

Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address ZEV SHECHTMAN (State Bar No. 266280) zs@DanningGill.com AARON E. DE LEEST (State Bar No. 216832) adeleest@DanningGill.com ALPHAMORLAI L. KEBEH (State Bar No. 336798) akebeh@DanningGill.com DANNING, GILL, ISRAEL & KRASNOFF, LLP 1901 Avenue of the Stars, Suite 450 Los Angeles, California 90067-6006 Telephone: (310) 277-0077 Facsimile: (310) 277-5735  <input type="checkbox"/> Individual appearing without attorney <input checked="" type="checkbox"/> Attorney for: Hart, Inc., Debtor in Possession	FOR COURT USE ONLY
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**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA - SANTA ANA DIVISION**

In re: HART, INC.,  Debtor in Possession   Debtor(s).	CASE NO.: 8:23-bk-11937-SC CHAPTER: 11   <p style="text-align: center;"><b>NOTICE OF SALE OF ESTATE PROPERTY</b></p>
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<b>Sale Date:</b> 12/04/2023	<b>Time:</b> 10:00 am
<b>Location:</b> 1901 Avenue of the Stars, Suite 450, Los Angeles, California 90067-6006	

**Type of Sale:**  Public  Private      **Last date to file objections:** 11/07/2023

**Description of property to be sold:**

100% of Equity in Reorganized Debtor or Substantially all Assets of the Debtor, and subject to a chapter 11 plan. Sales materials are attached. SEE BIDDING PROCEDURES MOTION FILED 11/1/23 FOR DETAILS.

**Terms and conditions of sale:**

This is an overbidding process with respect to the subchapter V chapter 11 plan under which the Plan Sponsor will receive 100% of the equity in the Reoeganized Debtor, subject to the opportunity for overbidding. The material terms are proposed in the motion filed contemporaneously herewith and will be set by the Court in an order entered after a hearing scheduled for November 8, 2023. SEE BIDDING PROCEDURES MOTION FILED 11/1/23 FOR DETAILS.

**Proposed sale price:** \$ 2,246,000.00

**Overbid procedure (if any):** Detailed Overbidding Procedures will be set forth in Bidding Procedures Order

SEE BIDDING PROCEDURES MOTION FILED 11/1/23 FOR DETAILS.

**If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:**

Plan Confirmation Hearing on 12/13/23 at 11:00 a.m.

SEE BIDDING PROCEDURES MOTION FILED 11/1/23 FOR DETAILS.

**Contact person for potential bidders (include name, address, telephone, fax and/or email address):**

James Wong  
Armory Consulting Co.  
3943 Irvine Blvd., #253, Irvine, CA 92602  
Tel.: 714-222-5552  
Email: [jwong@armoryconsulting.com](mailto:jwong@armoryconsulting.com)

SEE BIDDING PROCEDURES MOTION FILED 11/1/23 FOR DETAILS.

Date: 11/01/2023

PREPARED BY  
Armory Consulting Co

# Investment Opportunity: HealthTech

Hart, Inc. (“Hart” or the “Company”) is soliciting overbids for its recapitalization in a Chapter 11 section 363 auction. A Stalking Horse bidder has made an offer as more fully described in Hart’s Bankruptcy Plan.

## Overview

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The Company was founded in 2012 in Costa Mesa California and provides healthcare data management and integration software. The Company was created to enhance the healthcare system through the use of state-of-the-art patented data management software. With an increasingly complex range of data types existing in disparate health systems, the Company designed a transformation platform with the goal of seamlessly integrating multiple data sources into a unified source of reliable, up-to-the-minute information.

Hart’s core strengths include its strong brand name, existing recurring customer base, established business model, intellectual property, and key vendor relationships. Hart generally sells through industry partners aka the “vendors.”

The Company filed for Chapter 11 Sub Chapter V bankruptcy protection to restructure its debt obligations and key contracts. It has obtained Debtor-in-Possession financing, a Stalking Horse bid for a recapitalization of Hart, and has the liquidity to exit its bankruptcy timely.<sup>1</sup>

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<sup>1</sup> Plan Confirmation and the Effective Date of the Plan are expected by YE 2023.

