IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In Re:	)	
	)	
ANGEL MEDICAL SYSTEMS, INC.,	)	Chapter 11
a Delaware corporation,	)	Case No. 18-12903 ( )
	)	
Debtor.[1]	)	
	)	

DECLARATION OF ANDREW TAYLOR
IN SUPPORT OF CHAPTER 11 PETITION AND FIRST DAY RELIEF

I, Andrew Taylor, declare as follows:

1. I am a member of the board of directors and a consultant to Angel Medical Systems, Inc. (the "Debtor" or the "Company"). My consulting services are provided through a contract between the Company and Elizdrew, LLC. Prior to my current consulting relationship which commenced in August 2017, I was the President and Chief Financial Officer of the Company. I earned a high-honors MBA with a concentration in Accounting and Finance from Northeastern University and a BA in Political Science and Economics from McGill University.

2. I submit this declaration in support of the Debtor's (a) voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and (b) the various "first-day" motions and applications, which are being filed concurrently herewith (collectively, the "First-Day Pleadings"). On the date hereof, the Debtor has filed its pre-

[1] The Debtor's address is 40 Christopher Way, Suite 201, Eatontown, NJ 07724. Its EIN is 52-2360129.

packaged plan of reorganization (the "Plan") and Disclosure Statement,[2] and is seeking prompt confirmation of the Plan.

3. Except as otherwise indicated, all statements set forth in this Declaration are based upon: (a) my personal knowledge; (b) information supplied to me by other members of the Debtor's management or other professionals that I believe in good faith to be reliable; (c) my review of relevant documents; and/or (d) my opinion based upon my experience and knowledge of the Debtor's operations and financial condition. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration. The Debtor has authorized me to submit this Declaration in support of the Debtor's chapter 11 petition and the First-Day Pleadings described herein.

I. Background

A. Business Operations

4. The Debtor is a privately held pre-commercial medical device company with approximately fifty U.S. issued patents. The Debtor has developed the AngelMed Guardian System, which is an implantable cardiac monitoring and alerting system that is designed to warn cardiac patients of potentially life-threatening acute coronary syndromes ("ACS"), including heart attacks. It is well known that getting early treatment for heart attacks is extremely beneficial and potentially life-saving. In a 5 year clinical study, the AngelMed Guardian System demonstrated that the warning provided by it provides a more accurate and earlier indication of ACS than a patient relying on symptoms alone and can materially shorten the time between the commencement of an incident to Emergency Room arrival.

[2] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the relevant First-Day Pleading or the Plan.

5. On April 9, 2018, the Food and Drug Administration approved the Debtor's Pre-Market Approval submission and approved the commercialization of the AngelMed Guardian System. The FDA approved indication for use (IFU) allows the Guardian to be prescribed for patients with a prior ACS event at high risk for another one. More than two million Americans would qualify today based on this IFU. The FDA in its summary of safety and efficacy states *"An important consideration is that the device fills an unmet medical need by providing more effective diagnosis of a life-threatening condition compared to relying on patient symptoms alone."*

6. Other than for liquidity constraints arising from the pending debt maturities discussed below, the Debtor is poised to launch into the commercial stage of its operations in 2019.

II. Capital Structure

7. The Debtor incorporated in Delaware on November 29, 2001.

8. The Debtor has been funded by the issuance of both debt and equity.

9. In addition to stock based compensation, the Debtor issued six series of Preferred Stock. As of the Petition Date, the paid-in capital reflected on the Debtor's balance sheet is approximately $67,000,000. All old equity in the Debtor will be cancelled under the proposed Plan.

10. In addition to equity financing, the Debtor issued three tranches of secured debt. Pursuant to a Note Purchase and Security Agreement dated as of December 5, 2012 (as amended), by and among the Debtor, as the borrower, Bioinfo Accelerator Fund, LLC, as agent, and the noteholders party thereto, the Debtor issued secured notes ("2012 Notes"). As of the

Petition Date, $20,646,000 in aggregate unpaid principal amount, plus interest, fees and other expenses, are outstanding under the 2012 Notes.

