

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

In re:

GLOBAL WOUND CARE MEDICAL GROUP, a
Professional Corporation,¹

Debtor and Debtor in Possession.

Chapter 11

Case No. 24-34908

**DECLARATION OF RALPH CETRULO IN SUPPORT OF CHAPTER 11
PETITION AND FIRST DAY MOTIONS**

I, Ralph Cetrulo, hereby declare and state as follows:

1. I am the Chief Financial Officer (“CFO”) of Global Wound Care Medical Group, a Professional Corporation, the debtor and debtor in possession in the above-captioned case (the “Debtor”). Additionally, in my role at the Debtor’s management company, Wound Pros (as defined below), I provided consultant services to the Debtor beginning in March 2023.

2. I have extensive senior-level experience in accounting, consulting, management and ownership with respect to various business enterprises, including in connection with the purchase and sale of financially distressed entities. Relatedly, I have meaningful experience in the areas of mergers and acquisitions, business valuations, financial forecasting and stock options planning.

3. Prior to my role as CFO of the Debtor, from 2014 until 2023, I served as the Managing Partner of the Delaware office of Stephano Slack, an accounting firm headquartered in Wayne, Pennsylvania, that specializes in the industries of construction, real estate, manufacturing

¹ The last four digits of the Debtor’s tax identification number in the jurisdiction in which it operates is 3572.



and distribution, and provides services in the areas of mergers and acquisitions, due diligence, customized tax strategies, family office assistance, asset management, bookkeeping and cash flow monitoring and analysis.

4. Prior to Stephano Slack, from 2002 until 2014, I served as the Managing Partner of Cetrulo & Morgan LLC, a full-service accounting firm that provided core competencies including accounting, attest services, and tax planning and preparation. During its operation, Cetrulo & Morgan offered a full range of due diligence services for clients merging or buying other companies, including buy-side and sell-side diligence, post-acquisition structuring, modeling and forecasting. Cetrulo & Morgan ceased to exist independently when it merged into Stephano Slack in 2014. From 1996 until 2002, I served as a tax and mergers and acquisitions partner at Cover & Rossiter, an award-winning CPA firm in Delaware recognized for providing high-quality advice and personalized service. From 2003 until 2012, I was a shareholder and the CFO of Appletree Answering Services, a provider of communication solutions and services throughout the United States and Puerto Rico. My co-shareholders and I sold Appletree to a publicly traded company in June, 2012.

5. I am a retired member of the American Institute of Certified Public Accountants and the Delaware Society of Certified Public Accountants and have served as board member of the Delaware Workforce Development Board, Deferred Compensation Board and Board President of Special Olympics Delaware. At this time, I also continue to serve on the University of Delaware National Advisory Board for the Horn Entrepreneurship program.

6. On the date hereof (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Bankruptcy

Court”). I am knowledgeable and familiar with the Debtor’s day-to-day operations, business and financial affairs, and the circumstances leading to the commencement of this chapter 11 case (the “Chapter 11 Case”).

7. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Debtor or the Debtor’s legal and financial advisors, or my opinion based upon my experience, knowledge, and information concerning the Debtor’s operations and the healthcare industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

8. I submit this Declaration for the purpose of apprising the Bankruptcy Court and parties in interest of the circumstances that compelled the commencement of this Chapter 11 Case and in support of the First-Day Motions (as defined below).

9. To enable the Debtor to minimize the adverse effects of the commencement of this Chapter 11 Case on its business, the Debtor has requested various types of relief in a number of applications and motions (each a “First-Day Motion,” and, collectively, the “First-Day Motions”). The First-Day Motions seek relief intended to maintain the Debtor’s business operations; to preserve value for the Debtor, its stakeholders, and parties in interest; and, most importantly, to protect the health and wellbeing of the patients who are being treated at their homes, hospices, and skilled nursing facilities by the employees of the Debtor. Each First Day Motion is crucial to the Debtor’s reorganization efforts and to the health and wellbeing of the patients. Any capitalized term not expressly defined herein shall have the meaning ascribed to that term in the relevant First Day Motion.