# Investment Highlights

The current landscape and  
market opportunity

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As of January 2022, the U.S. market for electronic health record (EHR) data transformations was characterized by a focus on interoperability, data analytics, patient engagement, and cybersecurity. Initiatives, like the 21st Century Cures Act and the adoption of FHIR standards, were driving efforts to make EHR data more accessible and standardized. Healthcare organizations were increasingly using EHR data for analytics and AI-driven insights to improve patient care and reduce costs, while ensuring data security remained a priority. Opportunities in the next 24 months included the growth of FHIR adoption, patient-centric solutions, telehealth integration, data analytics and AI, data security, and government initiatives.

## Hart's Competitive Advantage

**Sustainable technology, differentiated in the market.** The Hart team has developed and trained a data transformation platform that is scalable for future customers, channels, and market needs. The business can operate within its current tech stack, remote infrastructure and continue to serve customers. Hart owns and maintains a patent for the data transformation process of extracting, transforming, loading and enabling technology stack.

**Strong diverse customer base.** The company will carry forward a minimum of \$2.2 million in renewable contracts from customers that have been with Hart on average 3.7 years. The customer churn is currently less than 5%. Customers or competitors are to date unable to re-create a similar technology solution. Therefore, they are left with a mostly manual transformation and data mapping process from one data source to another, introducing a meaningful error rate and low data integrity.

**Operationally Efficient.** Hart has a lean operating model with a distributed model of remote team members across the United States to support customers in multiple time zones. The costs have been optimized over the last six months to ensure a more profitable NewCo into 2024.

**Broad White Label Opportunities.** Hart is currently contracted with leading electronic health record vendors to white label data transformation services. This enables scale and expansion quickly with other vendors in the North American Market.

# Financial

Projections, Performance  
Sources and Uses

## Financial Performance and Projections

(In Thousands of Dollars) \*\* Data from Plan projections

	Actuals		Pro Forma	Projections		
	2021	2022	2023	2024	2025	2026
Revenues	\$ 1,811	\$ 2,797	\$ 2,691	\$ 4,674	\$ 5,996	\$ 7,195
EBITDA	(2,978)	(2,851)	(2,601)	26	758	1,463
Net Income	\$ (2,674)	\$ (2,673)	\$ (4,111)	\$ (137)	\$ 538	\$ 1,176

## Sources and Uses

(In Thousands of Dollars)

<u>Sources:</u>	2024	2025	2026	Totals
Beginning Cash	\$ 235.6	\$ 79.8	\$ 64.6	
Net Income	(137.2)	538.5	1,175.6	
D&A Add-Back	51.4	46.3	41.1	
DIP Loan	500.0	-	-	
Sponsor Contribution	500.0	-	-	
Capital Expenditures	-	(500.0)	(500.0)	
Working Capital Reserve	(85.0)	(100.0)	(120.0)	
Total Sources:	\$ 1,064.8	\$ 64.6	\$ 661.4	\$ 1,790.7

<b><u>Uses:</u></b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Totals</b>
Administrative Claims	\$ 471.0	\$ -	\$ -	
DIP Loan	-	-	509.6	
Priority Non-Tax Claims	14.0	-	-	
Class 1: Secured Claims	-	-	296.1	
Class 2: General Unsecured Claims	500.0	-	-	
<b>Total Uses:</b>	<b>\$ 985.0</b>	<b>\$ -</b>	<b>\$ 805.7</b>	<b>\$ 1,790.7</b>

Additional information available in Data Room:

- Financial Statements (compiled but not audited)
- Appraisal Information on Hardware and Assets
- Interim Financial Statements
- Current Accounts Receivable
- Accounts Payable

## Background

Our turnaround plan, current Chapter 11 status, and next steps

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## Objective

1. Equity Recapitalization pursuant to the Plan of Reorganization
2. Short Term: Complete a short term turnaround to attain profitability. The Company is operating at a near breakeven presently. Focus is on improving revenue opportunities.
3. Mid Term: Expand to new channels and strategic partners to multiply and expand awareness and increase sales quickly.
4. Exit: Increase the company valuation significantly and execute exit strategy within 3- 5 yrs.

