, while the participating Employees contribute approximately 35 percent of the cost through payroll deductions. The Debtors pay Cigna an average of approximately \$65,000 per month for administering the Medical Plans, \$190,000 in premiums and administrative fees for the Stop-Loss Policy, and approximately \$1.86 million for claims. The Debtors’ total annual spend with respect to the Medical Plans is approximately \$25 million.<sup>27</sup>

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<sup>26</sup> Under the Stop-Loss Policy, the Debtors pay Cigna a premium in exchange for full coverage of each claim to the extent it exceeds \$300,000.

<sup>27</sup> Approximately 35 additional former Employees have coverage under COBRA. The Company pays monthly premiums under COBRA for one of these former Employees. COBRA premiums paid on account of this Employee are approximately \$1,300 per month.

95. Because the Debtors are self-insured, and due to a lag in the processing of claims, certain amounts may be accrued but not due and payable under the Medical Plans and the Stop-Loss Policy. Therefore, the full amount of the Debtors' prepetition liability in relation to the Medical Plans and the Stop-Loss Policy is difficult to estimate at this time. However, based on outstanding invoices and historical averages as of the Petition Date, the Debtors estimate that approximately \$1.9 million is outstanding under the Medical Plans and the Stop-Loss Policy for the prepetition period.

96. *Vision and Dental Plans.* The Debtors also provide their Employees the opportunity to purchase, at their own expense, dental insurance and vision insurance (together, the "**Dental and Vision Plans**") through the Metropolitan Life Insurance Company ("**MetLife**").

97. The Debtors provide Employees with, or, in some cases, give Employees the option of purchasing, certain types of life and disability insurance, including basic life, accidental death and dismemberment, short-term disability insurance, long-term disability insurance, supplemental life, and related programs pursuant to policies issued by MetLife.

98. *Life Insurance Plans.* In particular, the Debtors provide each Employee basic term life and accidental death and dismemberment insurance (the "**Basic Life Insurance**") through MetLife. Generally, such Employees receive Basic Life Insurance coverage equal to 1.5 times basic annual earnings, up to a maximum of \$350,000. The Debtors also provide each Employee who enrolls in certain of the Medical Plans with critical illness insurance (the "**Basic Critical Illness Plan**") provided by MetLife. The Basic Critical Illness Plan pays benefits if a plan beneficiary is treated for a major medical event such as a heart attack or cancer diagnosis. The monthly premiums due under the Basic Life Insurance and

Basic Critical Illness Plan are paid through employer contributions, with the Debtors bearing 100% of the aggregate cost. In 2018, the Debtors' monthly cost for the Basic Life Insurance plan was approximately \$9,000, and the monthly cost for the Critical Illness Plan was approximately \$13,000. The Debtors anticipate that these amounts will remain roughly the same in 2019. The Debtors have not paid the premiums due under the Basic Life Insurance plan for December 2018 or any part of 2019, nor have the Debtors paid premiums due under the Basic Critical Illness Plan for the fourth quarter of 2018 or any part of 2019. Thus, as of the Petition Date, the Debtors estimate that there is approximately \$21,000 outstanding under the Basic Life Insurance and approximately \$56,000 under the Basic Critical Illness Plan.

99. In addition to the foregoing, the Debtors' Employees have the option to purchase coverage for short-term disability and long-term disability, supplemental life insurance, and personal accident insurance (together, the "**Additional Life Insurance Plans**" and, with the Basic Life Insurance and Critical Illness Plan, the "**Life Insurance Plans**"), at their own expense through payroll deductions. Although the Debtors do not fund any portion of the costs under the Additional Life Insurance Plans, they remit all amounts due under such programs on the Employees' behalf using funds withheld from payroll disbursements. As such, any amounts paid with respect to the Life Insurance are from funds held in trust on behalf of the Employees and as such are not property of the Debtors' estates.

100. *Optional Plans.* The Debtors also make available to Employees, at the Employees' expense, a legal protection plan, an identity protection program, and pet insurance (collectively, the "**Optional Plans**").

101. All costs for the Optional Plans, including administrative fees and premiums, are funded by participating Employees through payroll withholdings. Although the

Debtors do not fund any portion of the costs under the Optional Plans, they remit all amounts due under such programs on the Employees' behalf using funds withheld from payroll disbursements.

102. *FSA, HSA, and HRA.* The Debtors offer Employees the opportunity to use tax-advantaged flexible spending accounts (“**FSA**”) managed by Cigna to use pre-tax dollars toward the payment of medical or dependent care expenses. At the beginning of each calendar year, the FSA participants commit a set amount of funds for the FSA, and the Debtors collect a pro-rated amount at each payroll period and pay claims as they come due (up to the pre-committed amount). The participant submits claims to Cigna, and Cigna reimburses the Employee for the claimed amount and seeks reimbursement from the Debtors. The Debtors pay an aggregate monthly administrative fee totaling approximately \$4,300 for all participants. As of the Petition Date, approximately \$5,700 is due and owing to Cigna on account of administrative fees under the FSA. Accordingly, the Debtors are seeking authority to pay outstanding administrative fees and continue the FSA program in the ordinary course of business.

103. The Debtors also offer Employees the opportunity to use tax-advantaged health savings accounts (“**HSA**”) and health reimbursement accounts (“**HRA**”) managed by Cigna. Employees fund the HSAs using pre-tax dollars through payroll withholdings, while the Debtors credit the HRAs directly using insurance premiums collected from participating Employees. The Debtors pay total administrative fees of approximately \$4,000 a month, in the aggregate, for the HSAs and HRAs. As of the Petition Date, approximately \$5,300 is due and owing on account of administrative fees relating to the HSA and HRA programs. The Debtors



are seeking authority to pay outstanding administrative fees and continue the HSA and HRA program in the ordinary course of business.

104. *Savings and Retirement Plans.* The Debtors offer Employees a savings and retirement plan. Specifically, each year, Employees may contribute pre-tax or post-tax compensation, consistent with IRS regulations, for investment in a 401(k) plan (the “**401(k) Plan**”). The 401(k) Plan is administered by John Hancock Retirement Plan Services (the “**401(k) Plan Administrator**”). The Payroll Vendors (as defined in the Wages and Benefits Motion) withhold funds for Employees participating in the 401(k) Plan. As of the Petition Date, approximately 1,500 Employees participate in the 401(k) Plan.

105. The Debtors do not currently match Employees’ contributions under the 401(k) Plan. Further, the 401(k) Plan Administrator’s custodial, administrative, and other professional fees related to the operation of the 401(k) Plan are deducted from the 401(k) Plan revenues. Accordingly, the Debtors believe that there are no outstanding amounts owed to the 401(k) Plan Administrator on account of the 401(k) Plan.

106. Although the Debtors do not fund any portion of the costs under the 401(k) Plan, they remit all amounts due under such programs on the Employees’ behalf using funds withheld from payroll disbursements.

107. *Severance Plan.* Pursuant to the Company’s fully discretionary severance policy, the Debtors provide severance pay and benefits to certain Employees (the “**Severance Plan**”). In addition to payment of a particular number of weeks’ worth of wages, benefits under the Severance Plan for a particular Employee may also include, at the discretion of senior management, payment for certain healthcare benefits (*i.e.* COBRA coverage assistance) and job placement services. All Full-Time and Part-Time Employees who have

worked an average of 20 hours per week for the six months leading up to their departure are eligible to be included in the Severance Plan. Payments thereunder are made through the payroll process, in installments equal to the Employee's bi-weekly wages prior to termination. The Severance Plan's guidelines for determining how many weeks of severance pay to award to an Employee are set out in the table below:

<b>Years of Service</b>	<b>Staff Level Employee<sup>28</sup></b>	<b>Management Level Employee<sup>29</sup></b>
Less than 1 year	2 weeks	4 weeks
1 – 2 years	3 weeks	5 weeks
2 – 3 years	4 weeks	6 weeks
3 – 4 years	5 weeks	7 weeks
4 years and greater	6 weeks (max benefit)	8 weeks (max benefit)

108. Currently, three former Employees are receiving payments on account of the Severance Plan. As of the Petition Date, the remaining payments due to these former Employees total approximately \$89,000, and \$40,000 of this amount will come due during the Interim Period. Two of the Employees currently receiving payments under the Severance Plan are due amounts in excess of the priority cap during the Interim Period.

109. *Workers' Compensation Programs.* As required under the laws of the various jurisdictions in which they operate, the Debtors maintain policies and programs to provide Employees with workers' compensation benefits (the "**Workers' Compensation Programs**") in all such jurisdictions. The workers' compensation benefits provided by the Debtors are covered under workers' compensation insurance programs administered by Zurich

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<sup>28</sup> The term "Staff Level Employee" is a designation used to refer generally to Employees who are below mid-level management in the Debtors' organizational structure. The term corresponds to specific title names the Debtors use to classify Employees. No Staff Level Employees are insiders.

<sup>29</sup> The term "Management Level Employee" is a designation used to refer generally to Employees at mid-level management. The term corresponds to specific title names the Debtors use to classify Employees.

NA (“**Zurich**”). Zurich administers the Workers’ Compensation Programs for claims arising after July 31, 2018, and the Debtors’ current workers’ compensation policy with Zurich expires on July 31, 2019.

110. The Workers’ Compensation Programs include a large-deductible workers’ compensation plan (the “**Large-Deductible Plan**”) whereby Zurich pays out claims as they arise, and the Debtors reimburse Zurich for claims under the deductible. The Debtors estimate that approximately \$43,000 is owed on account of claims under the Workers’ Compensation Plans. In addition, the Large-Deductible Plan requires the Debtors to deposit approximately \$913,000 on a quarterly basis into a collateral deposit account (the “**CD Account**”). Funds in the CD Account serve as a backstop for a letter of credit issued for the benefit of Zurich in order to provide Zurich with security in the event that the Large-Deductible Plan terminates or if the Debtors are unable to meet their premium obligations.

111. In addition, the premiums due under the Workers’ Compensation Programs are funded through a premium financing agreement (the “**PFA**”) with Premium Funding Associates, Inc. (“**Premium Funding**”). Premium Funding pays all premiums due under the Workers’ Compensation Program directly to Zurich at the end of each month.

112. *Employee Expense Obligations.* The Debtors’ business operations require Employees to incur expenses on behalf of the Company on a routine basis. Most significantly, Employees involved in directly providing medical services to patients must drive—often using their own personal vehicles—to where the patients are located. Additionally, Employees must travel to promote the Company’s services to potential skilled-nursing facility customers and secure the continued patronage of existing customers. In connection with these activities, the Employees routinely incur expenses in the ordinary course of business, including

airfare, car rental, lodging, meals, fuel, tolls, and other expenses. These expenses give rise to certain Employee Expense Obligations, which include both the Reimbursable Expenses and World Travel Expenses (each as defined below).

113. In particular, the Debtors routinely reimburse out-of-pocket expenses incurred by the Employees in relation to Company business in accordance with internal guidelines (the “**Reimbursable Expenses**”). Accordingly, the Reimbursable Expenses are incurred by Employees with the understanding that they will be reimbursed by the Debtors. In order to receive reimbursements, Employees submit expense reports to the Debtors, and the appropriate Employees in supervisory roles review and approve these reports. After approval is granted, the Debtors reimburse Employees directly through payroll disbursements.

114. Certain prepetition Reimbursable Expenses may not have been paid as of the Petition Date. Because Employees do not always submit claims for reimbursement promptly, and because all reimbursement claims are subject to a review process, there may be a lag between the time the Reimbursable Expenses are incurred and the time they are reimbursed. As such, it is difficult to estimate the amount of Reimbursable Expenses that have been incurred but not yet reported. The average aggregate monthly amount expended by the Debtors for Reimbursable Expenses is \$1.06 million, more than half of which is attributable to reimbursements to Employees for driving expenses.

115. Moreover, the Debtors provide the Employees with a travel portal for booking flights and car rentals through World Travel, Inc. (“**World Travel**”). The Debtors pay for expenses incurred through World Travel directly, and the Employees do not expend personal funds for such expenses. The ability to charge the costs of airfare and car rental directly to the Company enables the Employees to travel for Company business without having

to expend personal funds to pay such costs out of pocket and wait for a reimbursement from the Company.

