

CIRCUIT COURT OF THE THIRTEENTH JUDICIAL CIRCUIT
IN AND FOR HILLSBOROUGH COUNTY, FLORIDA
CIVIL DIVISION

In re:

Laser Spine Institute, LLC ¹	Case No. 2019-CA-2762
CLM Aviation, LLC	Case No. 2019-CA-2764
LSI HoldCo, LLC	Case No. 2019-CA-2765
LSI Management Company, LLC	Case No. 2019-CA-2766
Laser Spine Surgery Center of Arizona, LLC	Case No. 2019-CA-2767
Laser Spine Surgery Center of Cincinnati, LLC	Case No. 2019-CA-2768
Laser Spine Surgery Center of Cleveland, LLC	Case No. 2019-CA-2769
Laser Spine Surgical Center, LLC	Case No. 2019-CA-2770
Laser Spine Surgery Center of Pennsylvania, LLC	Case No. 2019-CA-2771
Laser Spine Surgery Center of St. Louis, LLC	Case No. 2019-CA-2772
Laser Spine Surgery Center of Warwick, LLC	Case No. 2019-CA-2773
Medical Care Management Services, LLC	Case No. 2019-CA-2774
Spine DME Solutions, LLC	Case No. 2019-CA-2775
Total Spine Care, LLC	Case No. 2019-CA-2776
Laser Spine Institute Consulting, LLC	Case No. 2019-CA-2777
Laser Spine Surgery Center of Oklahoma, LLC	Case No. 2019-CA-2780

Assignors,

Consolidated Case No:
2019-CA-2762

To:

Soneet Kapila,

Division L

Assignee.

**NOTICE OF FILING PROPOSED INTERIM
ORDER GRANTING MOTION FOR ENTRY OF AN ORDER
PURSUANT TO FLA. STAT. § 727.109(15): (I) AUTHORIZING
THE USE OF CASH COLLATERAL; (II) PROVIDING ADEQUATE
PROTECTION TO LENDERS; (III) ESTABLISHING A LIEN
CHALLENGE DEADLINE; AND (IV) GRANTING RELATED RELIEF**

¹ On April 8, 2019, the Court entered an order administratively consolidating this case with the assignment cases of the following entities: LSI Management Company, LLC; Laser Spine Institute Consulting, LLC; CLM Aviation, LLC; Medical Care Management Services, LLC; LSI HoldCo, LLC; Laser Spine Surgical Center, LLC; Laser Spine Surgery Center of Arizona, LLC; Laser Spine Surgery Center of Cincinnati, LLC; Laser Spine Surgery Center of St. Louis, LLC; Laser Spine Surgery Center of Pennsylvania, LLC; Laser Spine Surgery Center of Oklahoma, LLC; Laser Spine Surgery Center of Warwick, LLC; Laser Spine Surgery Center of Cleveland, LLC; Total Spine Care, LLC; and Spine DME Solutions, LLC.

Assignee, Soneet Kapila, by and through his undersigned counsel, hereby gives notice of filing the attached proposed order in connection with the *Motion for Entry of an Order Pursuant to Fla. Stat. § 727.109(15): (I) Authorizing the Use of Cash Collateral; (II) Providing Adequate Protection to Lenders; (III) Establishing a Lien Challenge Deadline; and (IV) Granting Related Relief*. The proposed order remains subject to further review and revision.

/s/ Edward J. Peterson

Edward J. Peterson (FBN 0014612)
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Counsel for Assignee

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the foregoing Notice has been furnished on this 25th day of June, 2019, by the Court's electronic noticing system to all parties receiving electronic service.

/s/ Edward J. Peterson

Edward J. Peterson

EXHIBIT A

IN THE CIRCUIT COURT OF THE THIRTEENTH JUDICIAL CIRCUIT
IN AND FOR HILLSBOROUGH COUNTY, FLORIDA
CIVIL DIVISION

In re:

Laser Spine Institute, LLC ¹	Case No. 2019-CA-2762
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Laser Spine Surgery Center of St. Louis, LLC	Case No. 2019-CA-2772
Laser Spine Surgery Center of Warwick, LLC	Case No. 2019-CA-2773
Medical Care Management Services, LLC	Case No. 2019-CA-2774
Spine DME Solutions, LLC	Case No. 2019-CA-2775
Total Spine Care, LLC	Case No. 2019-CA-2776
Laser Spine Institute Consulting, LLC	Case No. 2019-CA-2777
Laser Spine Surgery Center of Oklahoma, LLC	Case No. 2019-CA-2780