10. Section I provides an overview of the Debtor. Section II describes the Debtor’s corporate background and business. Section III describes the circumstances that compelled the

commencement of the Chapter 11 Case. Section IV provides a summary of the First Day Pleadings and factual bases for the relief requested therein.

I. Overview

11. The Debtor is a medical practice that originated in Los Angeles, is licensed in more than 20 states, and has a team of over 200 wound care providers that treat over 2,000 wounds daily. The Debtor's mission is to heal chronic and acute wounds efficiently and cost-effectively. Since 2019, the Debtor (or its predecessor) has provided critical wound care services to elderly patients in their homes, hospices, and skilled nursing facilities. Wound care is a critical service for these patients, because, if left untreated, severe wounds can result in amputation or other serious complications.

12. The Debtor has grown exponentially, due, in part, to a massive unmet need for wound care services during the COVID-19 public health emergency, generating net annual revenue of \$875,856,649.

13. As of the Petition Date, the Debtor employs 248 full-time and 36 part-time employees ("Employees") and contracts with 49 medical directors, who are independent contractors ("Medical Directors").

14. As of October 20, 2024, the Debtor's unaudited financial statements reflected total assets of approximately \$187,287,677 and total liabilities of \$157,111,943. Currently, the Debtor has been collecting approximately \$80-100 million on a monthly basis from government programs and private payors. The Debtor collects an excess of 12% of its revenue (over \$100 million, annually) from its operations in Texas, where the Debtor's clinicians and medical directors visit patient homes, hospices and skilled nursing facilities throughout the State, to provide critical wound care services, all of which is administered through the Debtor's office in Houston.

II. The Debtor's Corporate Structure and Business

15. The Debtor is a professional corporation incorporated in 2023 in California, which is 100% owned by Owen B. Ellington, M.D. ("Dr. Ellington"). The Debtor was established to provide continuity of care for the patients of another medical group that used a similar business name as the Debtor.

16. The Debtor is managed and supported by Wound Pros Management Group, Inc. ("Wound Pros"), a Management Services Organization ("MSO"), and a leader in wound care management and standardization that is an accredited supplier of durable medical equipment, prosthetics, orthotics, and supplies ("DMEPOS") and biologics. As an MSO, Wound Pros, through a Management Services Agreement ("MSA"), provides the Debtor with non-clinical administrative and management services, including assisting in the recruitment, training and development of staff; providing financial and revenue cycle support, including accounting, billing, budgeting and collection services; regulatory compliance; negotiations with payors; credentialing; marketing; real estate and equipment leasing; employment of non-clinical staff; drug and durable medical equipment supply chain services; and acquiring insurance. The Debtor also licenses the Wound Pros name. The relationship between medical groups and MSOs such as in this case is ubiquitous in the healthcare industry.

17. On a monthly basis, the Debtor records management fee expenses and pays Wound Pros a management services fee under the MSA. The management services fee is calculated and paid in accordance with a fair market valuation performed by Pinnacle Healthcare Consulting ("Pinnacle"), an independent third party, which indicated a range of fees based on the services provided by Wound Pros to the Debtor. Under the MSA, Wound Pros charges the low range of

management fees recommended by Pinnacle to the Debtor. Wound Pros employs 600 employees which are necessary to provide the services to the Debtor under the MSA.

18. Wound Pros also purchases biologics from third parties and then sells and ships those biologics to the Debtor's clinicians who use them to treat patients. Biologics include dressings and skin equivalents that are intended to facilitate the re-establishment of the human body's own innate repair mechanisms. The Debtor holds no inventory as all biologics are shipped by Wound Pros, as needed by the Debtor's patients. After application of the biologics by the Debtor, Wound Pros invoices the Debtor.

19. Although Wound Pros primarily supports the Debtor, Wound Pros also provides services to three other entities (Horizon, Lab Pros, and Wound Care Consultants Ohio ("WCC")), two of which also support the Debtor's operations. More specifically, Wound Pros provides management services to Lab Pros, a non-debtor, which performs PCR (polymerase chain reaction) testing for the Debtor in its lab in Houston, Texas.