116. In addition to paying World Travel for airfare and car rental fees, the Debtors pay fees to World Travel on a per-transaction basis (collectively, the “**World Travel Expenses**”). The World Travel Expenses total approximately \$128,000 per month on average. As of the Petition Date, the Debtors do not believe they owe any amounts on account of the World Travel Expenses but are seeking authority, but not direction, to pay any and all World Travel Expenses in the ordinary course and in their sole discretion.

117. *Social Security, Income Taxes, and Other Withholding.* The Debtors routinely withhold from Employee paychecks amounts that the Debtors are required to transmit to third parties, which constitute the Employee Withholdings. Examples of the Employee Withholdings include Social Security, FICA, federal and state income taxes, garnishments, charitable donations, health care payments, other insurance payments, 401(k) contributions, health savings and spending account contributions, and certain other voluntary payroll deductions. The Debtors believe that such withheld funds, to the extent that they remain in the Debtors’ possession, constitute monies held in trust and therefore are not property of the Debtors’ bankruptcy estates.

118. *Continuation of Employee Programs.* The Debtors seek to continue their ordinary-course Employee compensation (including, wages, salaries, and the Bonus Programs), PTO, expense reimbursement, benefits (including, without limitation, insurance), savings and retirement plans, workers’ compensation benefits (including, without limitation, insurance), and related programs during the postpetition reorganization process in their sole discretion. I

believe the continuation of these programs is essential to the success of the Debtors' reorganization.

119. Moreover, I believe that failing to honor these obligations would have devastating consequences for the Debtors' ability to operate their business during these Chapter 11 Cases and, thus, the Debtors' reorganization. Authorization to pay the Prepetition Employee Obligations is, in my opinion, necessary to maximize the value of the Debtors' estates for all creditors and stakeholders.

120. Cash Management Motion. *The Cash Management System*. To facilitate the efficient operation of their businesses, the Debtors rely on an integrated, centralized cash management system (the "**Cash Management System**"). The Cash Management System facilitates reporting, monitors collection and disbursement of funds, and reduces administrative expenses by facilitating the movement of funds. The Debtors' Cash Management System is comprised of 61 bank accounts (the "**Bank Accounts**") held by the Debtors that are maintained with various banks (collectively, the "**Banks**") reflected on the diagram of the Cash Management System attached to the Cash Management Motion as Exhibit C. I believe that if the Debtors are unable to continue using their Cash Management System, the operations of the Debtors as well as the Company more broadly will be severely impeded. In particular, because the Debtors accept Medicare and Medicaid payments, the Bank Accounts are subject to certain restrictions. Specifically, anti-assignment rules require Medicare and Medicaid payments to be made only to a bank account that is under the sole control of the healthcare provider. If Medicare or Medicaid receivables were assigned to another account, such assignment could violate the anti-assignment rules and result in the termination of the provider agreement, which would effectively halt the Debtors' ability to collect a key revenue stream.

121. The Debtors, with the assistance of their advisors, have implemented protocols to ensure that only claims arising postpetition and certain claims arising prepetition (if payment of such prepetition claims is approved by this Court) are paid by the Debtors pursuant to the relief requested in the Cash Management Motion.

122. The Bank Accounts are primarily utilized to pay operating expenses, collect revenue, and disburse funds on account of payroll obligations. The Bank Accounts serve dedicated functions and include the following Debtor-owned and -controlled accounts:

123. *Operations and Checking Accounts.* The Debtors maintain a number of operations checking accounts (the “**Checking Operations Accounts**”) and checking accounts (the “**Checking Accounts**,” and together with the Checking Operations Accounts, the “**Operations Accounts**”) that the Debtors use to make all of their disbursements and pay obligations, exclusive of payroll obligations. Through the Checking Operations Accounts, the Debtors manage cash, disbursements, and commercial health insurance plan payors and customers. Disbursements are made by check, wire, and automated clearinghouse (“**ACH**”) transfers. The Checking Operations Accounts function as the Debtors’ main accounts used to receive and disburse funds, whereas the Checking Accounts generally serve a more limited, specified purpose.

124. Generally, the Debtors’ Cash Management System operates in two segments based on the geographic locations of the underlying business segments, the eastern and western halves of the United States. The Debtors maintain one central Checking Operations Account at M&T Bank Corporation and one central Checking Operations Account at Cathay Bank, into which the majority of funds from all other business segments flow. The Debtors then make disbursements from the two central Checking Operations Accounts. Funds

also flow between the two Checking Operations Accounts to cover payroll obligations for other Debtors as needed.

125. *Payroll Accounts.* The Debtors maintain accounts that receive transfers from the Checking Operations Accounts exclusively to fund payroll obligations and obligations related to the Company's human resource management system, including contributions to employees' 401(k) accounts. The funds are used to satisfy the Debtors' obligations to its employees via direct deposit and live check payments through the Company's payroll processor. All of the payroll accounts (the "**Payroll Accounts**") are zero balance accounts ("**ZBA**"). The ZBAs do not carry a balance, and the cash balances from the Payroll Accounts are automatically disbursed to employees through the payroll processor. The Payroll Accounts receive money from other revenue-receiving Checking Operations Accounts as-needed to ensure payroll obligations are funded.

126. *Depository Accounts.* Commercial and government payments received by the Debtors are deposited into collection accounts maintained at the various Banks (collectively, the "**Depository Accounts**"). The Depository Accounts provide a secure and convenient collection process for collecting checks, ACH payments, and wire transfers from certain of the Debtors' payors (*e.g.*, Medicare and Medicaid) that do not make direct deposits into the Operations Accounts. Within each Bank, the Depository Accounts are automatically swept each day into the corresponding Checking Operations Account maintained at that financial institution. One of the Depository Accounts is a money market account that is swept automatically into an Operations Account after funds are deposited. In addition, two of the Depository Accounts are stand-alone accounts maintained as collateral deposits for workers' compensation obligations incurred by the Debtors.



127. The Cash Management System also includes miscellaneous accounts that are not in active use (collectively, the “**Other Accounts**”). For example, one Debtor maintains one investment account for money market funds. The money market account has not been funded and is not subject to inflows or outflows. The remaining Other Accounts are dormant legacy accounts from the Debtors’ various acquisitions over time and are holdovers of the acquired business’ previous operations that are no longer needed. These inactive accounts have each remained dormant for at least one year and the Debtors are in the process of closing such accounts that are no longer needed. As of the Petition Date, there has been little or no activity associated with these accounts.

128. *Business Forms and Investment and Deposit Practices.* The Debtors use various Business Forms, such as checks, invoices, and letterhead, in the ordinary course of business. Because the Business Forms were used prepetition, they do not reference the Debtors’ current status as debtors-in-possession. Nonetheless, I understand that most parties doing business with the Debtors will be aware of the Debtors’ status as debtors-in-possession as a result of the notice of commencement served on parties-in-interest. Requiring the Debtors to change existing Business Forms would unnecessarily distract the Debtors from their restructuring efforts and impose needless expenses on the estates. Thus, I believe that that the Debtors should be authorized to use their existing Business Forms without placing a “Debtor-In-Possession” legend on each. Any new check stock or subsequently printed checks will bear the designation “Debtor-In-Possession.”

129. *The Intercompany Transactions.* In the ordinary course of business, the Debtors engage in various transactions (the “**Intercompany Transactions**”) relating to expenses and obligations that various segments of the Debtors’ business incur in the course of

operations for certain shared management, general, administrative, and/or other similar shared services between the Debtors. In particular, various Debtors disburse funds from commercial and government Depository Accounts to Operations Accounts and receive revenue payments on behalf of the other Debtors. These Intercompany Transactions also relate to payroll charges, as certain Debtors pay the employees of other Debtors on these entities' behalf. The Intercompany Transactions reduce administrative costs and ensure the orderly and efficient operation of the Debtors' enterprise. The Intercompany Transactions occur only among the Debtors, except that one Debtor routinely engages in transactions with a non-Debtor entity. Debtor JLMD Manager, LLC is party to a management agreement for shared services with a certain physician-owned radiology group practice ("**Reono Bertagnoli MG**"), which, pursuant to the Corporate Practice of Medicine Doctrine<sup>30</sup> must maintain a separate legal entity to operate a licensed radiology practice. Thus, in the ordinary course of business, the Debtors routinely engage in Intercompany Transactions with Reono Bertagnoli MG, which manages and administers the medical group practice. All of the Intercompany Transactions are traceable and the Debtors keep records accounting for them.

130. The Debtors also request that all claims arising postpetition in the ordinary course of business as a result of an Intercompany Transaction (such postpetition claims, the "**Intercompany Claims**") be accorded administrative-expense-priority status.

131. The Debtors generate and receive funds from a variety of sources, including individual patients, long-term care facilities, and government-sponsored health care plans. The method employed to collect the cash generated by these respective payments varies,

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<sup>30</sup> The Corporate Practice of Medicine Doctrine refers to the public policy limiting the practice of medicine to licensed physicians by specifically prohibiting businesses or corporations from practicing medicine or employing physicians to practice medicine.

and the Debtors' billing and collection systems must have the flexibility to address the requirements for these different payment collection types. Importantly, the Cash Management System affords the Debtors the ability to process medical claims for patients and to facilitate the processing of thousands of medical claims, including Medicare, state Medicaid and private insurance plans, on a weekly basis. If the Debtors are unable to continue using their Cash Management System, I believe that the Debtors' operations will be severely impeded. Accordingly, I submit that the continued operation of the Cash Management System is a sound exercise of business judgment and necessary to preserve the value of the Debtors' businesses.

132. Critical Vendor Motion. I believe that the Debtors' businesses depends on, among other things, the Debtors' ability to retain vendors and service providers. In the ordinary course of their operations, the Debtors rely upon an established network of labs, vendors, suppliers, service providers, and shippers that are critical to continuing normal operations (the "**Critical Vendors**").<sup>31</sup> The seamless operations of the Debtors' businesses requires close coordination and integration among numerous parties because the Debtors' industry relies on "just in time" delivery given the highly perishable nature of blood and body fluids that the Debtors must, at times, ship to labs and or have shipped to them. Accordingly, timely supply of goods required for lab functions from suppliers to the Company and from the Company to its customers to provide test results is vital to continued operations, as are vendors who provide delivery services essential to the transport of samples to and from the Debtors for testing, without which the Debtors could not perform their lab testing services. Moreover, as a

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<sup>31</sup> A certain number of the Critical Vendors may be foreign vendors who are primarily located outside of the United States and may lack minimum contacts with the United States such that the vendor may assert that it is not subject to the jurisdiction of this Court or the provisions of the Bankruptcy Code that otherwise protect the Debtors' assets and business operations.

provider of mobile imaging services such as x-ray and ultrasound, the Debtors rely on having specialized, and, at times, proprietary equipment readily available so that they can deliver accurate and timely results. Because the Debtors' day-to-day operations also require reliable transportation of certain highly-sensitive biological material, the Debtors use certain delivery service vendors who are able to routinely service the various geographic areas in which the Debtors operate and are experienced handlers of the sensitive freight that the Debtors must transport on a regular basis (collectively, the "**Shippers**").

133. The Debtors seek authority through the Critical Vendor Motion to pay the prepetition claims of the Critical Vendors and Shippers in an interim amount not to exceed \$2 million, and an aggregate amount not to exceed \$4 million, on the terms described in the Critical Vendor Motion, and authority to implement procedures to address any vendors or service providers that repudiate or otherwise refuse to honor contractual obligations to the Debtors.

134. The Debtors are mindful of their fiduciary duties to preserve and maximize the value of their estates for the benefit of all stakeholders in these Chapter 11 Cases. To that end, the Debtors have carefully examined the prepetition claims of the Critical Vendors (the "**Critical Vendor Claims**") and the shippers (the "**Shipper Claims**," and together with the Critical Vendor Claims, the "**Prepetition Trade Claims**") and have determined that payment thereof is absolutely necessary. The Prepetition Trade Claims that the Debtors seek to pay represent less than 10% Debtors' over \$41.5 million of the total outstanding trade accounts payable as of the Petition Date.