Assignors, Consolidated Case No: 2019-CA-2762
To:

Soneet Kapila, Division L

Assignee,
_____ /

**INTERIM ORDER GRANTING MOTION FOR ENTRY OF AN ORDER
PURSUANT TO FLA. STAT. § 727.109(15): (I) AUTHORIZING
THE USE OF CASH COLLATERAL; (II) PROVIDING ADEQUATE
PROTECTION TO LENDERS; (III) ESTABLISHING A LIEN
CHALLENGE DEADLINE; AND (IV) GRANTING RELATED RELIEF**

¹ On April 8, 2019, the Court entered an order administratively consolidating this case with the assignment cases of the following entities: LSI Management Company, LLC; Laser Spine Institute Consulting, LLC; CLM Aviation, LLC; Medical Care Management Services, LLC; LSI HoldCo, LLC; Laser Spine Surgical Center, LLC; Laser Spine Surgery Center of Arizona, LLC; Laser Spine Surgery Center of Cincinnati, LLC; Laser Spine Surgery Center of St. Louis, LLC; Laser Spine Surgery Center of Pennsylvania, LLC; Laser Spine Surgery Center of Oklahoma, LLC; Laser Spine Surgery Center of Warwick, LLC; Laser Spine Surgery Center of Cleveland, LLC; Total Spine Care, LLC; and Spine DME Solutions, LLC.

THIS CASE came on for an interim hearing on June 27, 2019, at 2:00 p.m. (the “**Hearing**”) upon the *Motion to Establish Lien Challenge Deadline* (the “**Motion**”)² made by the Assignee, Soneet Kapila, seeking entry of an order (i) authorizing the use of cash collateral; (ii) providing adequate protection to the Agent and Lenders; (iii) establishing a deadline by which the Assignee or any other party in interest must file an action challenging the extent, validity, perfection, and amount of the asserted liens and claims of the Agent and Lenders; and (iv) granting related relief. The following objections were filed: Shirley and John Langston’s Opposition to the Motion and the Laserscopic Claimants’ Limited Opposition to the Motion (the “**Objections**”). The Court, having considered the evidence submitted and the statements of counsel and being fully advised of the record, finds that the Motion should be granted on an interim basis. Accordingly, it is

ORDERED:

1. The Motion is granted on an interim basis pending a final hearing on July 30, 2019 at 3:00 p.m.
2. The Objections are preserved for further argument at the final hearing.
3. The Assignee is authorized to use Cash Collateral through and including August 1, 2019, in accordance with the Budget attached hereto as **Exhibit 1** (subject to a ten percent variance in the aggregate) for: (a) permitted payment of costs of administration of the Assignment Cases; (b) payment of such pre-Assignment Case expenses as set forth in the Budget or as otherwise consented to by the Agent, in its sole discretion and as approved by the Court; and (c) payment of the Carveout.
4. This Order is without prejudice to the Assignee’s rights to (i) seek authority by separate motion to pay monies in excess of the amounts set forth in the Budget or (ii) pay costs of

² Unless otherwise defined herein, capitalized terms shall have the same meaning ascribed to them in the Motion.

administration of the Assignment Cases with any funds that do not constitute Cash Collateral, to the extent such funds exist or later come into the possession of the Assignee.

5. Pursuant to Fla. Stat. § 727.109(15), as adequate protection in respect of and as consideration for (a) the use of Cash Collateral, (b) the Carveout, and (c) any other diminution in the value of the Agent and Lenders Collateral, the Agent and Lenders are hereby granted adequate protection liens to the extent of any diminution in the value of their interests in their Collateral since the filing of the Assignment Cases as a result of the Assignee's use of Cash Collateral to fund expenses, including the Carveout, that benefit estate creditors as a whole. Specifically, to the extent of any diminution in the value of their interests in their Collateral since the filing of the Assignment Cases as a result of the Assignee's use of Cash collateral to fund expenses that benefit estate creditors as a whole, the Agent and Lenders are hereby granted a lien on all claims and causes of action of each Assignor or its respective estate (including, without limitation, all commercial tort claims of every kind and description) and any and all proceeds therefrom, and any and all proceeds arising from insurance policies.