20. Wound Pros also purchases DMEPOS from third parties and sells such DMEPOS to Horizon, a non-debtor entity based in Houston, Texas, pursuant to a management services agreement between the parties. If one of the Debtor's clinicians orders DMEPOS for a patient, Wound Pros ships the requested DMEPOS to the patient and invoices Horizon for the supplies. Horizon is a Medicare Part B provider which then bills the patient's insurance for such DMEPOS.

21. Wound Pros also provides management services to WCC, a company located in Ohio.

22. In 2023, the Debtor treated 8,256 patients. In 2024, to date, the Debtor has treated 9,620 patients. Due to the severe nature of the injuries of the Debtor's patients, patients are seen

multiple times during their care (each such visit, an “Encounter”). In 2023, the Debtor had 136,068 Encounters. In 2024, to date, the Debtor has had 161,967 Encounters.

23. In 2023, approximately 91% of the Debtor’s revenue was generated from government health care programs, such as Medicare and Medicaid, for services provided to patients who rely on such programs for their medical expenses.

24. Over \$472 million of the Debtor’s total revenue in 2024 comes from government payers and the remainder comes from a combination of private pay insurance and individual payments. Debtor’s sources of income, based on the last twelve months of financial data, include: (a) Medicaid – 0.004%; (b) Medicare – 90.28%, and; (c) private payors – 9.72%.

25. The Debtor employs 284 Employees and contracts with 49 Medical Directors who supervise the Debtor’s clinicians, comprised largely of nurse practitioners, registered nurses, physician assistants, and physical therapists.

26. The Debtor has received significant acclaim with respect to its services. Such acclaim is in no small part due to the Debtor’s use of state-of-the art technology to enhance wound healing rates, including the development of its proprietary Rapid Imaging Technical Assistant (“RITA”). RITA is a groundbreaking, artificial intelligence-powered wound management system that standardizes and optimizes wound care by making precise wound assessments and tissue segmentation, providing clinicians with the most accurate possible data for effective treatment planning. Among other things, RITA has the following novel features: (1) automatic wound measurement; (2) healing rate prediction; and (3) a skin substitute efficiency tool. On June 20, 2024, the United States Patent and Trademark Office issued a Notice of Allowance for a patent of “Methods and Systems for Improving Wound Healing” to Wound Pros’ founder and president.

27. All that being said, the Debtor is much more than just a wound care practice. The Debtor strives to be a national leader in improving the health of populations across the country. In this regard, the Debtor, in coordination with Wound Pros, has pioneered a number of initiatives to foster healthy living and equity around the country, including:

- a. Black Barbershop: The Debtor is passionate about health equity for African Americans. Recognizing the distinctive health issues impacting African Americans—and particularly African American men—the Debtor launched the Black Barbershop Health Outreach Program. Through this innovative program, the Debtor provides health outreach screening and education to African American men in barber shops across the country.
- b. Food as Medicine: The Debtor also recognizes the importance of a healthy diet to improve health outcomes. Indeed, the Debtor understands that difficult-to-heal wounds are often linked to unhealthy diets. To combat this, the Debtor partnered with Bloom Ranch of Acton, California, to launch the “Food as Medicine” campaign, providing patients with a Bloom’s Bounty Box filled with farm-fresh fruits and vegetables delivered to the patient’s residence. Through these efforts, the Debtor has increased awareness of the impact of healthy food and promotes effective healing and well-being.
- c. Wound Care Without Walls: The Debtor has established a global outreach program to address the health challenge of the aging population, with higher rates of diabetes and obesity. The Debtor collaborates with healthcare providers worldwide to deliver state-of-the-art wound care solutions in underserved communities. The Debtor’s telemedicine capabilities allow it to reach patients in the most remote areas in the world. To date, the Debtor has assisted patients in Asia, Africa, Latin America, and the Caribbean.
- d. Human Trafficking: The Debtor is also committed to combat human trafficking, providing critical financial support to Libertas International, an organization that is dedicated to dismantle human trafficking networks and provide services to survivors.