135. To identify vendors to be paid pursuant to this relief requested in the Critical Vendor Motion, the Debtors, in consultation with their advisors, closely reviewed their

accounts payable and prepetition vendor lists and consulted with employees most familiar with the Debtors' supply chain to identify those vendors that are most essential to the Debtors' operations. The criteria considered included: (a) which vendors are simply at risk of ceasing the provision of truly essential services or supplies; (b) whether a vendor is a sole- or limited-source supplier of materials, parts, or other services for use in the Debtors' business; (c) whether alternative vendors are available that can provide requisite volumes, specifications, customization, and expedited delivery of similar goods or services on equal (or better) terms and, if so, whether the Debtors would be able to continue operations without interruption while transitioning business thereto; (d) the degree to which replacement costs (including pricing, transition expenses, professional fees, and lost sales or future revenue) exceed the amount of a vendor's prepetition claim; (e) whether an agreement exists by which the Debtors could compel a vendor to continue performing on prepetition terms; and (f) whether certain specifications, customization, location, or other relevant characteristics of ongoing operations prevent the Debtors from obtaining goods or services from alternative sources. This analysis and screening process ultimately resulted in the exclusion of the vast majority of the Debtors' vendors and service providers from the Critical Vendors and Shippers.

136. The Debtors' ability to continue their operations in the aftermath of their commencement of these Chapter 11 Cases will largely depend upon the continued provision of goods and services by the Critical Vendors and Shippers. Moreover, to further ensure that the Debtors' business operations will be minimally impacted during these Chapter 11 Cases, only those Critical Vendors and Shippers who agree to provide reasonable and customary payment terms postpetition will be paid all or a portion of their prepetition claims. Generally, the Critical Vendors fall in to the following categories: Stat Labs, Reagent Vendors, Clinical

Equipment Providers, and Electronic Support Service Providers, each as described in more detail below:<sup>32</sup>

137. *The Stat Labs.* The Company's operations require reliable, rapid procurement of test results. To that end, the Debtors process the majority<sup>33</sup> of their patients' samples within their owned laboratories.<sup>34</sup> However, the Debtors do not have reliable, 24-hour a day access to labs in all states in which they operate. Further, the Debtors' labs in some regions are located too far apart to quickly process patient tests in the time-sensitive manner that they require. Accordingly, the Debtors rely on established relationships with alternative testing laboratories (the "**Stat Labs**") to ensure customers' access to high-quality, rapid, and accurate test results in regions not served by the Debtors' owned laboratories or the Reference Labs. The Debtors also rely on Stat Labs when other laboratories are closed and unable to test samples in the narrow window the Debtors' customers sometimes require for critical test results. For example, in the event another lab is not open to receiving samples 24 hours a day, the Debtors may use a Stat Lab to process customer samples. The Stat Labs thus allow the Debtors to provide quick results regardless of the customer's geographic location or the time of day. Given the Stat Labs' unique ability to provide the Debtors' with tailored support critical for the conduct of their operations, any disruption to the Debtors' relationship with certain of the Stat Labs would be harmful. In addition, locating replacement Stat Labs in certain areas

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<sup>32</sup> The Debtors and their advisors spent time reviewing and analyzing certain contracts and supply agreements. To the extent such agreement exists, the Debtors can compel such vendor to continue to perform and thus, do not intend to treat these contract counterparties as Critical Vendors.

<sup>33</sup> Regulatory requirements necessitate that at least 2/3 of the Debtors' patient samples are processed within the Debtors' own laboratories.

<sup>34</sup> Some required tests are uneconomical or impractical for the Debtors to undertake within their owned laboratories, for example, due to economies of scale. Accordingly, the Debtors routinely deliver samples and information for tests not processed within their own laboratories to an established network of laboratories ("**Reference Labs**") across the country, which receive, then process, and provide diagnostic data to the Debtors.

would be prohibitively time-consuming and expensive due to the Debtors' specific geographic needs and requirements for access to lab services 24 hours a day. Further, disrupted access to the Stat Labs may compromise customers' samples, precluding the Debtors' ability to provide test results in a timely manner.

138. *The Reagent Vendors.* The Debtors' ability to process their customers' clinical laboratory testing samples is highly dependent on reliable delivery of certain chemical agents necessary to conduct the tests (the "**Reagents**").<sup>35</sup> In the Debtors' industry, specific vendors provide the unique chemical Reagents that are often tailored to specific equipment used within each lab and the volume of chemicals each lab needs. The Reagents are available in limited quantities in the market and are sometimes only available through the original manufacturers of the Debtors' clinical laboratory testing instruments (the "**Reagent Vendors**"). The Debtors are thus unable to quickly replace certain vendors of their required Reagents, who may be the only vendors capable of providing the specific Reagents required in the quantities needed. The Debtors' uninterrupted access to the Reagent Vendors' products and accompanying support services for specialized lab equipment is thus critical to the Debtors' ability to conduct testing operations.

139. *The Clinical Equipment Providers.* The Debtors' ability to perform diagnostic tests such as x-ray and ultrasound also requires highly-specialized clinical equipment to process and provide test results. Specifically, the Debtors depend on vendors who provide and service x-ray, ultrasound, and other laboratory equipment customized to support the Debtors' mobile operations (the "**Clinical Equipment Providers**"). The Clinical Equipment Providers provide specialized goods and support services, such as machine

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<sup>35</sup> A reagent is a substance or mixture for use in chemical analysis.

calibration and maintenance, to ensure the proper function of certain equipment and compliance with governing laws. Under various state laws, the Clinical Equipment Providers could potentially assert liens, including mechanic's liens and materialman's liens, against the Debtors' property for amounts the Debtors owe to these third parties. If the Debtors are unable to pay the Clinical Equipment Providers, the Debtors risk losing access to equipment and other property that is critical to the continued operation of their business.

140. *Electronic Support Service Providers.* The Debtors also rely on certain providers of electronic support services (the "**Electronic Support Service Providers**") to assist in managing and processing various crucial operational tasks, including billing, collections, and reimbursements (including verifying patient eligibility for claim reimbursement); storage of patient records and data; client portal interface software; and services and software crucial to transmission of electronic medical records and reading radiology results. The Debtors also utilize electronic vendors to develop proprietary and customized software necessary to integrate the Debtors' equipment with current computer operating systems.

141. The Debtors' operations would be disrupted absent the various Electronic Support Service Providers' continued provision of software and services. For instance, inability to accurately read or transmit radiology results or other medical records would disrupt customer care and revenue streams. Clients' inability to access the client interface portal by which they may order services and view test results, Trident Connect, would decrease access to care. The Debtors also require specialized software that supports their custom mobile machinery, which may not be compatible with mass-produced software for similar machines. Further, the Debtors process thousands of medical claims for customers,



including Medicare, state Medicaid, and private insurance plans, on a weekly basis. As such, the Debtors' businesses are highly dependent on their billing and collection system to collect from both the government payors and the private payors. The Debtors' inability to secure timely payments would severely affect the Debtors' cash flow at a time when it is most crucial. Further, regulatory guidelines require the Debtors to securely store customer records and data. The Debtors have expended considerable resources to develop cost-efficient means of providing the Company and customers with these services, any disruption to which would harm ongoing operations.

142. Additionally, the Debtors estimate that a portion of the Prepetition Trade Claims may relate to the approximately \$1.6 million worth of goods delivered to the Debtors within 20 days of the Petition Date. To avoid becoming general unsecured creditors of the Debtors' estates with respect to such goods and supplies, certain vendors may refuse to transport or supply such goods and supplies unless the Debtors issue substitute purchase orders postpetition. I believe that in order to prevent any disruption to the Debtors' operations it is necessary that all undisputed obligations of the Debtors arising from the acceptance of goods ordered prepetition but delivered postpetition be granted administrative expense priority under section 503(b) of the Bankruptcy Code.

143. The Debtors are also parties to certain executory contracts with contract counterparties (the "**Contract Counterparties**"), pursuant to which such Contract Counterparties have continuing contractual obligations to supply the Debtors with critical goods and services. Notwithstanding the terms of such contracts, and the Debtors' ability to compel performance thereunder, I believe that certain Contract Counterparties may seek to stop shipment or supply of such critical goods or services based on outstanding prepetition balances.

In order to minimize disruption to the Debtors' continuing business operations, the Debtors seek this Court's approval of the repudiating vendor procedures set forth in the Critical Vendors Motion.

144. Accordingly, the relief requested in the Critical Vendors Motion is narrowly tailored to facilitate the Debtors' restructuring efforts. By contrast, the harm suffered by the estates if essential goods and services provided by the Critical Vendors and Shippers are withheld would be irreparable to the Debtors' reorganization efforts and the successful emergence from these Chapter 11 Cases, and so I submit that payment of the Prepetition Trade Claims is a sound exercise of business judgment and necessary to preserve the value of the Debtors' businesses.

145. Taxes Motion. In the ordinary course of business, the Debtors incur (a) sales, use, income, tangible personal property, franchise, payroll,<sup>36</sup> and other miscellaneous taxes (*e.g.*, gross receipts taxes, minimum taxes, and modified business taxes) (the "**Taxes**") and (b) business licensing fees, compliance and regulatory fees, and other similar assessments (the "**Assessments**"). The Debtors pay or remit, as the case may be, the Taxes and Assessments as incurred or monthly, quarterly, semiannually or annually, to various federal, state, county, and city taxing, licensing, and regulatory authorities (the "**Applicable Authorities**"), as required by applicable laws and regulations. The Debtors were substantially current<sup>37</sup> in the payment of assessed and undisputed Taxes and Assessments that came due and

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<sup>36</sup> In the normal course of business, payroll related to trust fund taxes accrue as employees provide services to the Debtors, as set forth in more detail in the Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, But Not Directing, the Debtors to Pay Prepetition Wages, Salaries, Compensation, and Business Expenses and Continue Employee Benefit Programs; and (II) Granting Related Relief.

<sup>37</sup> The Debtors estimate that, as of the Petition Date, there is approximately \$3,500 of personal property taxes and \$250 of business licenses taxes that are already due and owed by the Debtors.

payable prior to the Petition Date; however, certain Taxes and Assessments attributable to the prepetition period are not yet due. The Debtors estimate that approximately \$1,030,638 in Taxes and Assessments has accrued as of the Petition Date,<sup>38</sup> including approximately \$230,486 in Taxes and Assessments that will come due and owing over the next 30 days.

146. *Sales Taxes.* The Debtors incur or collect from customers an assortment of state and local sales taxes in connection with the sale or lease of various products, such as oxygen and durable medical equipment, to their customers (the “**Sales Taxes**”). As of the Petition Date, approximately \$32,815 in Sales Taxes have accrued but are not yet payable. Of that amount, the Debtors estimate that \$15,700 in Sales Taxes will become due and payable within thirty (30) days following the Petition Date.

147. *Use Taxes.* The Debtors incur use taxes on account of the purchase of various equipment and supplies, such as X-ray machines, ultrasound machines, and software used by the Debtors in the ordinary course of business (the “**Use Taxes**”). The Debtors estimate that, as of the Petition Date, approximately \$34,150 in Use Taxes have accrued but are not yet payable. Of that amount, the Debtors estimate that \$8,980 in Use Taxes will become due and payable within thirty (30) days following the Petition Date.

148. *Franchise Taxes.* The Debtors incur franchise taxes assessed by certain Authorities to operate their business in the applicable jurisdiction (the “**Franchise Taxes**”). Franchise Taxes vary by jurisdiction and may be based on a flat fee depending on net operating income, gross receipts or capital employment. As of the Petition Date, the Debtors estimate that approximately \$27,720 in prepetition Franchise Taxes have accrued. The Debtors do not

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<sup>38</sup> The Debtors estimate that only approximately \$3,750 in accrued Taxes and Assessments was due and owing, but unpaid, as of the Petition Date.

expect that any Franchise Taxes will become due and payable within thirty (30) days following the Petition Date.

149. *Income Taxes.* As of the Petition Date, the Debtors do not believe any amounts are outstanding on account of income taxes (the “**Income Taxes**”); however, certain Income Taxes attributable to the prepetition period may come due during the Chapter 11 Cases. Thus, the Debtors request authority to pay all prepetition Income Taxes that have accrued as of the Petition Date and to continue to pay such obligations in the ordinary course on a postpetition basis. Additionally, certain states impose a minimum tax amount as part of the Debtors’ income tax filing. As of the Petition Date, the Debtors estimate that approximately \$22,650 in Minimum Taxes (the “**Minimum Taxes**”) have accrued and that none of these Taxes will become payable within thirty (30) days following the Petition Date.