6. All liens granted herein shall be subject to the Carveout. The term Carveout shall mean an amount, in accordance with the Budget, equal to the sum of allowed claims for unpaid fees, costs, and expenses incurred by persons or firms retained by the Assignee whose retention is approved by the Court, the Assignee, and KapilaMukamal.

7. The claims, liens, and security interests of the Agent and Lenders under the Credit Agreement shall be deemed valid, perfected, and enforceable as to all creditors and parties-in-interest, and shall be subject to no further challenge, unless the Assignee or a party in interest:

- (i) Has commenced a supplemental proceeding against the Agent and Lenders for the purpose of challenging the validity, extent, priority, perfection, and enforceability of the Credit Agreement or the Agent and Lenders' claims, mortgages, and

security interests or otherwise asserting any claims or causes of action against the Agent, no later than forty (40) days after the entry of a final order on the Motion (the “**Lien Challenge Review Period**”); and

(ii) The Court rules in favor of the plaintiff in any such timely filed supplemental proceeding.

8. Any person or entity, including, without limitation, the Assignee, that fails to commence such a supplemental proceeding within the Lien Challenge Review Period shall be forever barred from doing so.

9. Consistent with the Standstill and Tolling Agreement between the Assignee and the Agent, the time period for any applicable statute of limitations, statute of repose, or any other similar time limitations defense shall be extended through and including the expiration date of the Lien Challenge Review Period.

10. Cash Collateral shall not be used for any party to challenge the Lenders’ claims or liens or to assert any claims against the Agent and/or Lenders.

11. The Assignee and the Agent shall work in good faith to determine, by agreement, the extent of any diminution in the value of the Agent’s and the Lenders’ interests in their Collateral since the filing of the Assignment Cases as a result of the Assignee’s use of Cash Collateral to fund expenses that benefit estate creditors as a whole (i.e., the allocation of the amount of Cash Collateral used by the Assignee for funding expenses that benefit estate creditors as a whole, rather than expenses that benefit primarily the Agent or the Lenders) in accordance with this Interim Order. To the extent the Assignee and the Agent are unable to resolve such allocation, the Court hereby reserves exclusive jurisdiction to do so. In connection with any request to authorize distributions and the Final Report, the Assignee shall set forth the extent of the lien granted pursuant to the terms of the Order, subject to the rights of any party in interest to object to

the extent of the lien. The Court reserves jurisdiction to resolve any dispute arising under this Order.

12. Counsel for the Assignee shall serve this Order upon the Limited Notice Parties List.

DONE AND ORDERED in Hillsborough County, Florida this _____ day of June, 2019.

Steven Scott Stephens
Circuit Court Judge

Copy to: Counsel for Assignee

EXHIBIT A

Laser Spine Institute ("LSI")

13-Week Wind Down Expense Budget

For the Combined Locations: Tampa, Arizona, Cincinnati, Philadelphia and St. Louis

PRELIMINARY DRAFT as of June 18, 2019:

This is a preliminary draft. It has been prepared based on preliminary information and assumptions. No one may rely on this draft. It is subject to change as additional information becomes available or is clarified.

