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U.S. BANKRUPTCY COURT  
DISTRICT OF DELAWARE

**Edward Vargas**

13527 Palatine Hill,  
San Antonio, Texas 78253

June 27, 2024

Honorable Karen B. Owens  
United States Bankruptcy Court  
District of Delaware  
824 Market Street North, 3rd Floor  
Wilmington, DE 19801

**Re: Objection to Fourth Amended Joint Chapter 11 Plan of Reorganization of  
Cano Health, Inc. and its Affiliated Debtors (Case No. 24-10164)**

Dear Judge Owens,

I, Edward Vargas, respectfully submit this letter to object to the Fourth Amended Joint Chapter 11 Plan of Reorganization of Cano Health, Inc. ("Cano Health"). As a shareholder, I believe the proposed plan unfairly favors executives and creditors while disproportionately penalizing shareholders who have supported the company through its mismanagement.

**Background**

I was employed by Cano Health, Inc. for two years as the Texas Vice President. During my tenure, I was granted over 100,000 shares of stock and personally purchased an additional \$200,000 worth of stock when the company went public through a Special Purpose Acquisition Company (SPAC). These investments were made based on promises made by the former CEO, who assured me that joining Cano Health would create generational wealth for my family.

Unfortunately, the CEO has since departed due to financial improprieties, including making poor financial decisions regarding the purchase of medical clinics and engaging in self-dealing activities that benefited his family at the expense of the company. These actions have significantly contributed to the financial instability of Cano Health and the need for reorganization.

**Mismanagement and Conflicts of Interest**



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The Debtors' Memorandum of Law in Support of Confirmation [Docket #1103] acknowledges the challenges and mismanagement issues that have plagued Cano Health. Despite these issues, the Modified Fourth Amended Joint Chapter 11 Plan [Docket #1125] sets to reward executives disproportionately, highlighting a clear conflict of interest. The issuance of new securities and restructuring of the company's equity primarily benefits the executive team, neglecting the financial well-being of shareholders.

#### Unfair Treatment of Shareholders

The Notice of Filing of Second Supplement to Plan Supplement [Docket #1123] and other related documents detail the restructuring plan's impacts, favoring creditors and executives while neglecting the interests of shareholders. This procedural oversight, as evidenced in the Certification of Votes [Docket #1110], further underscores the inequity of the proposed plan.

#### Procedural Unfairness

MedCloud's objections (#1075, #1121) highlight significant voting irregularities and lack of transparency in the voting process. Such procedural flaws demonstrate the inadequacy of shareholder representation in the decision-making process.

#### Broad Exculpation and Third-Party Releases

The U.S. Trustee's objection (#1068) to the broad exculpation provisions and third-party releases in the Plan underscores the potential for these provisions to unfairly restrict shareholders' and creditors' rights to assert claims and seek redress. Additionally, the Plan should clearly exclude medical malpractice claims from third-party releases to ensure patients can pursue claims against non-Debtor care providers.

#### Unpaid Fees and Contractual Violations

MedCloud's objections (#1075, #1121) also bring to light issues of unpaid fees and potential violations of the Settlement Stipulation. These contractual breaches further illustrate the Debtors' mismanagement and disregard for their obligations.

#### Financial Impact

The financial repercussions of this plan on my personal net worth have been devastating. The wipeout of stock value has prevented me from reinvesting in other opportunities, resulting in significant financial loss. The Plan Supplement [Docket #1023] outlines the operational changes, including the sale of clinics, which has impacted my future earnings and employment opportunities within the industry.

Additionally, the financial impact has been exacerbated by the need to continue COBRA coverage at approximately \$900 a month, which ended in June 2024. Given my chronic health issues, the loss of this coverage is financially devastating. My current options for health insurance are limited and financially burdensome.

### Shareholder Agreement

The Shareholder Agreement includes provisions on the rights and obligations of shareholders, including drag-along and tag-along rights, which might affect my ability to influence the reorganization plan.

