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## FACT SHEET

### **(To Accompany August 26 Media Release 'Disingenuous and Deeply Offensive' in Re: Case No: 19-CV-00046, United States District Court for the Eastern District of Tennessee)**

- Jim Biden, Amer Rustom and Michael Lewitt were introduced by Grant White, the CEO of an existing rural hospital operator, Americore Health LLC, to Michael Frey. Frey claimed his company, Diverse Medical Management, had developed an innovative model to supply rural healthcare services and help struggling rural hospitals from closure. DMM's business model was primarily a billing system.
- Jim Biden has long been active in fighting substance abuse and PTSD issues and thought that treatment models for either disorder might work as a part of Frey's business concept.
- The investor group thought that DMM was attractive based on the experience of several partners with rural healthcare investments. The plan was to purchase struggling hospitals to add to Americore's existing hospitals and provide treatment for substance abuse, PTSD and other healthcare services.
- As is the case in any corporate investment, the transaction was subject to the satisfactory completion of financial and legal due diligence. DMM and AMS received customary requests for financial and other business information to enable the investors to evaluate the investment. DMM and AMS never supplied satisfactory information despite numerous requests.
- During this period, Michael Frey told Michael Lewitt that DMM was struggling and would be unable to make payroll without further capital. Lewitt agreed to make a series of loans through Third Friday while it and the investor group evaluated the opportunity. Over a period of six months, Third Friday made at least 14 different loans totalling more than \$750,000 to enable DMM to continue its existing operations. Repayment of the loans was not contingent on the deal closing.
- During the period Third Friday made the loans, the investor group engaged in extensive discussions with prospective funding partners, including a major non-US company with whom they met on several occasions. In January 2019, the investor group took the prospect to visit DMM in Tennessee.

- Despite repeated requests from the investor group, the Freys, DMM, and Azzam failed to provide satisfactory financial and other business information required to enable them to complete the due diligence investigation. The lack of satisfactory financial and business information was a key reason that the non-US investor declined to make an investment.
- As Frey delayed the submission of the necessary information to seek investors and conduct due diligence, it became apparent that Frey had overstated the success of his existing business. The investor group's due diligence showed there was far less substance to Frey's business than Michael Frey and Dr. Mohannad Azzam (Azzam Medical Services, Alabama) alleged. In fact, DMM admitted that it was in "an insolvent position, and in a very precarious and serious situation with Medicare."
- Moreover, in April 2019, the investor group learned for the first time that DMM had completed the acquisition of Geriatric Consulting Group (GCG) and its sister company, Newcare. The effect of the acquisition was to dramatically increase the cash needs of DMM, which the company was clearly unable to meet from its own resources. None of the financial due diligence materials provided by DMM until that time ever mentioned GCG or Newcare.
- The Frey's, DMM, and Azzam's failure to disclose the GCG and Newcare acquisitions, coupled with DMM's admission that it was in "an insolvent position, and in a very precarious and serious situation with Medicare" led the investor group to terminate discussions about investing in DMM and led Third Friday to demand repayment of the loans by DMM.
- In April 2019, Lewitt emailed Frey and asked Frey to contact him to discuss how DMM planned to repay the loans. He told Frey that if he did not hear from Frey by June 30, 2019, then Third Friday would have no choice but to pursue legal action to recover its debt. Lewitt never received any response from Frey.
- Instead of making any effort to repay Third Friday's loans, Frey and his colleagues filed their lawsuit against the investor group, presumably to try and stop repayment efforts.

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