150. *Personal Property Taxes.* In the course of their operations, the Debtors pay Personal Property Taxes (the “**Personal Property Taxes**”) for tangible personal property owned by the Debtors in the various states in which the Debtors operate. Unpaid Personal Property Taxes may create a lien or security interest in the property so taxed. Thus, to avoid the potential imposition of statutory liens on their personal property, the Debtors typically pay Personal Property Taxes in the ordinary course of business on a quarterly, biannual, and annual basis, depending on the Taxing Authority. The Debtors estimate that, as of the Petition Date, approximately \$684,035 in Personal Property Taxes<sup>39</sup> have accrued but is not yet due and

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<sup>39</sup> The Debtors estimate that, as of the Petition Date, there is approximately \$3,500 of personal property taxes that are already due and owed by the Debtors.

payable. Of that amount, the Debtors estimate that approximately \$87,685 of Personal Property Taxes will become due and payable within thirty (30) days following the Petition Date.<sup>40</sup>

151. *Regulatory and Licensing Fees.* Laws and regulations in jurisdictions in which the Debtors operate require the Debtors to pay fees (collectively, the “**Regulatory and Licensing Fees**”) to obtain a range of licenses and permits from a number of different Applicable Authorities, including Patient Centered Outcomes Research Institute Fees (the “**PCORI Fees**”), Environmental Fees (the “**Environmental Fees**”), business licensing fees (the “**Business Licensing Fees**”), radiology equipment licensing fees (the “**Radiology Equipment Licensing Fees**”). The methods for calculating amounts due for such licenses and permits, and the deadlines for paying such amounts, vary by jurisdiction. As of the Petition Date, approximately \$93,971 in Regulatory and Licensing Fees have accrued.<sup>41</sup> Of that amount, the Debtors estimate that approximately \$64,521 of the Regulatory and Licensing Fees will become due and payable within thirty (30) days following the Petition Date.

152. *Business Taxes and Other Miscellaneous Taxes.* Certain states require the Debtors to pay various business taxes and other miscellaneous taxes and fees to remain in good standing in order to conduct business within the state (the “**Miscellaneous Fees and Business Taxes**”). The manner in which the fees are computed vary according to the tax law of

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<sup>40</sup> The Debtors are currently under a personal property tax audit by Los Angeles County for tax years 2014 – 2017. The Debtors believe that they could face a liability of between \$35,000 - \$40,000 as a result of that audit. It is possible that this amount will come due within thirty (30) days following the Petition Date, if the audit concludes within that time. Out of abundance of caution, the Debtors request authority to pay the amount of this liability, should the audit conclude within thirty (30) days following the Petition Date. However, nothing in this Motion, or any related order constitutes or should be construed as an admission of liability by the Debtors with respect to any Audit or Assessment. The Debtors expressly reserve all rights with respect to any Audit. Furthermore, the Debtors reserve the right to contest any Assessment, if any, claimed to be due as a result of the Audits.

<sup>41</sup> The Debtors estimate that, as of the Petition Date, there is approximately \$250 of business license taxes that are already due and owed by the Debtors.

the applicable jurisdiction. I have been advised that as the Miscellaneous Fees and Business Taxes come due, the Applicable Authorities to whom these Miscellaneous Fees and Business Taxes are owed may be entitled to a priority claim. As of the Petition Date, the Debtors estimate that approximately \$95,297 in Miscellaneous Fees and Business Taxes have accrued. Of that amount, the Debtors estimate that approximately \$13,600 of the Miscellaneous Fees and Business Taxes will become due and payable within thirty (30) days following the Petition Date.

153. It is my understanding that many of the Taxes constitute so-called trust fund obligations that the Debtors are required to collect from third parties and held in trust for payment to the taxing and regulatory authorities. I understand that the funds that would be used to pay the trust fund Taxes are not property of the Debtors' estates.

154. I have also been advised that the nonpayment of certain of the Taxes that constitute trust fund obligations and are not property of the Debtors' estates may result in personal liability for the Debtors' officers and directors. Efforts by the Applicable Authorities to collect such trust fund amounts would unnecessarily divert the Debtors' officers and directors from tasks relating to the restructuring and ongoing management of the Debtors' business.

155. Additionally, the Applicable Authorities may cause the Debtors to be audited if the Taxes are not paid immediately. Such audits will unnecessarily divert the Debtors' attention away from the reorganization process and may cause expense and distraction in excess of the relatively minimal amount of the Taxes. In all cases, I believe that the Debtors' failure to pay Taxes could have an adverse impact on their ability to operate in the ordinary course of business.

156. Equity Trading Procedures Motion. The Debtors have generated, and are currently generating, net operating losses (the “**NOLs**”) for U.S. federal income tax purposes. As of January 1, 2019, the Debtors had approximately \$66 million of NOLs available to offset taxable income. While the value of the Debtors’ Tax Attributes is contingent upon the amount of the Debtors’ taxable income that may be offset by the Tax Attributes before they expire and any existing limitation on their usage, the Debtors’ NOLs and other Tax Attributes could translate into potential future tax savings that are valuable assets of the Debtors’ estates. Unrestricted trading of beneficial ownership in FC Pioneer Stock (as defined below) could impair the Debtors’ ability to use such Tax Attributes.

157. It is my understanding that the Debtors’ ability to use its tax attributes, however, could be limited under Section 382 of title 26 of the United States Code as a result of the trading and accumulation of its equity securities prior to consummation of a chapter 11 plan. The Debtors thus seek to establish procedures for continuously monitoring the trading of its equity securities, so that the Debtors can preserve their ability to seek substantive relief at the appropriate time, particularly if it appears that additional trading may jeopardize the use of their NOLs under Section 382. Therefore, I submit that the relief requested in the Equity Trading Procedures Motion is necessary and in the best interests of the Debtors’ estates, their creditors and other parties-in-interest.

158. Insurance Motion. In connection with the operation of their businesses, the Debtors maintain insurance policies for, among other things, business automobile liability, workers’-compensation liability, general liability, terrorism, cyber liability, excess liability, umbrella liability, and directors’ and officers’ liability (collectively, the “**Insurance Policies**”). The Debtors’ Insurance Policies generally require payment of the entire premium before the

policy period begins or shortly thereafter. For the current policy periods, which end March 31, 2019, July 31, 2019, December 15, 2019, December 31, 2019, or November 8, 2020, the total annual premiums under the Insurance Policies, plus applicable taxes, fees, and surcharges under the Insurance Policies total approximately \$6,319,292.81. It is my understanding that the coverage types, levels, and premiums for these Insurance Policies are typical for comparably sized companies in the Debtors' industry.

159. Prior to the Petition Date, the Debtors also entered into four Premium Financing Agreements to finance portions of the insurance premiums. The Premium Financing Agreements include provisions granting certain security interests in the named insured Debtors' interests in the respective Insurance Policies to the premium finance company counterparty to the Premium Financing Agreements. The Debtors believe that no amounts are currently outstanding on the Insurance Policies or the Premium Financing Agreements except the remaining monthly payments outstanding under each Premium Financing Agreement, which the Debtors have been paying in the ordinary course of business and are current on. I believe that continuation of the Insurance Policies, and thus, the continued payment under the Premium Financing Agreements, as well as the ability to enter into new Insurance Policies, is essential to preserving the value of the Debtors' businesses, properties, and assets. Additionally, in many cases, the coverage provided by the Insurance Policies is required by applicable regulations, laws, and contracts that govern the Debtors' commercial activities, including the requirements set forth in the United States Trustee's Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees. I believe that if the Debtors do not continue to perform their obligations under the Insurance Policies and the Premium Financing Agreements, the Debtors' coverage under the Insurance Policies could be voided. I believe this would cause



serious and irreparable harm to the Debtors' businesses and restructuring efforts, as the Debtors would likely be exposed to increased costs and risks of loss.

160. Accordingly, I believe that the relief sought through the Insurance Motion is necessary for the Debtors to continue operating their businesses in chapter 11 without disruption and is in the best interest of the Debtors, their estates, creditors, stakeholders, and other parties in interest.

161. Customer Programs Motion. The Debtors' customers include, *inter alia*, long-term care facilities (the "**Facility Customers**") and individual patients (the "**Individual Customers**") and, together with the Facility Customers and any other customer types, the "**Customers**"). In the ordinary course of business, the Debtors bill Customers as well as third-party payors (the "**Third-Party Payors**" and, together with the Customers, the "**Payors**") for services provided to the Customers.<sup>42</sup>

162. *Refund Program*. In the ordinary course of business, the Debtors bill the Payors for services provided by the Debtors to the Customers. The case-by-case nature of the myriad services that the Debtors provide to their Customers makes the process of determining each Customer's insurance coverage particularly complex. Thus, in certain instances, the Debtors may receive excess funds on account of a particular bill, resulting in an overpayment. For example, overpayments arising from coordination-of-benefits issues among multiple Payors could result in Customer accounts—once fully processed and reconciled—containing credit balances.<sup>43</sup>

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<sup>42</sup> The Third-Party Payors include government programs such as Medicare, as well other third parties such as insurance companies.

<sup>43</sup> Moreover, overpayments may result to the extent Payors have paid the Debtors for services that have subsequently been invalidated due to licensing issues or other regulatory restrictions.

163. Thus, after identifying a credit balance with respect to a Customer's account, the Debtors return the amount of the overpayment to the appropriate Payor in the form of an offset against future bills from the Debtors or a remittance of the excess funds back to the Payor (such offset or remittance owed to a Customer, a "**Customer Refund**" and such offset or remittance owed to a Third-Party Payor, a "**Third-Party Refund**" and with the Customer Refunds, the "**Refund Program**"). This process is routine and typical for healthcare businesses. The Debtors issue approximately \$175,000 in total Customer Refunds and Third-Party Refunds in a typical month.

164. Maintaining the Refund Program is of critical importance to the Debtors' business. Continuing the Refund Program helps to ensure that the Debtors continue to be paid for the services they provide. If the Payors do not believe that the Debtors will return funds or issue credits with respect to overpayments, they may withhold payments owed to the Debtors. In addition, the Refund Program allows billing issues to be resolved *ex post*, thus ensuring that inherent uncertainties regarding ultimate Payor liability do not interrupt the flow of payments to the Debtors. Furthermore, failing to continue the Refund Program would significantly erode the Debtors' goodwill and business relationships with existing Customers and Third-Party Payors and interfere with the Debtors' ability to attract new customers. Finally, failing to maintain the Refund Program could give rise to potential legal liability and jeopardize the Debtors' ability to bill for certain services. Given the potential consequences of failing to maintain the Refund Program, the Debtors believe that the relief they seek with respect to the Refund Program is necessary for maximizing the value of the Debtors' estates.

165. *Prompt-Pay Discounts.* In addition, the Debtors have contracts with certain Facility Customers that provide for industry standard discounts, such as a program that

affords a modest discount, varying according to then-prevailing market factors and cost of capital, to Facility Customers for payment of invoices within a period of time specified by contract and consistent with standard industry terms (the “**Prompt-Pay Discount**” and with the Refund Program, the “**Customer Programs**”).

166. Specifically, when a Facility Customer pays an invoice within the applicable time period, the Facility Customer may be entitled to discount its payment to the Debtors by a specified amount, subject to certain conditions. On average, the Debtors extend approximately \$35,000 in Prompt-Pay Discounts each month. Because the Prompt-Pay discounts are extended in the form of reduced payments to the Debtor, the Debtors do not remit any funds on account of the Prompt-Pay Discounts.

167. The Prompt-Pay Discounts provide an incentive for the Facility Customers to enter into and maintain contracts with the Debtors, make timely payments to the Debtors, and reduce the Debtors’ overall collection costs. Additionally, the Prompt-Pay Discounts boost the Debtors’ liquidity by helping to reduce payment delays.

168. Thus, the Debtors believe, in their business judgment, that continuing to offer the Prompt-Pay Discounts provides value in excess of any revenue foregone through discounts. Furthermore, as noted above, continuing the Prompt-Pay Discounts will not result in cash outlays by the Debtors and will not give rise to claims against the Debtors’ estates. Consequently, the Debtors believe that authority from the court to continue the Prompt-Pay Discounts is unnecessary. However, out of an abundance of caution, pursuant to the Customer Programs Motion, the Debtors seek authority, but not direction, to continue providing these discounts in the ordinary course of business, consistent with past practices and in the Debtors’ sole discretion.