Source: Discussions with LSI management and support

Notes	3/15-6/16/19	6/23/19	06/30/19	07/07/19	07/14/19	07/21/19	07/28/19	08/04/19	08/11/19	08/18/19	08/25/19	09/01/19	09/08/19	09/15/19	Total
	Actual	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Proceeds															
1															
Payor/Insurance Collections	\$5,516,677														\$5,516,677
HFD Deposits	\$940,488														\$940,488
Pharmacy Rebates	\$210,365														\$210,365
Other Receipts	\$173,929														\$173,929
Funds Recovered from First Home Bank	\$286,465														\$286,465
Liquidation proceeds	\$445,500														\$445,500
Total proceeds	\$7,883,424	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,883,424
Wind down operating expenses															
Salaries, Wages & Benefits															
2															
Wind Down Payroll & Payroll Taxes	(\$550,605)														(\$550,605)
3															
On call - per client contractors	(\$34,991)	(\$20,000)	(\$20,000)	(\$20,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$7,500)	(\$7,500)	(\$7,500)	(\$202,891)
4															
Healthcare Claims	\$0	(\$202,000)													(\$202,000)
5															
Employee Benefits from Payroll Deductions	(\$56,931)														(\$56,931)
ADP Payroll Processing Fees	(\$12,740)														(\$12,740)
401K Audit	\$0														\$0
Total Salaries, Wages & Benefits	(\$655,267)	(\$20,000)	(\$222,000)	(\$20,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$7,500)	(\$7,500)	(\$7,500)	(\$1,024,767)
Other Expenses															
Facilities															
6															
Rent, CAM, Taxes	(\$42,697)		(\$109,000)		(\$229,000)				(\$229,000)						(\$609,697)
7															
Utilities	(\$228,015)	(\$65,000)	(\$1,000)	(\$1,000)	(\$65,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$65,000)	(\$65,000)	(\$65,000)	(\$488,015)
8															
Maintenance & Cleaning	\$0	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$10,000)
9															
Security	\$0	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$250)	(\$2,500)
10															
Bio Waste Disposal	\$0														\$0
11															
Shredding	(\$1,965)		\$3,000												\$1,035
12															
MRI Ramp Down	(\$21,000)														(\$21,000)
13															
C'Arms	\$0														\$0
14															
Wipe X-Rays	(\$4,362)														(\$4,362)
Regulatory															
15															
Pharmacy Audit	\$0														\$0
16															
Insurance Premiums - Malpractice	\$0														\$0
17															
Ins - Malpractice/Claims Resolution	\$0														\$0
18															
Insurance Premiums - CGL	\$0														\$0
19															
D & O Insurance coverage	(\$162,088)	(\$51,416)													(\$213,504)
20															
Terrorism Insurance Premium	\$0														\$0
IT Related															
21															
Cytera	(\$52,086)			(\$22,000)											(\$74,086)
22															
Level 3	(\$80,820)	(\$10,000)	(\$10,000)	(\$22,000)											(\$122,820)
23															
CenturyLink	(\$45,494)	(\$25,000)	(\$10,000)	(\$25,000)											(\$105,494)
24															
AVS	\$0	(\$1,100)		(\$25,000)	(\$1,100)										(\$27,200)
25															
Iron Mountain	(\$36,397)	(\$5,000)		(\$5,000)	(\$5,000)										(\$46,397)
26															
CenturyLink (Installation agmt)	(\$58,078)	(\$40,000)		(\$500)	(\$40,000)										(\$98,078)
27															
NextGen & other medical databases	(\$249,192)	(\$500)		(\$594)	(\$40,000)										(\$249,686)
28															
Assignee Website	(\$362)	(\$594)	(\$2,000)	(\$594)	(\$500)										(\$1,950)
29															
Domain Name/ Toll Free # Preservation	(\$7,330)	(\$594)	(\$5,000)	(\$594)	(\$5,000)										(\$13,518)
30															
Contingency	(\$7,897)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)										(\$27,894)
Other Expenses															
31															
Taxes	(\$185,626)		(\$7,500)	(\$2,500)	(\$2,500)										(\$198,126)
32															
Office/Mailing Expenses	(\$11,529)		(\$2,500)	(\$2,500)	(\$2,500)										(\$17,029)
33															
Printers/Copiers	\$0	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)										(\$4,000)
34															
Contingency	(\$12,790)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)										(\$42,790)
Total Other Expenses	(\$1,217,733)	(\$213,360)	(\$137,750)	(\$66,344)	(\$358,850)	(\$45,250)	(\$28,750)	(\$66,344)	(\$357,750)	(\$48,350)	(\$28,750)	(\$65,094)	(\$122,500)	(\$119,000)	(\$2,873,825)
Total Wind Down Op Expenses	(\$1,873,000)	(\$233,360)	(\$359,750)	(\$66,344)	(\$373,850)	(\$60,250)	(\$43,750)	(\$76,344)	(\$387,750)	(\$56,350)	(\$38,750)	(\$72,594)	(\$130,000)	(\$126,500)	(\$3,898,892)
Net cash flow (deficit) from Operations	\$5,710,423	(\$233,360)	(\$359,750)	(\$66,344)	(\$373,850)	(\$60,250)	(\$43,750)	(\$76,344)	(\$387,750)	(\$56,350)	(\$38,750)	(\$72,594)	(\$130,000)	(\$126,500)	\$3,664,831

Laser Spine Institute ("LSI")