11. Pursuant to a Note Purchase and Security Agreement dated as of November 25, 2014 (as amended), by and among the Debtor, as the borrower, Bioinfo Accelerator Fund, LLC, as agent, and the noteholders party thereto, the Debtor issued an additional series of secured notes (the "2014 Notes"). As of the Petition Date, $20,430,000 in aggregate unpaid principal amount, plus interest, fees and other expenses, are outstanding under the 2014 Notes.

12. Pursuant to a Note Purchase and Security Agreement dated as of September 20, 2016 (as amended), by and among the Company, as the borrower, Bioinfo Accelerator Fund, LLC, as agent, and the noteholders party thereto, the Debtor issued a third series of secured notes (the "2016 Notes", and, together with the 2012 Notes and 2014 Notes, the "Notes"). As of the Petition Date, $1,956,442 in aggregate unpaid principal amount, plus interest, fees and other expenses, are outstanding under the 2016 Notes.

13. Each series of Notes is secured by substantially all of the assets of the Debtor, excluding intellectual property.

14. The Notes mature on December 31, 2018 ("Maturity Date").

15. Under the terms of an Intercreditor Agreement dated as of September 20, 2016 (the "2016 Intercreditor Agreement"), the 2016 Notes are senior in both right to payment and lien priority to the 2012 Notes and 2014 Notes. A true and correct copy of the 2016 Intercreditor Agreement is attached hereto as Exhibit A.

16. Under an intercreditor agreement dated as of November 25, 2014, the 2012 Notes and 2014 Notes are of equal rank and priority of payment.

17. Because the Debtor is in the pre-revenue stage of its life cycle and has not started to commercialize the AngelMed Guardian System, the vast majority of the Debtor's asset value is attributable to its intellectual property, which is unencumbered. The Debtor believes that the value of all of its assets (excluding intellectual property) is less than the amount owed under the 2016 Notes. Therefore, the Debtor believes that claims arising under the 2012 Notes and the 2014 Notes are entirely unsecured.

18. As is common in start-up entities, there is a material overlap in the holders of Notes and equity interests, including by insiders.

B. Trade Creditors and Suppliers

19. As the Debtor is pre-commercialization, the Debtor does not have a substantial amount of trade debt or operational debt. Excluding wages (which the Debtor is seeking Court authority to satisfy), the Debtor believes that the amount of trade payables outstanding is less than $500,000.

III. Events Leading Up to Bankruptcy

20. The research and regulatory approval process for a new medical device is long and capital intensive. The first patents related to the AngelMed Guardian System were issued prior to the Debtor's formation and the Debtor has been focused on developing life-saving technology since its founding. Commercialization was hampered by difficulty in obtaining final FDA approval. Specifically, a pivotal clinical trial ("ALERTS") for this system was conducted in the U.S., and the completed Pre-Market Approval (PMA) application was submitted to the FDA for review in 2015. In May 2016, the Company received a "non-approvable" letter from the FDA with respect to its Pre-Market Approval (PMA) application for the AngelMed Guardian System. Subsequently, the Company met with the FDA and discussed a re-

submission plan that could correct the deficiencies noted in the "non-approvable" letter through a re-analysis and augmentation of its ALERTS study data. The Company submitted the PMA Amendment to the FDA on May 5, 2017. The Company also received FDA agreement on a plan to exit patients from its ALERTS study and close the trial sites. On April 9, 2018, the Company received a letter from the FDA stating that its Pre-Market Approval submission had been approved and that the AngelMed Guardian System could be commercialized.

21. Subsequent to getting FDA approval, the Debtor secured reimbursement codes for certain government payers, which is an important step in commercialization. With FDA approval in hand, the Debtor was poised to raise additional funds through debt or equity in order to launch a commercial effort. Unfortunately, the Debtor was unable to receive the affirmative consent of a majority of the Noteholders to extend the Maturity Date of the Notes and to allow the Debtor to obtain bridge financing.

IV. Plan Process

22. In early September, 2018, the Debtor was informed by its largest Noteholder that the Noteholder would not consent to extend the Maturity Date of the Notes, and the Debtor began exploring all of its strategic alternatives to maximize value for all stakeholders.

23. The Debtor quickly realized that it would not be able to obtain a sufficient capital infusion to satisfy the Notes in full in cash on the Maturity Date. The Debtor further determined that the best way to maximize value for all stakeholders was to continue the Debtor's business operations, as a liquidation would result in little to no return for stakeholders.