III. The Need For Chapter 11 Relief And The Events Leading To The Commencement Of This Chapter 11 Case

28. On September 11, 2024, without any prior notice, Qlarant Integrity Solutions, LLC (“Qlarant”) informed the Debtor that all Medicare payments had been suspended (the “Payment Suspension”). Qlarant is a Unified Program Integrity Contractor (“UPIC”), under contract with

the Centers for Medicare & Medicaid Services to monitor the “Western Jurisdiction.” As a UPIC, Qlarant, among other things, performs claim review and data analysis for CMS and conducts independent investigations to identify suspected fraud and abuse or patient harm. Qlarant provided precious few details to justify this catastrophic event. The Payment Suspension was based on alleged “credible allegations of fraud,” including supposed bills to “Medicare for services that are not being rendered as billed,” identifying only five claims over a five-week period in 2023 in the amount of \$11,150.65. On this thin record, the Debtor’s Medicare payment stream, so essential to its livelihood, vanished overnight.

29. The Payment Suspension is an unnecessary, drastic action based on vague, unsubstantiated allegations of fraud. The Debtor has requested additional information regarding the allegations but none has been provided. Importantly, Qlarant has not supplied the Debtor with a single example of a knowing deception, concealment or cheating, as Qlarant must show to demonstrate fraud, nor has Qlarant identified any act described by the Medicare Program Integrity Manual as a basis for the payment suspension. At most, Qlarant has identified a run-of-the-mill payment dispute—instances of potential good-faith billing errors that have been rectified.

30. The Payment Suspension is an existential threat to the Debtor and will destroy the Debtor’s business. Indeed, the suspension of Medicare payments threatens to disrupt the care of thousands of patients under the care of a medical provider with an unblemished record and put hundreds of employees out of a job. Since the Payment Suspension, the Debtor has been unable to make any payment to Wound Pros under the MSA. As of the Petition Date, the Debtor owes Wound Pros more than \$155,638,882.00.

31. Based on the Debtor’s books and records as of the date of October 17, 2024, the amount and value of claims that have been or will be submitted to Medicare is \$130,799,888.76.

These claim amounts are expected to increase as the Debtor's business continues to generate sales and accounts receivable.

32. Receipts from these claims are critical for the Debtor's business operations, but the Debtor does not know when or if it will receive such receipts.

33. Without the ability to obtain immediate relief, the Debtor has filed this Chapter 11 Case in order to seek the protection of the automatic stay to protect its patient population and its business. Simultaneously, the Debtor will be evaluating various changes to its business, including to its corporate structure. By utilizing chapter 11 and the tools in the Bankruptcy Code, the Debtor desires to emerge as a reorganized stronger business for the benefits of its patients and all stakeholders.

IV. First Day Pleadings

34. The Debtor intends to ask for immediate relief with respect to the following First Day Pleadings and, therefore, will present these motions at the First Day Hearing.

a. Debtor's Emergency Motion for Entry of an Order Authorizing Payment of Certain Prepetition (I) Wages, Salaries, and Other Compensation; (II) Reimbursable Employee Expenses; (III) Employee Benefits; and (IV) Related Costs (the "Wage Motion").

35. By the Wage Motion, the Debtor moves the Court for entry of an order: (A) authorizing, but not directing, the Debtor, in its discretion, to (i) pay or honor any outstanding prepetition wages, salaries, employee benefits, and other compensation; (ii) remit withholding obligations; (iii) maintain workers' compensation and benefits programs; (iv) pay related administration obligations; and (v) pay reimbursable employee expenses, with payments to each employee not to exceed the statutory limit for priority claims of \$15,150.00, except as noted; and (B) authorizing and directing the applicable bank to pay all checks and electronic payment requests made by the Debtor relating to the foregoing.