169. Utilities Motion. In the ordinary course of business, the Debtors obtain water, gas, electricity, security alarm, sewer, telephone, cell phone data, internet, waste management and similar utility products and services (the “**Utility Services**”) from “utilities” as that term is used in section 366 of the Bankruptcy Code (the “**Utility Companies**”). The Debtors have filed a motion requesting that this Court approve (a) the Debtors’ proposed form of adequate assurance of postpetition payment (the “**Proposed Adequate Assurance**”) to the Utility Companies and (b) the Debtors’ proposed procedures for resolving any objections by the Utility Companies relating to the Proposed Adequate Assurance, and prohibiting the Utility Companies from altering, refusing, or discontinuing service to, or discriminating against, the Debtors.

170. In particular, the Debtors propose the establishment of a segregated account (the “**Utility Deposit Account**”) within twenty (20) days of the petition date in which the Debtors will place a deposit equal to approximately two weeks of Utility Services. I believe that creation of the Utility Deposit Account and the additional procedures set forth in the motion adequately protect the rights that I have been advised are provided to the Utility Companies under the Bankruptcy Code, while also protecting the Debtors’ need to continue to receive, for the benefit of their estates, the Utility Services upon which their business depends. The Debtors estimate the aggregate of all the Utility Deposits will be approximately \$415,050.

171. The Debtors require substantial bandwidth to transmit diagnostic information, X-rays, and ultrasounds. Several of the Utility Companies provide wireless imaging that enables the Debtors to receive the diagnostic-quality images that their business requires.

172. I believe that any interruption in Utility Services, even for a brief period of time, would disrupt the Debtors' ability to continue operations. Such a result could potentially jeopardize the Debtors' ability to perform under their customer contracts and impair the Debtors' reorganization efforts and, ultimately, the value of the Debtors' business. In my opinion, it is critical that Utility Services continue uninterrupted during the Chapter 11 Cases.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on: February 11, 2019

By: /s/ David F. Smith III  
Name: David F. Smith, III  
Title: Chief Financial Officer

### PART III

#### INFORMATION REQUIRED BY LOCAL BANKRUPTCY RULE 1007-2

1. It is my understanding that Local Bankruptcy Rule 1007-2 requires that the Debtors provide certain information, which is set forth below.<sup>1</sup>
2. As required under Local Bankruptcy Rule 1007-2(a)(3), to the best of the Debtors' knowledge and belief, **Exhibit B** lists the only committee organized prior to the Petition Date: the *ad hoc* committee of certain holders of the obligations under the First Lien Credit Agreement, represented by Kirkland & Ellis LLP.
3. As required under Local Bankruptcy Rule 1007-2(a)(4), **Exhibit C** lists the following information with respect to each of the holders of the Debtors' 30 largest unsecured claims on a consolidated basis, excluding claims of insiders: the creditor's name, address (including the number, street, apartment or suite number, and zip code, if not included in the post office address), telephone number, the name(s) of person(s) familiar with the Debtors' accounts, the amount of the claim, and an indication of whether the claim is contingent, unliquidated, disputed or partially secured. In each case, the claim amounts listed on **Exhibit C** are estimated and subject to verification. In addition, the Debtors reserve their rights to assert remedies, defenses, counterclaims, and offsets with respect to each claim.
4. As required under Local Bankruptcy Rule 1007-2(a)(5), **Exhibit D** provides the following information with respect to each of the holders of the five largest secured claims against the Debtors on a consolidated basis: the creditor's name and address (including the

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<sup>1</sup> The information contained in the Exhibits attached to this Declaration shall not constitute an admission of liability by, nor is it binding on, the Debtors. The Debtors reserve all rights to assert that any debt or claim listed herein is a disputed claim or debt, and to challenge the priority, nature, amount, or status of any claim or debt. The descriptions of the collateral securing the underlying obligations are intended only as brief summaries. In the event of any inconsistencies between the summaries set forth and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control.

number, street, apartment or suite number, and zip code, if not included in the post office address), the amount of the claim, a brief description and an estimate of the value of the collateral securing the claim, and whether the claim or lien is disputed. In each case, the claim amounts listed on **Exhibit D** are estimated and subject to verification. In addition, the Debtors reserve their rights to assert remedies, defenses, counterclaims, and offsets with respect to each claim.

5. As required under Local Bankruptcy Rule 1007-2(a)(6), the Debtors submit that as of December 31, 2018, the Debtors' unaudited consolidated financial statements, as prepared in accordance with U.S. generally accepted accounting principles ("**GAAP**"), aggregated \$584 million in total assets and \$867 million in total liabilities.

6. The requirements under Local Bankruptcy Rule 1007-2(a)(7) are not applicable here because to the best of the Debtors' knowledge and belief, as of the Petition Date, there are no shares of stock, debentures, or other securities of the Debtors that are publicly held.

7. As required under Local Bankruptcy Rule 1007-2(a)(8), **Exhibit E** provides a list of all the Debtors' property in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents, or secured creditor, or agent for any such entity, giving the name, address, and telephone number of each such entity and the court in which any proceeding relating thereto is pending.

8. As required under Local Bankruptcy Rule 1007-2(a)(9), **Exhibit F** provides a list of the premises owned, leased, or held under other arrangement from which the Debtors operate their businesses.



9. As required under Local Bankruptcy Rule 1007-2(a)(10), **Exhibit G** provides the location of the Debtors' substantial assets, the location of their books and records, and the nature, location, and value of assets held by the Debtors outside the territorial limits of the United States.

10. The requirements under Local Bankruptcy Rule 1007-2(a)(11) are not applicable here because to the best of the Debtors' knowledge and belief, there are no actions or proceedings, pending or threatened, against the Debtors or their property where a judgment against the Debtors or a seizure of the Debtors' property may be imminent.

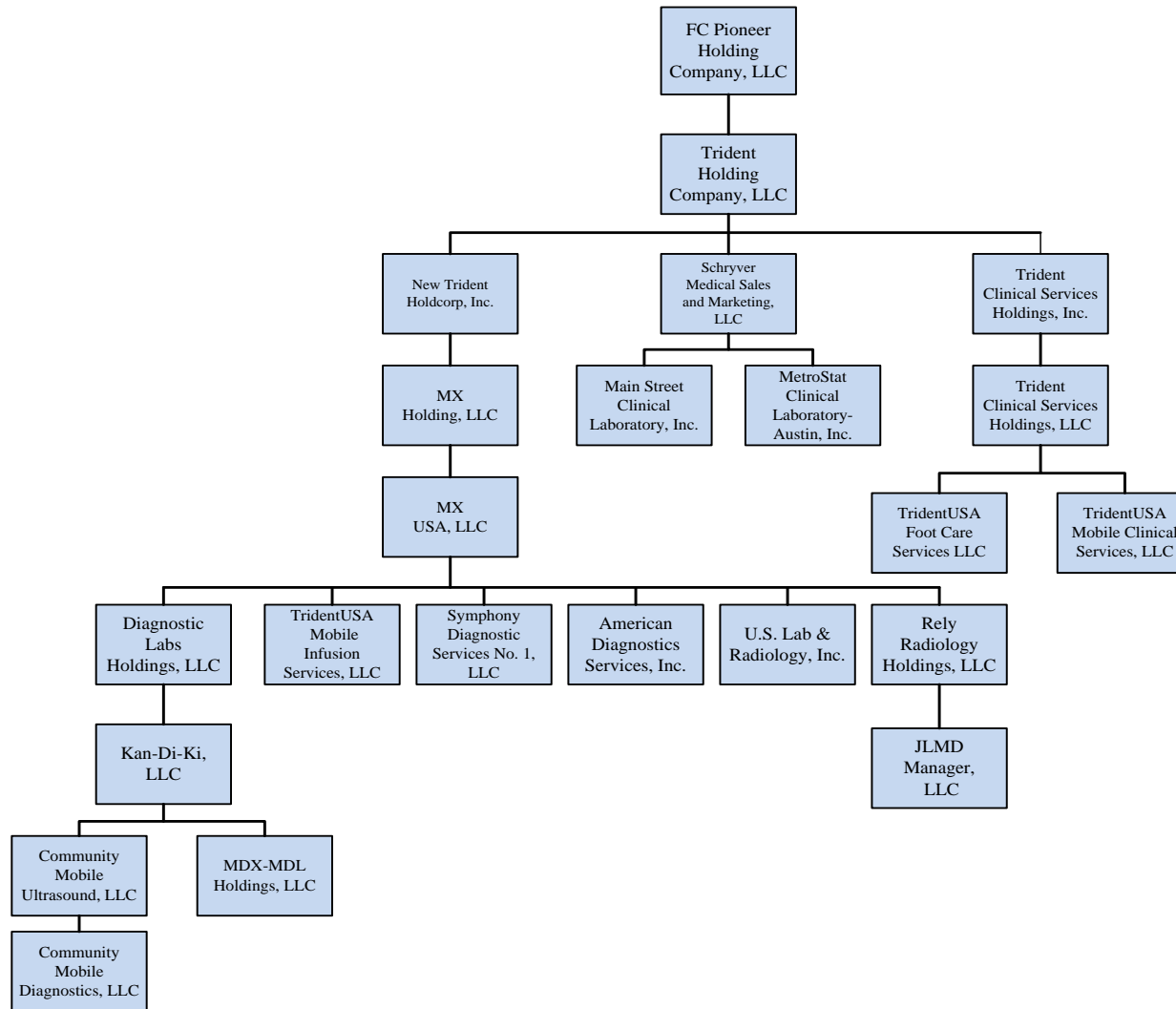
11. As required under Local Bankruptcy Rule 1007-2(a)(12), **Exhibit H** provides a list of the names of the individuals who comprise the Debtors' existing senior management, their tenure with the Debtors, and a brief summary of their relevant responsibilities and experience.

12. As required under Local Bankruptcy Rule 1007-2(b)(1)-(2)(A) and (C), **Exhibit I** provides the estimated weekly payroll amount, on a consolidated basis, to be paid to the Debtors' employees (exclusive of officers, directors, and stockholders) and the estimated amounts proposed to be paid to officers, stockholders, directors, and financial and business consultants retained by the Debtors, for the thirty-day period following the Petition Date.

13. As required under Local Bankruptcy Rule 1007-2(b)(3), **Exhibit J** provides the estimated cash receipts and disbursements, estimated net cash gain or loss, and estimated obligations and receivables expected to accrue that remain unpaid, other than professional fees, on a consolidated basis for the 30-day period following the Petition Date.

**EXHIBIT A**

**Corporate Organizational Chart**



**EXHIBIT B**

**Committees**

Pursuant to Local Rule 1007-2(a)(3), to the best of the Debtors' knowledge and belief, no official committee has been organized prior to the Petition Date.

Pursuant to Local Rule 1007-2(a)(3), prior to the Petition Date, the Debtors are aware of the following unofficial *ad hoc* group that was formed to engage with the Debtors in an effort to participate in the Debtors' ongoing restructuring efforts.

Committee Description	Committee Representatives
<i>Ad Hoc</i> Committee of Holders of the Obligations under the First Lien Credit Agreement	Kirkland & Ellis LLP  300 North LaSalle Street Chicago, IL 60654  (Attn: Patrick J. Nash, Jr.)