13-Week Wind Down Expense Budget

For the Combined Locations: Tampa, Arizona, Cincinnati, Philadelphia and St. Louis

PRELIMINARY DRAFT as of June 18, 2019:

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Source: Discussions with LSI management and support

Notes	3/15-6/16/19	06/23/19	06/30/19	07/07/19	07/14/19	07/21/19	07/28/19	08/04/19	08/11/19	08/18/19	08/25/19	09/01/19	09/08/19	09/15/19	Total
Asignee fees and expenses															
14															
Soneet R Kapila, Assignee	\$0		(\$120,292)				(\$44,798)				(\$33,184)				(\$198,274)
Soneet R Kapila, Assignee pre-petition	(\$42,621)														(\$42,621)
KapilaMukamal et al	\$0		(\$560,310)				(\$219,225)				(\$147,464)				(\$926,999)
KapilaMukamal et al pre-petition	(\$76,891)														(\$76,891)
Stichter, Riedel et al	\$0		(\$360,000)				(\$144,444)				(\$96,000)				(\$600,444)
Stichter, Riedel, et al pre-petition	(\$78,131)														(\$78,131)
Healthcare attorney	\$0		(\$12,000)				(\$7,000)				(\$5,000)				(\$24,000)
ERISA counsel	\$0		(\$23,000)				(\$5,000)				(\$5,000)				(\$28,000)
Risk / Insurance consultant	\$0		(\$36,000)				(\$10,000)				(\$5,000)				(\$51,000)
LSI Officer/Director (Bill Maloney)	\$0														\$0
Liquidators / Appraisers	\$0														\$0
16															
IT - data preservation (eHounds)	(\$25,000)		(\$30,000)				(\$15,000)								(\$70,000)
17															
AVR Collections Outsourcing	(\$25,000)														(\$25,000)
Medical Records Custodian	\$0		(\$4,000)				(\$1,200)								(\$27,600)
18															
Filing & Recording Fees & Notice to Creditors	(\$43,451)		(\$20,000)												(\$43,451)
Records Storage fees	(\$861)		(\$5,000)				(\$5,000)								(\$15,861)
Bond expense	(\$2,000)														(\$2,000)
Total Assignee fees and expenses	(\$293,954)	(\$39,000)	(\$1,131,602)	\$0	(\$1,200)	(\$5,000)	(\$445,466)	\$0	(\$1,200)	(\$5,000)	(\$286,648)	\$0	(\$1,200)	\$0	(\$2,210,272)
Texas Capital Bank Expenses															
19															
Bank / Agent Expenses	(\$356,496)		(\$90,000)				(\$90,000)				(\$90,000)				(\$626,496)
Total Texas Capital Bank expenses	(\$356,496)	(\$90,000)	(\$90,000)	\$0	\$0	(\$90,000)	\$0	\$0	(\$90,000)	(\$90,000)	\$0	\$0	\$0	\$0	(\$626,496)
Net Cash Flow (Deficit) after Total Expenses	\$5,059,973	(\$362,360)	(\$1,491,352)	(\$86,344)	(\$375,050)	(\$155,250)	(\$489,218)	(\$76,344)	(\$368,950)	(\$151,350)	(\$325,398)	(\$72,594)	(\$131,200)	(\$126,500)	\$848,063
Beginning cash balance (deficit)	\$1,086,652	\$5,996,093	\$5,633,733	\$4,142,381	\$4,056,037	\$3,680,987	\$3,525,737	\$2,960,175	\$2,591,225	\$2,439,875	\$2,114,477	\$2,041,683	\$1,910,683	\$1,086,652	
Net cash flow	\$5,059,973	(\$362,360)	(\$1,491,352)	(\$86,344)	(\$375,050)	(\$155,250)	(\$489,218)	(\$76,344)	(\$368,950)	(\$151,350)	(\$325,398)	(\$72,594)	(\$131,200)	(\$126,500)	\$848,063
Adjust for Miscellaneous Bank Activity	(\$150,532)														(\$150,532)
Ending cash balance (deficit)	\$5,996,093	\$5,633,733	\$4,142,381	\$4,056,037	\$3,680,987	\$3,525,737	\$2,960,175	\$2,591,225	\$2,439,875	\$2,114,477	\$2,041,683	\$1,910,683	\$1,784,183	\$1,784,183	