24. In consultation with its advisors, the Debtor concluded that it was in the best interests of the Debtor and its stakeholders to pursue a plan of reorganization that would provide for a restructuring of its balance sheet and provide sufficient liquidity to allow the Debtor to

bring its life-saving technology to market and reach profitability. In connection therewith, the Debtor commenced extensive fundraising efforts that included discussions with existing stakeholders and outside sources of capital.

25. In addition to existing stakeholders, the Debtor reached out to more than 30 outside sources of capital. Eight outside entities executed non-disclosure agreements and conducted due diligence. One entity provided a letter of intent that would have dramatically diluted recoveries to stakeholders and the Debtor did not proceed to a term sheet. Another proposal presented a viable plan structure. The Debtor engaged in extensive negotiations with the potential investor to develop a framework whereby this potential investor would have served as lead investor and co-invest along with existing stakeholders and other outside investors to provide the Debtor sufficient equity financing upon emergence from bankruptcy to fund its business plan.

26. Although the negotiations were far advanced, this potential lead investor decided to not move forward with the transaction. However, these negotiations served as the framework whereby an existing 2016 Noteholder, MCM Angels Partners, LLC (the "Lead Investor"), agreed to serve as lead investor in a proposed $2,000,000 to $2,500,000 debtor-in-possession financing ("DIP Facility") (discussed in more detail below) and an offering of between $10,00,000 and $15,000,000 of preferred stock (the "Series A Offering") of the reorganized Debtor to be purchased by both existing stakeholders and outside investors on the effective date of the Plan. To provide additional liquidity to the reorganized Debtor, the lenders under the DIP Facility further agreed to convert the obligations under the DIP Facility into Series A Preferred Stock on the Effective Date. Additional existing and several new investors have now signed indication of interest letters of intent to participate in the DIP and Series A Offering

totaling more than $15,000,000 which amount is sufficient for the company to exercise its business plan and reach profitability.

27. The Plan proposes the following balance sheet restructuring of the Company:

- All existing equity will be cancelled;
- The 2012 and 2014 Notes will be converted into 100% of the new common stock of the reorganized Debtor, subject to dilution by a management stock option plan, representing 28% of the equity in the reorganized Debtor on a fully diluted basis (assuming the minimum amount is raised in the Series A Offering).
- The 2016 Notes will be converted into Series A Preferred Stock representing 12.5% of the equity in the reorganized Debtor on a fully diluted basis (assuming the minimum amount is raised in the Series A Offering).
- General Unsecured Creditors will share pro rata in a pool of $500,000.
- 2,000,000 of DIP Facility Claims will be converted into Series A Preferred Stock at a 22% discount to the Series A Offering purchase price with any DIP Facility Claims in excess of such amount paid back in cash with interest on the Effective Date.
- $10,000,000 to $15,000,000 of new capital will be raised through the Series A Offering.

To ensure that the offering is fair and equitable to all stakeholders, all existing Noteholders and equity holders, that are accredited investors, will be provided an opportunity to purchase Series A Preferred Stock on the same terms as the Lead Investor under the Series A Offering.

V. FIRST DAY MOTIONS AND ORDERS

28. Concurrently with the filing of its chapter 11 petition, the Debtor is seeking orders approving the First-Day Pleadings (collectively, the "First Day Orders"). The Debtor's request that each of the proposed First Day Orders be entered as each is critical to maximizing the value of the estate for the benefit of all stakeholders.

A. DIP Financing

29. The Debtor has filed a motion seeking authority to obtain secured debtor-in-possession financing ("DIP Facility") on a superpriority priming basis in the amount of up to $2,500,000, $600,000 of which would be available on an interim basis pending a final hearing. The DIP Facility is being made available by a group of existing Noteholders and new investors and includes both insiders and non-insiders (collectively, the "DIP Lenders"). The DIP Facility will serve as a bridge loan to ensure that the Debtor has sufficient liquidity to meet its financial obligations pending confirmation and consummation of the Plan. As discussed above, under the Plan, up to $2,000,000 of the obligations outstanding under the DIP Facility will be converted into equity in the reorganized Debtor.