## EXHIBIT C

### Consolidated List of the Holders of the Debtors' 30 Largest Unsecured Claims

Fill in this information to identify the case:			
Debtor name	<u>Trident Holding Company, LLC, et al.</u>		
United States Bankruptcy Court for the:	<u>Southern</u>	District of	<u>New York</u> <small>(State)</small>
Case number (If known):	<u></u>		

☐ Check if this is  
an amended filing

Name of creditor		Address, name, telephone number, and email address of creditor contact	Nature of the claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of unsecured claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
					Total Claim, if partially secured	Deduction for value of collateral or setoff	Unsecured Claim
1.	Grosvenor Capital Management	Grosvenor Capital Management c/o GCM Customized Fund Investment Group, L.P. Attn: General Counsel 767 Fifth Ave., 14th Floor New York, NY 10153 Tel: (646) 362-0919 Email: legal@gcmlp.com	Promissory Notes		\$79,942,817.87		
2.	Jones Day	Jones Day Attn: Robert Ducatman 901 Lakeside Avenue Cleveland, OH 44114-1190 Tel: (216) 287-0556 Email: rducatman@jonesday.com	Professional Services		\$2,336,864		

3.	Konica Minolta Healthcare Americas, Inc.	Konica Minolta Healthcare Americas, Inc. Attn: Robert Salzman 829 Virginia Rd. Ste. A Crystal Lake, IL 60014 Tel: (815) 351-6143 Email: bob.salzman@2020imaging.net	Trade Debt		\$1,939,204
4.	Beckman Coulter Inc.	Beckman Coulter, Inc. Attn: Ron Taylor, Sr. 250 South Kraemer Blvd. Brea, CA 92821-6232 Tel: (480) 247-1172 Email: rctaylor@beckman.com	Trade Debt		\$1,550,852
5.	Hinduja Global Solutions, Inc. d/b/a HGS EBOS, LLC	Hinduja Global Solutions, Inc. HGS EBOS LLC Attn: Daniel A. Schulte 1249 South River Road Cranbury, NJ 08512 Tel: (609) 759-5200 Email: daniel.schulte@teamhgs.com	Trade Debt		\$1,372,929
6.	McKesson Medical Surgical, Inc.	McKesson Medical Surgical, Inc. Attn: Charles "Chuck" Saul 1951 Bishop Lane, Ste. 300 Louisville, KY 40218 Tel: (206) 551-3539 Email: Charles.Saul@McKesson.com	Trade Debt		\$1,151,213
7.	KPMG, LLP	KPMG LLP Attn: Elliott Skrinjar 500 Grant St., Suite 3400 Pittsburgh, PA 15219 Tel: (412) 916-4778 Email: eskrinjar@kpmg.com	Trade Debt		\$1,026,778
8.	Quest Diagnostics	Quest Diagnostics Attn: Michael Prevoznik 500 Plaza Drive Secaucus, NJ 07094 Tel: 1 (800) 222-0446 Email: Michael.e.prevoznik@questdiagnostics.com	Trade Debt		\$988,069
9.	Cardinal Health Medical Products & Services	Cardinal Health Medical Products & Services Attn: Ryan Cox 7000 Cardinal Place Dublin, OH 43017 Tel: (503) 754-3191 Email: Ryan.Cox@cardinalhealth.com	Trade Debt		\$772,762
10.	Nebo Systems Inc.	Nebo Systems, Inc. Attn: Merideth Wilson P.O. Box 886133 El Monte, CA 91731 Tel: (404) 432-4084 Email: Merideth.Wilson@experian.com	Trade Debt		\$772,642
11.	Laboratory Corp. of America Holdings	Laboratory Corp. of America Holdings Attn: Brad Collie 31 South Spring Street Burlington, NC 27215 Tel: (615) 210-7018 Email: Collieb@LabCorp.com	Trade Debt		\$730,657
12.	Verizon	Verizon Attn: Rebecca Holliday 6200 Canoga Ave., Ste. 100 Woodland Hills, CA 91364 Tel: (310) 339-4157 Email: rebecca.holliday@verizonwireless.com	Trade Debt		\$675,364

13.	Telcor, Inc.	Telcor, Inc. Attn: Jim Terrano 7101 A Street Lincoln, NE 98510 Tel: (402) 489-1207 Email: jim.terrano@telcor.com	Trade Debt		\$648,027
14.	Ropes & Gray, LLP	Ropes & Gray, LLP Attn: Kendrick Chow The Prudential Tower 800 Boylston Street Boston, MA 21993 Tel: (617) 320-0050 Email: Kendrick.Chow@ropesgray.com	Professional Services		\$645,336
15.	Biomerieux, Inc.	Biomerieux, Inc. Attn: David Hill, Sr. P.O. Box 500308 St. Louis, MO 63150-0308 Tel: (480) 250-9634 Email: Dave.HILL@biomerieux.com	Trade Debt		\$596,839
16.	Metropolitan Life Insurance Co.	Metropolitan Life Insurance Co. Attn: Colleen Delby 177 S. Commons Drive Aurora, IL 60504 Tel: (630) 978-6177 Email: cdelby@metlife.com	Trade Debt		\$478,373
17.	Element Fleet Corporation	Element Fleet Corporation Attn: Jim Spellissy 940 Ridgebrook Road Sparks Glencoe, MD 21152 Tel: (410) 771-2828 Email: jspellissy@elementcorp.com	Trade Debt		\$473,277
18.	American Express	American Express Attn: Laureen Seeger 200 Vesey St. New York, New York 10285 Tel: (212) 619-9802 Email: amexsru@aexp.com	Trade Debt		\$412,400
19.	Bard Access Systems Inc.	Bard Access Systems Inc. Attn: David Blaber 605 North 5600 West Salt Lake City, UT 84116 Tel: (801) 792-3071 Email: david.blaber@crbard.com	Trade Debt		\$401,792
20.	Change Healthcare Solutions LLC	Change Healthcare Solutions, LLC Attn: Kevin Porter 3055 Lebanon Pike Suite 1000 Nashville, TN 37214 Tel: (615) 932-2624 Email: KPorter@changehealthcare.com	Trade Debt		\$389,761
21.	Alston & Bird LLP	Alston & Bird, LLP Attn: Bill Jordan 1201 Peachtree St. NW Atlanta, GA 30309 Tel: (404) 693-4067 Email: BillJordan@alston.com	Trade Debt		\$383,263
22.	Roche Diagnostics Corp.	Roche Diagnostics Corp. Attn: Lisa Morris 9115 Hague Road Indianapolis, IN 46250 Tel: (561) 693-8380 Email: lisa.morris@roche.com	Trade Debt		\$370,120

23.	TIS International Inc. d/b/a Infinox Healthcare	TIS International Inc. d/b/a Infinox Healthcare Attn: Jaideep Tandon & Sameer Sheth 4340 Stevens Creek Blvd. Ste 275 San Jose, CA 95129 Tel: (408) 404-0550 Email: Sameer.Sheth@Infinox.com	Trade Debt		\$366,076
24.	E5 Workflow Inc.	E5 Workflow Inc. Attn: Michael Marshall 8805 N. 145th E. Ave. Suite 204 Owasso, OK 74055 Tel: (918) 902-4310 Email: mmarshall@e5workflow.com	Trade Debt		\$300,778
25.	PCM, Inc.	PCM, Inc. Attn: Dikla Elmalich 1940 E. Mariposa Ave. El Segundo, CA 90245 Tel: (514) 373-8003 Email: dikla.elmalich@pcm.com	Trade Debt		\$289,564
26.	Source Ray, Inc.	Source Ray Inc. Attn: Ray Manez 50 Fleetwood Ct. Ronkonkoma, NY 11779 Tel: (631) 244-8200 Ext. 302 Email: rmanez@sourceray.com	Trade Debt		\$284,816
27.	Merchants Fleet	Merchants Fleet Attn: Jack G. Firriolo 1278 Hooksett Rd. Hooksett, NH 03106 Tel: (603) 695-9330 Email: jackfirriolo@MerchantsFleet.com	Trade Debt		\$282,023
28.	Cepheid	Cepheid Attn: Keith Stapp 904 E. Caribbean Drive Sunnyvale, CA 94089 Tel: (805) 795-1137 Email: keith.stapp@cepheid.com	Trade Debt		\$274,800
29.	Greyhound Lines	Greyhound Lines Attn: Tom Paonessa 205 S. Lamar Dallas, TX 75202 Tel: (469) 401-3919 Email: tom.paonessa@greyhound.com	Trade Debt		\$258,730
30.	MetroStat Diagnostic Services	MetroStat Diagnostic Services c/o Baker Donelson Attn: Kelly J. Davidson 100 Light Street Baltimore, MD 21202 Tel: (410) 862-1195 Email: kdavidson@bakerdonelson.com	Contract & Litigation	Disputed, Unliquidated	Unliquidated

**EXHIBIT D**

**Consolidated List of the Holders of the Debtors' Five Largest Secured Claims**

Pursuant to Local Bankruptcy Rule 1007-2(a)(5), the following is a list of creditors holding the five largest secured claims against the Debtors, on a consolidated basis, as of the Petition Date.

The information contained herein shall not constitute an admission of liability by, nor is it binding on, the Debtors. The Debtors reserve all rights to assert that any debt or claim included herein is a disputed claim or debt, and to challenge the priority, nature, amount, or status of any such claim or debt. The descriptions of the collateral securing the underlying obligations are intended only as brief summaries. In the event of any inconsistencies between the summaries set forth below and the respective corporate and legal documents relating to such obligations, the descriptions in the corporate and legal documents shall control.

<b>Creditor Name</b>	<b>Creditor Contact</b>	<b>Amount of Claim</b>	<b>Collateral Description and Value</b>
Silver Point Finance, LLC, as Administrative Agent for the Priority First Lien Facility	Silver Point Finance c/o Credit Administration Dept. Attn: Joanna Holte Two Greenwich Plaza Greenwich, CT 06830 E-mail: Creditadmin@silverpointcapital.com Phone: (203) 542-4230	\$257,264,239.61	Collateral Description: Substantially all of the assets of the Debtors  Value: Unknown
Cortland Capital Market Services LLC, as Administrative Agent for the First Lien Facility	Cortland Capital Market Services LLC Attn: Legal Department and Frances Real 225 W. Washington Street, 9th Floor Chicago, IL 60606 E-mail: legal@cortlandglobal.com Phone: (312) 564-5100	\$219,823,788.37	Collateral Description: Substantially all of the assets of the Debtors  Value: Unknown
Ares Capital Corporation, as Administrative Agent for the Second Lien Facility	Ares Capital Corporation 245 Park Avenue, 44th Floor New York, NY 10167 Attn: ARCC General Counsel (arccgeneralcounsel@aresmgmt.com) cc: Raymond Wright (wright@aresmgmt.com) Phone: (212) 750-7300	\$175,567,909.46	Collateral Description: Substantially all of the assets of the Debtors  Value: Unknown



**EXHIBIT E**

**Summary of Debtors' Property Held by Third Parties**

Pursuant to Local Bankruptcy Rule 1007-2(a)(8), the following lists the Debtors' property in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents, secured creditor, or agent for any such entity.

In the ordinary course of business, certain property of the Debtors is likely to be in the possession of various third parties, including shippers, maintenance providers, common carriers, materialmen, custodians, public officers, mortgagees, pledgees, assignees of rents, secured creditors, or agents. Through these arrangements, the Debtors' ownership interest is not affected. Because of the movement of this property, providing a comprehensive list of the persons or entities in the possession of the property, their addresses and telephone numbers, and the location of any court proceeding affecting such property would be impractical.

**EXHIBIT F**

**Summary of Debtors' Property From Which the Debtors Operate Their Business**

Pursuant to Local Bankruptcy Rule 1007-2(a)(9), the following lists the location of the premises owned, leased, or held under other arrangement from which the Debtors operate their businesses as of the Petition Date.