- Drag-Along Rights: Allow majority shareholders to compel minority shareholders to sell their shares on the same terms. This provision can limit the ability of minority shareholders, such as myself, to object to or influence the reorganization plan, as majority shareholders can force compliance.

- Tag-Along Rights: Allow minority shareholders to join in the sale of shares by the majority shareholders on the same terms. While this protects minority shareholders from being left out of favorable deals, it offers limited leverage in opposing the reorganization plan.

### Request for Additional Documentation

Given the complexity of this case and the significant financial impact on shareholders, I request that the court instruct Cano Health to provide all documentation regarding my stock grants and purchases. This includes any and all awards, one-time lump-sum purchases when the company went public, and any payroll deductions related to stock purchases. Additionally, I ask the court to grant me an additional two weeks to gather further documentation to substantiate my claim.

### Request for Relief

I respectfully request that the court reconsider the proposed reorganization plan and take into account the severe impact on shareholders. Specifically, I seek the following relief:

1. Recovery of Funds: Compensation for the actual funds I used to purchase stock, totaling approximately \$200,000.
2. Stock Value Compensation: Compensation for the value of the stock granted to me at the time of the award.
3. Revision of the Reorganization Plan: Revisions that ensure fair treatment for shareholders, including provisions that prevent the complete elimination of shareholder value and address the financial losses incurred due to the actions of the former CEO and the board of directors.
4. Appointment of an Independent Equity Committee: To represent the interests of shareholders in the reorganization process.
5. Reevaluation of Executive Compensation: To ensure it is fair and does not disproportionately benefit the executives.
6. Detailed Accounting and Audit: An independent audit of Cano Health's financials to identify any misappropriations or mismanagement of funds.

7. Retention of Rights to Pursue Claims: Allow shareholders to retain the right to pursue claims against the former CEO and other executives.

8. Equitable Treatment in Distribution: Ensure the distribution plan provides equitable treatment of all shareholders.

9. Transparency and Regular Reporting: Require the reorganized company to provide regular and transparent reporting to shareholders.

10. Approval of Any Future Sales or Mergers: Require any future sales or mergers to be approved by a majority vote of the shareholders.

11. Provision of Counsel: Request that Cano Health provide for counsel to represent the interests of shareholders.

#### Public Information and Additional Support

I have reviewed publicly available information about Cano Health, including articles in Florida and Miami business papers, which provide further evidence of the poor decisions and self-dealing activities by the former CEO. These articles highlight the financial mismanagement and conflicts of interest that have led to the current situation. I request the court consider this information and any additional articles that I will provide to bolster my claims.

#### Conclusion

In conclusion, the proposed restructuring plan is unfair to shareholders who have been loyal to Cano Health. It is imperative that the court considers the outlined arguments and ensures that shareholders receive equitable treatment in the reorganization process.

Thank you for your attention to this matter.

Sincerely,



Edward Vargas  
evargas963@aol.com  
210-216-5191

#### Citations:

1. MedCity News. "Why Experts Saw Cano Health's Bankruptcy Coming From A Mile Away." Available at: MedCity News.

2. Healthcare Finance News. "Cano Health CEO exits after urging of company's largest shareholders." Available at: Healthcare Finance News.

3. Nasdaq. "Cano Health's Chapter 11 Bankruptcy Restructuring Update." Available at: Nasdaq.
4. Fierce Healthcare. "In a 'spectacular collapse,' Cano Health files for bankruptcy." Available at: Fierce Healthcare.
5. VeritaGlobal. "Restructuring Support Agreement." Available at: VeritaGlobal.
6. VeritaGlobal. "Disclosure Statement for the Fourth Amended Joint Chapter 11 Plan of Reorganization." Available at: VeritaGlobal.
7. VeritaGlobal. "Court Orders and Notices." Available at: VeritaGlobal.

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