30. Without the proposed post-petition DIP Facility and continued access to cash collateral, the Debtor will have insufficient liquidity to operate its business, and will be unable to fund ordinary course expenditures or pay expenses necessary to administer the bankruptcy case, the most significant of which are payroll expenses and payments to the vendors preparing to manufacture the Guardian for the Debtor. Simply put, without access to financing the Debtor will be required to cease operations and liquidate, causing irreparable harm to the Debtor, its estate and all other stakeholders and irreparably harm the ability to ever bring to market a medical device that fills an unmet need for better diagnosis of a life-threatening condition as the knowhow and expertise that resides in the Company's people will likely be lost.

31. I believe the financing to be provided by the DIP Lenders pursuant to the terms of the DIP Facility represents the best financing presently available under the circumstances and is supported by the Debtor's prudent exercise of its business judgment. In making this decision, the Debtor considered many factors. As discussed above, the Debtor has been actively

seeking financing from both existing stakeholders and third parties. The Debtor was unable to obtain alternative financing terms from other lenders that were more favorable than the proposed DIP Facility. Further, the willingness of the DIP Lenders to provide the DIP Facility is being provided in the context of a global restructuring plan, whereby the DIP Lenders will convert the obligations under the DIP Facility into equity in the reorganized Debtor.

32. The proposed terms of the DIP Facility were negotiated at arm's length and in good faith by the parties, and I believe that they are fair and reasonable under the circumstances.

B. Human Capital Obligations

33. The Debtor has a valuable asset in its work force and believes that any delay in paying prepetition compensation or benefits to its employees would destroy its relationships with such employees and irreparably harm employee morale at a time when the continued dedication, confidence and cooperation of its employees is most critical. Accordingly, the Debtor is seeking authority to pay compensation and benefits that were accrued but unpaid as of the Petition Date up to $12,850, which I am advised by counsel is the priority set forth in section 507(a)(4) and 507(a)(5) of the Bankruptcy Code.

34. Further, the Debtor is seeking to pay certain other related prepetition obligations, such as reimbursable expenses, and withholding obligations, including garnishments, child support, and similar deductions, and other pre-tax and after-tax deductions payable pursuant to certain of the benefit plans such as the employees' share of health care benefits, insurance premiums, 401(k) contributions, legally ordered deductions, and other miscellaneous deductions, worker's compensation insurance.

35. The Debtor is also seeking authority to pay certain funds held in trust, including but not limited to amounts withheld to pay federal, state and local taxing authorities.

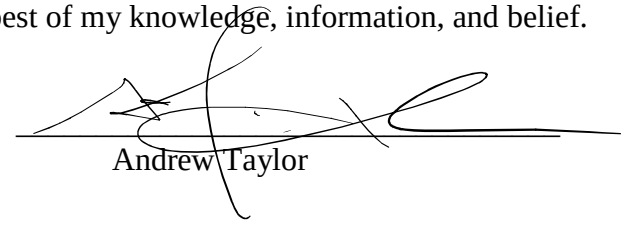
C. Confirmation Hearing

36. Beginning on December 17, 2018, the Debtor commenced soliciting votes to accept or reject its prepackaged Plan. The Debtor solicited holders of 2012 Notes, 2014 Notes, and 2016 Notes Claims by causing to be mailed to such parties a solicitation package containing the Disclosure Statement, the Plan (attached as Exhibit A to the Disclosure Statement), Ballot(s), a transmittal memorandum, and other Plan-related documents (as noted in the transmittal memorandum). To address some changes to the Series A Offering and other non-material comments, the Debtor distributed an amended Plan and Disclosure Statement on December 26, 2018 and extended the voting deadline until January 14, 2019.

37. It is in the best interest of the Debtor's estate and all stakeholders that the Debtor move to seek confirmation and consummation of the Plan expeditiously. Accordingly, the Debtor is seeking entry of an order: (i) scheduling a confirmation hearing to consider approval of the Plan and Disclosure Statement; (ii) establishing deadlines and procedures to object to the same; (iii) approving the solicitation procedures; and (iv) approving the form and manner of notice of confirmation.

I certify under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: December 31, 2018



Andrew Taylor