<b>Property Name</b>	<b>Property Address</b>	<b>Owned or Leased</b>	<b>Usage</b>
Barber Business Park	234 Aquarius Drive Birmingham, AL 35209	Leased	Branch Office
Richdale Center V	9780 Maumelle Blvd North Little Rock, AR 72113	Leased	Branch Office
2100 North Wilmot, Suite 210	2100 North Wilmot Tucson, AZ 85712	Leased	Lab Drop Site
5050 S. 40th Street	5050 S. 40th Street Phoenix, AZ 85040	Leased	Branch Office
3961 East Speedway, Suite 411	3961 East Speedway Tucson, AZ 85712	Leased	Branch Office
Broadway Court	3230 East Broadway Road Phoenix, AZ 85040	Leased	Lab
9980 Glenoaks Blvd, Unit D	9980 Glenoaks Blvd Sun Valley, CA 91352	Leased	Branch Office
Blueridge Business Park	1845 N. Case Street Orange, CA 92865	Leased	Branch Office
34116 Date Palm, Suites #2	34116 Date Palm Cathedral City, CA 92234	Leased	Branch Office
10020 Indiana Ave, Suite 3	10020 Indiana Ave Riverside, CA 92503	Leased	Lab Drop Site
1740 Huntington Drive, Unit #203	1740 Huntington Drive Duarte, CA 91010	Leased	Lab Drop Site
2141 S. El Camino Real, Suite A/B	2141 S. El Camino Real Oceanside, CA 92054	Leased	Lab Drop Site
Commercenter Plaza	1808 Commercenter West San Bernardino, CA 92408	Leased	Lab Drop Site
965 E. Yosemite Avenue Suite 24	965 E. Yosemite Avenue Manteca, CA 95336	Leased	Lab Drop Site
Stadium Plaza	1500 S. Sunkist Street Anaheim, CA 92806	Leased	Lab Drop Site
7075 Redwood Blvd, Suite J	7075 Redwood Blvd Novato, CA 94945	Leased	Lab Drop Site
310 N Cluff Ave, Suite #212	310 N Cluff Ave Lodi, CA 95240	Leased	Branch Office
Archstone Business Park	8545 Arjons Drive San Diego, CA 92126	Leased	Lab Drop Site
566 Lancaster Blvd unit #12	566 Lancaster Blvd Lancaster, CA 93534	Leased	Lab Drop Site
Baldwin Hills Center	3641 S. La Brea Avenue Los Angeles, CA 90016	Leased	Lab Drop Site

360 Mobil Avenue	360 Mobil Avenue Camarillo, CA 93010	Leased	Lab Drop Site
2540 Boatman Avenue, Suite 180	2540 Boatman Avenue West Sacramento, CA 95691	Leased	Lab Drop Site
15955 Paramount Blvd., Unit C	15955 Paramount Blvd Paramount, CA 90723	Leased	Lab Drop Site
2301 W. 205th Street, Suite 108	2301 W. 205th Street Torrance, CA 90501	Leased	Lab Drop Site
Northpoint Business Part	10936 - 10948 Bigge Street San Leandro, CA 94577	Leased	Lab
1701 Westwind Dr. #114	1701 Westwind Dr. Bakersfield, CA 93301	Leased	Lab Drop Site
Kearny Mesa West Building Park	7330 Engineer Road San Diego, CA 92111	Leased	Branch Office
1281 E. Alluvial Ave, Suite 116, ground floor	1281 E. Alluvial Ave Fresno, CA 93720	Leased	Lab Drop Site
1954 Camden Avenue, 1st floor, Unit 2	1954 Camden Avenue San Jose, CA 95124	Leased	Branch Office
Howard Business Park	2850 N. Ontario St Burbank, CA 91504	Leased	Warehouse
Garin Ranch Shopping Center	8600 Brentwood Boulevard Brentwood, CA 94513	Leased	Corporate Office
Burbank Industrial Park	4201 Vanowen Place, Building 6 Burbank, CA 91505	Leased	Warehouse
Commerce Center	15201 Montcrieff Place Aurora, CO 80011	Leased	Lab Drop Site
12075 E 45th Avenue, Suite 315	12075 E 45th Avenue Denver, CO 80239	Leased	Branch Office
12075 E 45th Ave, Suite 300	12075 E 45th Ave Denver, CO 80239	Leased	Record Storage
575 25 Road	575 25 Road Grand Junction, CO 81505	Leased	Lab Drop Site
3455-3457 Astrozon Court	3455-3457 Astrozon Court Colorado Springs, CO 80916	Leased	Branch Office
12075 East 45th Avenue, Suite 700	12075 East 45th Avenue Denver, CO 80239	Leased	Lab
12075 E. 45th Avenue, Suite 500	12075 E. 45th Avenue Denver, CO 80239	Leased	Branch Office
12075 East 45th Avenue., Suite 600	12075 East 45th Avenue Denver, CO 80239	Leased	Branch Office
12075 E 45th Avenue, Suite 200	12075 E. 45th Avenue Denver, CO 80239	Leased	Call Center
11585 East 53rd Avenue	11585 East 53rd Avenue Denver, CO 80239	Leased	Oxygen
Middletown Business Park	460 Smith Street Middletown, CT 06457	Leased	Lab
1109 Middleford Road	1109 Middleford Road Seaford, DE 19973	Leased	Branch Office
2650 Bahia Vista Street, Suite 108	2650 Bahia Vista Street Sarasota, FL 34239	Leased	Branch Office

Sterling Square	2187 South Combee Road Lakeland, FL 33801	Leased	Branch Office
1010 E Silver Springs Blvd, Suite F	1010 E Silver Springs Blvd Ocala, FL 34470	Leased	Branch Office
4100 Building	4539 Beach Boulevard Jacksonville, FL 32207	Leased	Branch Office
1600 Sarno Road, Suite 7	1600 Sarno Road Melbourne, FL 32935	Leased	Warehouse
6433-B Old Hwy 90	6433-B Old Hwy 90 Milton, FL 32570	Leased	Branch Office
ICOT Office Center	13773 ICOT Boulevard Clearwater, FL 33760	Leased	Call Center
5501 49th Street	5501 49th Street St. Petersburg, FL 33709	Leased	Lab
250 S Federal Highway	250 S. Federal Highway Dania Beach, FL 33004	Leased	Lab
3228 University Avenue, Suite 104	3228 University Avenue Columbus, GA 31907	Leased	Branch Office
Byron Self Storage	107 W. White Rd Bryon, GA 31008	Leased	Branch Office
Virginia Crossings Office Park	1005 Virginia Avenue Hapeville, GA 30354	Leased	Branch Office
25 S 15th Street, Suite 2A	25 S 15th Street Council Bluffs, IA 51501	Leased	Branch Office
2399 S Orchard Suite# 214	2399 S Orchard Boise, ID 83705	Leased	Branch Office
6003 Overland Road, Suite L107	6003 Overland Road Boise, ID 83709	Leased	Lab Drop Site
1620 Northwest Boulevard	1620 Northwest Boulevard Coeur d'Alene, ID 83814	Leased	Branch Office
White Pines Office Center	205 W. Grand Ave Bensenville, IL 60106	Leased	Branch Office
Pioneer Square	7501 N. University Peoria, IL 61614	Leased	Branch Office
1660 E. Main St, North half of ste. 105	1660 E. Main St Plainfield, IN 46168	Leased	Branch Office
2901-A Parnell Avenue	2901-A Parnell Avenue Fort Wayne, IN 46805	Leased	Branch Office
2200 N. Walnut St., Suite 2	2200 N. Walnut St. Muncie, IN 47303	Leased	Branch Office
4400 Washington Avenue, Suite 311, 306, 308	4400 Washington Ave Evansville, IN 47714	Leased	Branch Office
1660 E. Main St. North half of Ste. 105	1660 E. Main St. Plainfield, IN 46168	Leased	Branch Office
Mishawaka Medical Arts Building	303 South Main Street Mishawaka, IN 46544	Leased	Lab Drop Site
10580 Barkley, Suite 415	10580 Barkley Overland Park, KS 66212	Leased	Branch Office
9114 Leesgate Lane, Suite 9110-6	9114 Leesgate Lane Louisville, KY 40222	Leased	Lab Drop Site

55 Turnpike Street, Unit #3	55 Turnpike Street West BridgeWater, MA 02379	Leased	Warehouse
1 South End Bridge Circle	584 Meadow St Agawam, MA 01001	Leased	Branch Office
52 Crest Avenue, Winthrop	52 Crest Avenue, Winthrop Winthrop, MA 02152	Leased	Lab Drop Site
248 Mill Road Building II, Unit #4	248 Mill Road Building II Chelmsford, MA 01824	Leased	Lab
109 Rhode Island Road, Suite #1, #2, #3	109 Rhode Island Road Lakeville, MA 02347	Leased	Corporate Office
540C West Boylston Street	540C West Boylston Street Worcester, MA 01606	Leased	Lab Drop Site
2 Jonathan Drive	2 Jonathan Drive Brockton, MA 02301	Leased	Lab
2505 Lord Baltimore Drive, Suite E (rear)	2505 Lord Baltimore Drive Baltimore, MD 21244	Leased	Branch Office
930 Ridgebrook Road	930 Ridgebrook Road Sparks, MD 21152	Leased	Corporate Office
891 Brighton Ave, Suite 3	891 Brighton Ave Portland, ME 04102	Leased	Branch Office
3405 Sterns Road, Suite #2	3405 Sterns Road Lambertville, MI 48144	Leased	Branch Office
2215 Oak Industrial Drive, Suite 110	2215 Oak Industrial Drive Grand Rapids, MI 49505	Leased	Branch Office
3691 Fashion Square Blvd, Unit 4	3691 Fashion Square Blvd Saginaw, MI 48603	Leased	Branch Office
Southfield Research Park	21455 Melrose Avenue, Building R Southfield, MI 48075	Leased	Lab
8030 Old Cedar Ave. S	8030 Old Cedar Ave. S. Bloomington, MN 55425	Leased	Branch Office
11012 Lin Valle Drive, Suite G	11012 Lin Valle Drive St. Louis, MO 63123	Leased	Branch Office
8727 Northwest Drive, Suite A	8727 Northwest Drive Southaven, MS 38671	Leased	Lab
North Hills Professional Park	3801 Computer Drive Raleigh, NC 27609	Leased	Branch Office
800 Tiffany Blvd, Suites 101, 217, 221	800 Tiffany Blvd Rocky Mount, NC 27804	Leased	Branch Office
3523 45th Street South, Suite 100	3523 45th Street South Fargo, ND 58104	Leased	Branch Office
Discovery Plaza	13518 Discovery Drive Omaha, NE 68137	Leased	Branch Office
133 Fleming Street	133 Fleming Street, Piscataway, N.J. 08854 Piscataway, NJ 08854	Leased	Branch Office
1326 E. Idaho	1326 E Idaho Las Cruces, NM 88001	Leased	Branch Office
7001 Bluewater Road NW, Suite C	7001 Bluewater Road NW Albuquerque, NM 87121	Leased	Branch Office

Eastern Commerce Center	6000 South Eastern Avenue Las Vegas, NV 89119	Leased	Lab Drop Site
7355 Prairie Falcon Road	7355 Prairie Falcon Road Las Vegas, NV 89128	Leased	Lab
Financial Plaza	1135 Terminal Way Reno, NV 89502	Leased	Branch Office
30-50 Whitestone Expressway	30-50 Whitestone Expressway Flushing, NY 11354	Leased	Branch Office
2444 Cable Court, Suite C	2444 Cable Court Lima, OH 45805	Leased	Branch Office
138 Marietta Road, Suite A	138 Marietta Road Chillicothe, OH 45601	Leased	Branch Office
26675 Eckel Road	26675 Eckel Road Perrysburg, OH 43551	Leased	Branch Office
29 N 4th St	29 N 4th St Newark, OH 43055	Leased	Branch Office
7575 Tyler Blvd, Unit# 1	7575 Tyler Blvd Mentor, OH 44060	Leased	Branch Office
2520 Nordic Road	2520 Nordic Road Dayton, OH 45414	Leased	Branch Office
1920 Churchchill Road, Suite 140	1920 Churchchill Road Girard, OH 44420	Leased	Branch Office
406 Cleveland St	406 Cleveland St Elyria, OH 44035	Leased	Branch Office
922 Gay Street	922 Gay Street Portsmouth, OH 45662	Leased	Branch Office
6416 Wise Avenue NW, North Canton	6416 Wise Avenue, NW North Canton, OH 44720	Leased	Branch Office
2001 West Fourth Street	2001 West Fourth Street Ontario, OH 44906	Leased	Branch Office
1375 Kemper Meadow Building	1375 Kemper Meadow Drive Cincinnati, OH 45240	Leased	Branch Office
2444 Cable Court, Suite C	2444 Cable Court Lima, OH 45805	Leased	Branch Office
1608 Portage Trl	1608 Portage Trl Cuyahoa Falls, OH 44223	Leased	Branch Office
Worthington Commerce Center	6155 - 6185 Huntley Road Columbus, OH 43229	Leased	Call Center
Worthington Commerce Center	6155 - 6185 Huntley Road Columbus, OH 43229	Leased	Call Center
1236 Sovereign Row	1236 Sovereign Row Oklahoma, OK 73108	Leased	Branch Office
Seminole	9810 East 42nd Street South Tulsa, OK 74146	Leased	Lab Drop Site
10324 Greenbriar Place, Suite A	10324 Greenbriar Place Oklahoma City, OK 73159	Leased	Branch Office
60 West, Q Street	60 West, Q Street Springfield, OR 97477	Leased	Branch Office
Sayler Building	10415 SE Stark Street Portland, OR 97216	Leased	Lab Drop Site