SEE ACCOMPANYING NOTES

The Assignee from time to time makes written or oral forward-looking statements concerning expectations, beliefs, plans, objectives, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements." Generally, the inclusion of the words "believe", "could", "should", "estimate", "expect", "intend", "anticipate", "will", "plan", "target", "forecast" and similar expressions identify statements that constitute "forward-looking statements." All statements addressing developments that the Assignee expects or anticipates will occur in the future, including statements relating to values, future financial condition, assets, real property and timing of their disposition, as well as statements expressing optimism or pessimism about future results, are forward-looking statements. The forward-looking statements are based upon the Assignee's then-current views and assumptions regarding future developments and are applicable only as of the dates of such statements. By their nature, all forward-looking statements involve risks and uncertainties. The Assignee assumes no obligation to update or review any forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, whether as a result of new information, future events or otherwise. There can be no assurance that the Assignee has correctly identified and appropriately assessed all factors affecting the Company and its assets. For these reasons, you are cautioned not to place undue reliance on any forward-looking statements.

Laser Spine Institute ("LSI")

Notes for the 13-Week Wind Down Budget For the Combined Locations: Tampa, Arizona, Cincinnati and St. Louis

PRELIMINARY DRAFT as of June 18, 2019:

This is a preliminary draft. It has been prepared based on preliminary information and assumptions. No one may rely on this draft. It is subject to change as additional information becomes available or is clarified.

Source: Discussions with LSI management and supporting schedules and records provided by management.

1	Actual receipts are reflected for purposes of tying actual results to the book/ledger balance at the end of a prior periods. Future collections are not budgeted. To the extent this results in a negative ending cash balance in any budgeted period, it demonstrates the need for minimum future collections to fund the estate.
2	KapilaMukamal ("KM") identified approximately 44 employees (of the approximately 67 employees that were retained as of March 1, 2019) that would remain on staff to assist the Assignee with the wind down ("Wind Down Staff") and taper off as services are no longer required (note: as of the date of this budget draft, 29 employees were remaining). The budget assumes that all employee benefits are eliminated and that compensation of the Wind Down Staff will be converted to an hourly rate + 20% fringe factor. Employees who stay on through the required end date (currently estimated at 5/31/19) will be paid a 10% stay bonus based on their base annual compensation prorated to the period 4/1/19 - 5/31/19. The Assignee is also considering paying PTO due to the Wind Down Staff, the total amount has not been determined, and is not included in the budget at this time. In addition to payroll, KM included an estimate for per diem contractors to assist with the wind down.
3	The employee health care plan is self funded by LSI and administered by Cigna and the current agreement expired on March 31, 2019. Cigna maintains a \$195,000 reserve to pay claims and LSI is responsible to replenish the reserve weekly based on claims paid from the previous week (note: it appears that the \$190,000 reserve may have been depleted by subsequent notifications from Cigna aggregating \$310,000). The claims payments have historically averaged approximately \$100,000 per week and it is estimated that the remaining liability will be approximately \$1 million. The company received a \$202,000 pharmacy rebate from Cigna. Cigna is arguing that this amount must be returned to them and be applied to amounts due them for the company's self insured plan. The ultimate resolution is TBD but the amount is reflected in the budget as being returned to Cigna.
4	Employee Benefits from Payroll Deductions are employee deductions taken from the March 1st payroll to pay for the employee benefits (dental, life, vision, disability, etc.). The amount in the budget represents the remaining unfunded balance from the March 1st payroll.
5	The estimated 401k Audit payment for the 2019 401(K) audit (\$14,000) may be offset by forfeitures to pay for the audit.
6	See separate "Status of Lease Negotiations" chart and Exhibit I (both attached hereto).
7	KM assumed utilities would be paid for Tampa, Arizona, Cincinnati and St Louis from March through facility closings.
8	The cost to ramp down and wipe PHI data from the MRI units is approximately \$12,000 for each location and the costs to wipe PHI data for the X-ray machines and C-Arms has been estimated based on discussions with the vendors.
9	The estimated malpractice insurance premiums for tail coverage and a new policy requiring installment payments have been removed from the budget given unsuccessful negotiation with the insurance provider.
10	Commercial and general liability policy, effective March 1, 2019, financed with a down payment of approximately \$124,927 to be followed by 10 monthly payments of \$51,416 and one payment of \$7,840. The risk consultant has worked to eliminate coverage no longer required, and the Assignee has reduced the month premium accordingly.
11	The IT expenses include data storage fees (CenturyLink, AWS and Iron Mountain) internet and phone connectivity (Level 3) and billing/collecting and medical record storage (NextGen). KM assumed the IT services would be required through May 2019.
12	Iron Mountain expenses include monthly storage charges as well as a \$74,000 charge for records destruction based on a quote provided by them.
13	There are, and will continue to be, a significant amount of medical record requests that require and the office, mailing and printer copier expenses are estimates for costs to respond.
14	The Assignee's costs and expenses include the costs to administer and manage the Assignment. Timing and amount of budgeted fees reflect the order for interim fee payments (i.e. 80% of budgeted fees and 100% of expenses). These estimates are a good faith estimate and will in all likelihood vary. They do not represent a fixed fee.
15	These costs were eliminated.
16	Includes estimated costs for inventory and appraisal only. Liquidation costs are not included in the budget at this time. Liquidation costs will include expenses for moving equipment, storage, restoration of real property for damage caused in removals (e.g. MRI's) and auctioneer's fees and expenses.
17	The Assignee has retained a third-party AR collection company, Accordias, to administer the AR recovery process with the continued assistance of four to five former LSI AR team members on a per diem basis to assist with the recovery efforts and provide institutional knowledge of the various payors and accounts. The contract with Accordias was approved by the Court and the terms include a \$25,000 initial set up fee plus 8.5% of collections.
18	The Assignee has identified a medical record custodian ("Custodian") to preserve and respond to patient and third-party medical record requests. The terms include a one-time set-up fee between \$10,000 to \$20,000 (depending on the format the records are provided) and the Custodian will preserve the records for the period of time required by law and produce records upon request. The Custodian will charge the requesting party a fee to produce the medical records and the LSI estate will not be responsible for any additional costs (except the one-time set up fee) plus a monthly servicing and licensing fee for the transfer of the required applications to the Custodian. The Assignee, with the assistance of the LSI IT team, are working on converting the records in an acceptable format for the Custodian and there may be additional costs required to convert the DICOM images (MRIs & X-Rays) and the legacy medical record application (Amkia) into an acceptable format.
19	The Assignee will pay the costs of Texas Capital Bank and it's professionals to administer the ABC arrangement. Costs are not fully budgeted but do include estimated legal fees.
20	Cash includes balances in Texas Capital Bank accounts plus amounts in Assignee's Signature Bank accounts.
21	Mostly ACH debits related to pre-petition liabilities which will be reversed in subsequent periods. There is a day or two lag from when the ACH debits are charged to the account and when they are reversed. As such, at any given time there is a negative balance which will be reversed prospectively.