36. Employee Compensation Obligations. The Debtor pays its Employees their wages and salaries bi-weekly, in arrears, and uses ADP, Inc. (“ADP”) to process payroll internally through ADP’s software. The Debtor’s average bi-weekly gross payroll is approximately \$1,548,034.00. For 1099 independent contractors, the Debtors’ aggregate gross bi-weekly pay is approximately \$63,324.00 and the aggregate weekly pay is approximately \$31,662.00. Certain Clinicians are eligible for biologic handling and application fees based on number of procedures performed (the “Biologic Fees”). The Biologic Fees are accrued, and the prior month’s Biologic Fees are paid out in the last pay period of the current month. In the prior three months from September 2024 to October 2024, the average monthly payment for these Biologic Fees is approximately \$638,870.00.

37. Employee Benefit Obligations. In the ordinary course of business, the Debtor makes various benefit plans available to its Employees. These benefit plans fall within the following categories: (i) paid time off, including personal time off and holidays (collectively, the “Employee Leave Benefits”); (ii) medical, dental, vision, and prescription drug benefits, flexible spending accounts and health savings accounts, health reimbursement arrangement plans, life insurance, accidental death and dismemberment insurance (“AD&D”), disability insurance, (collectively, the “Health and Welfare Benefits”); (iii) a qualified 401(k) retirement savings plan; and (iv) certain other benefits (each of (i)-(iv), an “Employee Benefit”). As of the Petition Date, the Debtor owed (i) \$628,694.00 in Employee Leave Benefits; (ii) \$12,141.00 in Health and Welfare Benefits; and (iii) \$175,000.00 related to miscellaneous benefits, including reimbursable expenses, general employee assistance, identity theft protection and tuition reimbursement.

38. The Debtor believes that substantially all of its Employees rely exclusively on their compensation to pay their daily living expenses, and also, the Employee Benefit programs are a

critical component of the Employees' total compensation package. Consequently, it is imperative that the Debtor minimize any adverse impact of the chapter 11 filing on the Debtor's workforce, patients, operations, and orderly administrations of this case. Any disruption to payment of the payroll in the ordinary course, or to the continued implementation of employee programs in the Debtor's discretion, would adversely affect the Debtor's goals in this case because such events are likely to cause some Employees to terminate their employment with the Debtor, will cause Employees to be distracted from their duties to care for the patients, and will hurt employee morale at a particularly sensitive time for all Employees. Accordingly, as set forth in the Wage Motion, the Debtor requests authority to continue paying the Employees and administering the Employee Benefit programs and any obligations related to the foregoing (subject to any applicable payment caps) in the ordinary course of business.

b. Debtor's Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtor to (A) Continue Using Its Cash Management System, and (B) Maintain Existing Bank Account and Business Forms and Books and Records, and (II) Granting Related Relief (the "Cash Management Motion").

39. By the Cash Management Motion, the Debtor moves the Court for the entry of an order: (A) authorizing the Debtor to (i) continue using the Cash Management System, including honoring certain prepetition obligations related thereto, and (ii) maintain its existing Bank Account, Business Forms, and Books and Records; and (B) granting related relief.

40. The Debtor further requests, by the Cash Management Motion, that the Court authorize the financial institution at which the Debtor maintains the Bank Account to (A) continue to maintain, service and administer the Debtor's Bank Account, and (B) debit the Bank Account in the ordinary course of business on account of (i) wire transfers or checks drawn on the Bank Account, or (ii) undisputed service charges owed to the Bank for maintenance of the Debtor's cash management system, if any.

41. The Debtor currently has one Bank Account with one Bank, and requests authority to continue utilizing the Bank Account. Requiring the Debtor to close the Bank Account and open new ones will disrupt the Debtor's cash flow – and, ultimately, impact patient care – because (i) the Payors (some of which are governmental agencies) will not respond quickly to the change and will likely continue to send deposits to the original Bank Account, and (ii) the Debtor has certain obligations that it pays exclusively by electronic funds transfer and changes to the Bank Account have the potential of slowing down these crucial payments. Closing the Bank Account will also increase the work of the Debtor's accounting personnel, who are already dealing with the many and varied issues related to this case. Closing the Bank Account and opening new ones under circumstances described in the Cash Management Motion would needlessly cost the Debtor time and money at a time when it is trying to conserve both, and would result in no discernable benefit to the Debtor's bankruptcy estate.