17744 NE San Rafael St	17744 NE San Rafael St Gresham, OR 97230	Leased	Branch Office
Anthony's Professional Center - Building #2	129 Hartman Road Greensburg, PA 15601	Leased	Branch Office
Fair Acres Geriatric Center	340 N. Middletown Road Lima, PA 19063	Leased	Branch Office
11 Penns Trail, Suite 200	11 Penns Trail Newtown, PA 18940	Leased	Lab
101-111 Rock Road	101-111 Rock Road Horsham, PA 19044	Leased	Branch Office
2554 W. Palmetto St. Suite 12	2554 W. Palmetto St. Florence, SC 29501	Leased	Branch Office
1310 Haviland Circle	1310 Haviland Circle Columbia, SC 29210	Leased	Branch Office
1707 "C" Ashley River Road	1707 "C" Ashley River Road Charleston, SC 29407	Leased	Branch Office
706 Mabry Hood Road	706 Mabry Hood Road Knoxville, TN 37932	Leased	Branch Office
Lot #13 South Perimeter Park	301 South Perimeter Park Drive Nashville, TN 37211	Leased	Branch Office
Grassmere IV	640 Grassmere Park Drive Nashville, TN 37211	Leased	Branch Office
2524 Montana Avenue, Suite D and E	2524 Montana El Paso, TX 79903	Leased	Branch Office
La Costa Corporate Park	6448 Hwy. 290 East Austin, TX 78723	Leased	Lab Drop Site
1212 W. Lancaster Avenue, Suite A	1212 W. Lancaster Avenue Fort Worth, TX 76102	Leased	Branch Office
Highlands Office Park	Lot 26, New City Block 1500-B Tyler, TX 75709	Leased	Lab Drop Site
7022 Baker Blvd	7022 Baker Blvd Richland Hills, TX 76118	Leased	Branch Office
Hillcrest Medical Plaza	3500 Hillcrest Waco, TX 76708	Leased	Branch Office
BPM Airport	8031 Airport Blvd Houston, TX 77061	Leased	Branch Office
1101 W. Ferguson Blvd, - Suite D	1101 W. Ferguson Blvd Pharr, TX 78577	Leased	Branch Office
600 Kenrick, Suite A-12	600 Kenrick Houston, TX 77060	Leased	Branch Office
5233 IH-37, Suite B-8 of Park 37	5233 IH-37 Corpus Christi, TX 78408	Leased	Branch Office
Airport Office Park	9001 Airport Blvd Houston, TX 77061	Leased	Branch Office
Lincoln R&D Legacy Park	6400 Pinecrest Drive Plano, TX 75024	Leased	Corporate Office
800 Goforth Square	147 Elmhurst Kyle, TX 78640	Leased	Lab
9200 Broadway St, Suite 111	9200 Broadway St San Antonio, TX 78217	Leased	Branch Office

3424 Midcourt, Suite 120	3424 Midcourt Carrollton, TX 75006	Leased	Call Center
808 Tower Drive, Suite #7	808 Tower Drive Odessa, TX 79761	Leased	Lab Drop Site
3414 Midcourt, Suite 112	3141 Midcourt Carrollton, TX 75006	Leased	Lab
9078 South 300 West	9078 South 300 West Sandy, UT 84070	Leased	Branch Office
2116 Dabney Road, Suite A-1	2116 Dabney Road Richmond, VA 23230	Leased	Branch Office
3003 So Huson Street	3003 So Huson Street Tacoma, WA 98409	Leased	Branch Office
NP Shops Add LTS 8 - 14 BLK 2 Inc	7311 E Nora Ave Spokane Valley, WA 99212	Leased	Branch Office
Gateway Corporate Center	12668 Interurban Ave S Tukwilla, WA 98168	Leased	Lab
205 Stewart Road, Suite 108-6	205 Stewart Road Mount Vernon, WA 98273	Leased	Lab Drop Site
2004 County Rd U, Suite B	2004 County Rd U Wausau, WI 54401	Leased	Branch Office
625 West Wisconsin Avenue	625 West Wisconsin Avenue Appleton, WI 54911	Leased	Branch Office
Olde Town Office Park	6417 Odana Road Madison, WI 53719	Leased	Branch Office
Audubon Court	333 W Brown Deer Road Fox Point, WI 53217	Leased	Branch Office
555 5th Avenue, Suite B	555 5th Avenue Huntington, WV 25701	Leased	Branch Office
2007 Myers Drive	2007 Myers Drive Fairmont, WV 26554	Leased	Branch Office



## **EXHIBIT G**

### **Location of the Debtors' Substantial Assets, Books and Records**

Pursuant to Local Bankruptcy Rule 1007-2(a)(10), the following provides the location of the Debtors' substantial assets, books and records, and the nature, location, and value of any assets held by the Debtors outside the territorial limits of the United States as of the Petition Date.

	<b><u>Debtor Name</u></b>	<b><u>Books &amp; Records Address</u></b>	<b><u>Location of Substantial Assets</u></b>
1	Trident Holding Company, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
2	American Diagnostics Services, Inc.	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	101 Rock Road Horsham, PA 19044
3	Community Mobile Diagnostics, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	10936 Bigge Street San Leandro, CA 94577
4	Community Mobile Ultrasound, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	10936 Bigge Street San Leandro, CA 94577
5	Diagnostic Labs Holdings, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
6	FC Pioneer Holding Company, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
7	JLMD Manager, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
8	Kan-Di-Ki, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	2820 N. Ontario Street Burbank, CA 91504
9	Main Street Clinical Laboratory, Inc.	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	12075 # 45th Ave., Ste. 600 Denver, CO 80239
10	MetroStat Clinical Laboratory – Austin, Inc.	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	12075 # 45th Ave., Ste. 600 Denver, CO 80239
11	MDX-MDL Holdings, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	10936 Bigge Street San Leandro, CA 94577
12	MX Holdings, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
13	MX USA, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
14	New Trident Holdcorp, Inc.	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
15	Rely Radiology Holdings, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152
16	Schryver Medical Sales and Marketing, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	12075 # 45th Ave., Ste. 600 Denver, CO 80239
17	Symphony Diagnostic Services No. 1, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	101 Rock Road Horsham, PA 19044

18	Trident Clinical Services Holdings, Inc.	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	800 Tiffany Blvd., Ste. 101 Rocky Mount, NC 27804
19	Trident Clinical Services Holdings, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	800 Tiffany Blvd., Ste. 101 Rocky Mount, NC 27804
20	TridentUSA Foot Care Services, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	800 Tiffany Blvd., Ste. 101 Rocky Mount, NC 27804
21	TridentUSA Mobile Clinical Services, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	800 Tiffany Blvd., Ste. 101 Rocky Mount, NC 27804
22	TridentUSA Mobile Infusion Services, LLC	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	101 Rock Road Horsham, PA 19044
23	U.S. Lab & Radiology, Inc.	930 Ridgebrook Road, 3rd Floor Sparks, MD 21152	2 Jonathan Drive Brockton, MA 02301

## **EXHIBIT H**

### **The Debtors' Senior Management**

Pursuant to Local Bankruptcy Rule 1007-2(a)(12), the following provides the names of the individuals who constitute the Debtors' existing senior management, their tenure with the Debtors, and a brief summary of their responsibilities and relevant experience as of the Petition Date.

Name/Position	Relevant Experience/ Responsibility	Tenure
Andrei Soran  CEO, Manager, Director	Andrei Soran has more than 25 years of experience in the Health Care industry, with more than 15 years in CEO and C-Suite roles. He joined TridentUSA in 2018 and currently serves as its Chief Executive Officer. Previously, between 2016-2017, Mr. Soran served as the Chief Executive Officer of Verity Health System of California, Inc., a corporation with \$1.4 billion in revenues and five acute health care facilities. Between 2014 and 2016, Mr. Soran served as both Chief Operating Officer and Executive Vice President at Detroit Medical Center, a Michigan company with \$2.4 billion in revenues, eight acute care hospitals, and 12,000 employees. From 2013-2014, Mr. Soran was the President of both Huron Valley Sinai Hospital and DMC Surgery Hospital in Michigan. In 2013, Mr. Soran served as Chief Executive Officer for Post Acute Care at Vanguard Healthcare. For seven years (2006-2013), Mr. Soran served as Chief Executive Officer at MetroWest Medical Center in Massachusetts. Before that, Mr. Soran was the Chief Executive Officer at Nashoba Valley Medical Center from 2003-2006. Mr. Soran received his Bachelor's degree in Physical Therapy from Tel Aviv University and his Master's degree in Science of Management from Boston University and Ben Gurion University.	2018 – Present
David F. Smith, III  CFO	David F. Smith, III has more than 25 years of experience as a finance, strategy and operating executive. He joined TridentUSA in March 2017 as the Chief Financial Officer. Previously, Mr. Smith served as the Chief Executive Officer and Senior Advisor of Cornerstone Healthcare Group from 2011-2017. From 2008-2011, Mr. Smith was a Director and Managing Director in the Private Equity team at Highland Capital Management. From 2002-2008, Mr. Smith held senior finance and program management roles at Roundpoint Financial Group, Countrywide Financial Corporation, and DHL Express. After completing his graduate education, Mr. Smith was a strategy consultant at Bain & Company from 1999-2002. From 1991-1997, Mr. Smith was an auditor and business advisor with Price Waterhouse during which time he became a Certified Public Accountant (currently inactive). Mr. Smith completed his graduate education at The Wharton School at the University of Pennsylvania, receiving a Master in Business Administration with majors in Marketing and	2017 – Present

	Operations. Mr. Smith received a Bachelor of Business Administration in Accounting and International Business and a Bachelor of Arts in Economics from The University of Texas at Austin.	
Thomas McCaffery  General Counsel, Senior Vice President	Thomas McCaffery has more than 30 years of in-house counsel and compliance experience in health care companies including Merck, Astra Zeneca, Johnson and Johnson, Smith Kline Beecham (now GSK), and Cardinal Health and has held legal and commercial positions in heavy industry and biotechnology companies. Mr. McCaffery joined TridentUSA as Senior Vice President and General Counsel in 2009. He received his Bachelor's degree majoring in Natural Sciences from The Johns Hopkins University; his Master's degree in Civil Engineering from the University of Delaware and his Juris Doctor degree from Rutgers University. Mr. McCaffery was an Adjunct Professor of Law at Temple University and Rutgers University Law Schools.	2009 – Present
David Velez  Executive Vice President	David Velez has more than 15 years of experience in the healthcare industry, including several years in C-Suite positions. He joined Trident, specifically Mobilex, in 2009 as a Regional Vice President for the Southeast Region. Mr. Velez presently serves as the Executive Vice President for Sales and Operations. From 2008-2009, Mr. Velez was the Regional Vice President of Aramark Corporation. Prior to that, Mr. Velez served as the Regional Vice President for Cardinal Health for five years (2003-2008). From 2000-2003, he was the Senior Vice President at the Tibbett & Britten Group. From 1994-2000, Mr. Velez worked at Pepsi Cola as the Chief Operating Officer in Brazil and subsequently was the President of Pepsi Cola in Puerto Rico. Mr. Velez received his Bachelor's degree in Science from West Point and is a Lean Six Sigma Black Belt.	2009 – Present

**EXHIBIT I**

**Debtors' Payroll for the 30 Day Period Following the Petition Date**

Pursuant to Local Rules 1007-2(b)(1)-(2)(A) and (C), the following provides, for the 30-day period following the Petition Date, the estimated amount of weekly payroll to employees (exclusive of officers, directors, and stockholders), the estimated amount paid and proposed to be paid to officers, stockholders, and directors, and the amount paid or proposed to be paid to financial and business consultants retained by the Debtors.

<b>Payments</b>	<b>Payment Amount</b>
Estimated amount of average weekly payroll to employees (not including officers, directors, and stockholders)	\$6,332,000
Estimated amount paid and proposed to be paid to officers, directors, and stockholders	\$155,000 <sup>2</sup>
Amount paid or proposed to be paid to financial and business consultants	\$5,950,000

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<sup>2</sup> Payments to officers, directors, and stockholders includes the payroll payments for the five officers of the Company, four additional equity holders, and two board members.

**EXHIBIT J**

**Debtors' Estimated Cash Receipts and Disbursements for the  
Thirty-Day Period Following the Filing of the Chapter 11 Petitions**

Pursuant to Local Rule 1007-2(b)(3), the following provides, for the 30-day period following the Petition Date, the Debtors' estimated cash receipts and disbursements, net cash gain or loss, and obligations and receivables expected to accrue that remain unpaid, other than professional fees.

Type	Amount
Net Operating Receipts	\$37,869,000
Net Operating Disbursements	(\$47,058,000)
Net Operating Cash Loss	(\$9,189,000)
Accrued Obligations	\$15,347,000
Uncollected Receivables	\$40,263,000