Laser Spine Institute ("LSI")

Notes for the 13-Week Wind Down Budget For the Combined Locations: Tampa, Arizona, Cincinnati and St. Louis

PRELIMINARY DRAFT as of June 18, 2019:

This is a preliminary draft. It has been prepared based on preliminary information and assumptions.

Source: Estimated based on ongoing discussions with Landlords

Facility Location	May	June	July	August	September		
Cincinnati	\$42,697	\$0	\$0	\$0	\$0		
Cleveland	\$40,000	\$0	\$0	\$0	\$0		
Oklahoma	\$0	\$0	\$0	\$0	\$0		
Philadelphia	\$0	\$0	\$0	\$0	\$0		
Scottsdale		\$109,000	\$109,000	\$109,000	\$0		
St. Louis	\$0	\$0	\$0	\$0	\$0		
Tampa	\$0	\$0	\$120,000	\$120,000	\$0		
	\$82,697	\$109,000	\$229,000	\$229,000	\$0		

Notes:

Cincinnati - Amount payable per agreement with landlord

Cleveland - Amount payable per agreement with landlord

Oklahoma - Facility was vacated prior to assignee's appointment

Philadelphia - Facility was vacated prior to assignee's appointment

Scottsdale - The Assignee is working to resolve the landlord's assertion of a lien. Out of precaution the budget reflects regular rent payments to allow sufficient time for an orderly auction of the furniture and equipment.

St. Louis - Standstill through May 24th. All assets have been removed for auction.

Tampa - standstill agreement in place. Fair market storage rent is due after termination of standstill period. The amount budgeted for rent is the estimated FMV storage amount provided for in agreement.