42. The Debtor also requests in the Cash Management Motion authority to continue using its business forms without the designation "Debtor in Possession" on them *for a limited time*. The Debtor's forms are either electronically printed or can be electronically altered. The Debtor seeks the authority of this Court to utilize its electronically generated forms without the "Debtor in Possession" designation until the adjustments to the software can be initiated and existing stock is exhausted.

43. By the Cash Management Motion, the Debtor requests that the Court authorize it to continue using its cash management system in connection with the continued use of the Bank Account and continued use of the Debtor's business forms; in furtherance thereof, the Debtor further requests that the Court authorize and direct the Bank to continue honoring the Debtor's transactions.

c. Debtor's Emergency Motion for Entry of an Order (I) Authorizing the Debtor to (A) Maintain Insurance Program and (B) Pay Insurance Premiums and Brokerage Commissions in the Ordinary Course; and (II) Preventing Insurance Companies from Enforcing Ipso Facto Clauses or Giving Any Notice of Termination or Otherwise Modifying Any Insurance Policy Without Obtaining Relief from the Automatic Stay (the "Insurance Motion").

44. By the Insurance Motion, the Debtor moves the Court for entry of an order: (A) authorizing the Debtor to (i) maintain its insurance coverage levels, including authority to revise, extend, supplement, renew or change insurance coverage as needed and (ii) make payments to Wound Pros under the terms of the MSA for payments made with respect to insurance premiums, self-insured retentions, broker fees and deductibles in the ordinary course of business (collectively, the "Insurance Obligations"); and (B) preventing insurance companies from enforcing any ipso facto clauses or giving any notice of termination or otherwise modifying or cancelling any insurance policies without first obtaining relief from the automatic stay imposed by § 362.

45. The Debtor maintains various insurance policies issued by several insurance carriers (collectively, the "Insurance Carriers"). Wound Pros, a Management Services Organization, provides the Debtor with certain non-clinical administrative and management services pursuant to the MSA. As part of the services provided to the Debtor, Wound Pros obtained and pays for the Debtor's insurance coverage issued by the Insurance Carriers. The Debtor pays Wound Pros for such insurance coverage pursuant to the expense allocation under the MSA.

46. Collectively, these insurance policies issued by the Insurance Carriers provide for coverage for, among other things: workers' compensation and employee liability, commercial general liability, automobile liability, professional and medical malpractice liability, commercial property, and other coverage (collectively, the "Insurance Policies"). However, the Insurance Policies will expire beginning on March 11, 2025 or later, and it is critical that the Debtor continues to carry the necessary insurance coverage to operate its business. In this regard, the Debtor also

seeks the authority to renew, modify, extend or enter into new Insurance Policies (collectively, the “New Insurance Policies”) on a postpetition basis in the ordinary course of business.

47. While all of the premiums for its Insurance Policies have been paid in full as of the Petition Date, the Debtor nevertheless also seeks authority to make payments to Wound Pros under the MSA for any other premiums paid regarding the Insurance Policies or any New Insurance Policies on a postpetition basis in the ordinary course of business. Wound Pros also pays certain deductibles and self-insured retention amounts with respect to the Insurance Policies. The Debtor further requests, by way of the Insurance Motion, authority to repay Wound Pros under the MSA for deductibles and self-insured retention amounts paid on a postpetition basis, including any amounts accrued and not due as of the Petition Date, in the ordinary course of business.

48. Further, Wound Pros pays brokerage commission fees and other amounts to Acrisure, the Debtor’s insurance broker. By way of the Insurance Motion, the Debtor also seeks authority to make payments to Wound Pros under the MSA for brokerage commission and other amounts paid to Acrisure in the ordinary course of business.

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

Date: October 21, 2024

/s/ Ralph Cetrulo
Ralph Cetrulo