## Events leading to Chapter 11

In 2020, Hart expanded the research and development effort to a tangential market beyond the core business. This led to a two and a half year effort to build a product that was not actively generating meaningful revenue. The focus on this new product distracted the commercialization focus for the core business, resulting in lost revenue opportunities and high salary/benefit expenses to support the tangential product, to the financial detriment of the business.

The contract with the tangential opportunity required exclusivity resulting in significant costs over the two-year period.

## Current Bankruptcy Status

On October 18 Bankruptcy Court's decision allowed Hart to reject the unfavorable customer contract. Additional information is in the Bankruptcy Docket which will be in the Data room.

## Turnaround Plan

**Restructure to build operational maturity.** Reduced headcount in the engineering function from 18 to 5 to shift employee costs to emphasize revenue generation.

**Establish new sales and marketing function.** Bring on new talent to drive future customer awareness and develop top-line funnel. Enhance sales function to drive opportunities from initial conversation to closure both direct and through channel partners.

**Optimize operating expenses and cost structure.** Reduce unnecessary spending, which accumulated over the last ten years, and manage risk by building active partnerships with critical vendors such as AWS.

**Complete commercialization of products.** Launch to market Hart products with a strategic and coordinated pricing, marketing and promotion effort for all products, bundles, and supporting services.

## Disclosures

1. Hart is a debtor in subchapter V chapter pending in the United States Bankruptcy Court, Central District of California, Santa Ana Division as case number 8:23-bk-11937-SC. Access to the complete bankruptcy docket will be included in Data Room.
2. This package is marketing information intended to solicit overbids from third parties at auction. Bidders must conduct their own due diligence.
3. The sale is “as-is” and “where-is” without representations, warranties, or recourse. There are no contingencies except for Bankruptcy Court approval.
4. Bidders must adhere to the Bidding Procedures approved by the Bankruptcy Court in order to submit a Qualified Bid. No one other than a Qualified Bidder will have the right to participate in an auction.
5. Bidders must sign an NDA in a form approved by Hart in order to obtain access to the Data Room and other information.
6. The sale will be completed on an expedited basis. Parties must be prepared to complete any due diligence they require before the bid deadline. There are unlikely to be deadline extensions regarding bidding. Parties are encouraged to seek assistance of bankruptcy and financial professionals with respect to the sale.
7. Inquiries may be directed to Debtor’s counsel, Zev Shechtman, [zs@DanningGill.com](mailto:zs@DanningGill.com), or Debtor’s financial advisor, James Wong, [jwong@armoryconsulting.com](mailto:jwong@armoryconsulting.com).



## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 1901 Avenue of the Stars, Suite 450, Los Angeles, CA 90067-6006.

A true and correct copy of the foregoing document entitled (*specify*): NOTICE OF SALE OF ESTATE PROPERTY will be served or was served (**a**) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (**b**) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) November 1, 2023 I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page.

**2. SERVED BY UNITED STATES MAIL:**

On (*date*) November 1, 2023, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

The Honorable Scott Clarkson  
United States Bankruptcy Court  
411 West Fourth Street, Suite 5130  
Santa Ana, CA 92701-4593

Service information continued on attached page.

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) \_\_\_\_\_, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page.

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

November 1, 2023  
\_\_\_\_\_  
*Date*

Vivian Servin  
\_\_\_\_\_  
*Printed Name*

*/s/ Vivian Servin*  
\_\_\_\_\_  
*Signature*

**ADDITIONAL SERVICE INFORMATION** (if needed):

**1. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (“NEF”)**

- **Tanya Behnam** tbehnam@polsinelli.com,  
tanyabehnam@gmail.com;ccripe@polsinelli.com;ladocketing@polsinelli.com
- **Richard Dennis Buckley** rbuckley@safarianchoi.com
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