

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
WACO DIVISION

In Re:	§	Chapter 7
	§	
LITTLE RIVER HEALTHCARE	§	Case No. 18-60526-rbk
HOLDINGS, LLC, <i>et al.</i> ¹	§	
	§	(Jointly Administered)
Debtors.	§	

**APPLICATION TO APPROVE COMPROMISE UNDER FEDERAL RULE OF
BANKRUPTCY PROCEDURE 9019 AND LOCAL RULE 9019**

This pleading requests relief that may be adverse to your interests.

If no timely response is filed within 21 days from the date of service, the relief requested herein may be granted without a hearing being held.

A timely filed response is necessary for a hearing to be held.

James Studensky, Trustee (“Trustee”), the duly appointed and acting Chapter 7 trustee in the above-captioned bankruptcy cases, and files this *Application to Approve Compromise Under Federal Rule of Bankruptcy Procedure 9019 and Local Rule 9019* (the “Application”) and would respectfully show the Court as follows:

I. SUMMARY

1. The Trustee, under Federal Rule of Bankruptcy Procedure 9019, requests the Court approve a settlement agreement (the “Settlement Agreement”) with defendants Georgetown OB-GYN, L.L.P. and Georgetown OB-GYN Unified, PLLC (the “Defendants”) in Adversary

¹ The Debtors in these chapter 7 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Compass Pointe Holdings, LLC (1142), Little River Healthcare Holdings, LLC (7956), Timberlands Healthcare, LLC (1890), King’s Daughters Pharmacy, LLC (7097), Rockdale Blackhawk, LLC (0791), Little River Healthcare - Physicians of King’s Daughters, LLC (5264), Cantera Way Ventures, LLC (7815), and Little River Healthcare Management, LLC (6688). The Debtors’ mailing address is 1700 Brazos Avenue, Rockdale, Texas 76567.

Proceeding No. 20-06066 (the “Adversary Proceeding”). Pursuant to the Settlement Agreement, a copy of which is attached hereto as Exhibit A, all claims of the Trustee and of Defendants will be resolved to the extent set forth in the Settlement Agreement. The Trustee believes that the proposed compromise is fair, equitable and in the best interest of the creditors and the estates.

II. JURISDICTION

2. This Court has jurisdiction over this proceeding under 28 U.S.C. § 1334. This matter constitutes a core proceeding pursuant to 28 U.S.C. § 157(b).

III. BACKGROUND

1. On July 24, 2018 (the “Petition Date”), each of the Debtors commenced with this Court a voluntary case under chapter 11 of the Bankruptcy Code.

2. After notice and a hearing, on December 7, 2018 (the “Conversion Date”), the Court entered an order [Docket No. 547] converting the Debtors’ bankruptcy cases to chapter 7.

3. The Trustee is the duly appointed and acting Chapter 7 trustee in the above-captioned jointly administered bankruptcy cases.

4. On January 1, 2018, Defendant Georgetown OB-GYN LLP filed Proof of Claim No. 132-1 in Case No. 18-60526 (Epiq Proof of Claim No. 412) as a general unsecured claim in the total amount of \$74,409.13 (“Claim No. 132”).

5. On November 6, 2018, Defendant Georgetown OB-GYN LLP filed Epiq Proof of Claim No. 433 as a general unsecured claim in the total amount of \$74,409.13 (“Epiq Claim No. 433”).

6. On March 15, 2019, Defendant Georgetown OB-GYN LLP filed Proof of Claim No. 155-1 in Case No. 18-60526 (Epiq Proof of Claim No. 514) as a priority claim under 11 U.S.C.

§ 507(a)(2) in the total amount of \$47,525.84 (“Claim No. 155,” and collectively with Claim No. 132 and Epiq Claim No. 433, the “Proofs of Claim”).

7. On or about July 24, 2020, the Trustee initiated the Adversary Proceeding against Defendants. Among other things, the Trustee sought to avoid and recover certain payments made by one or more of the Debtors to the Defendants during the 90 days prior to the Petition Date (“Transfers”), which the Trustee asserted are avoidable under Chapter 5 of the Bankruptcy Code and other causes of action relating to the Proofs of Claim filed by Defendant.

8. The parties have participated in negotiations and have agreed (subject to court approval) to settle the claims involved in the Adversary Proceeding. Generally, the proposed settlement agreement (the “Settlement Agreement”) provides that the Defendant will settle the Adversary Proceeding for \$16,000 (the “Settlement Amount”), which shall be satisfied as follows: the Trustee shall setoff the Settlement Amount against Claim No. 155. After satisfaction of the Settlement Amount through setoff of the Claim No. 155, the Settlement Agreement provides that Defendant shall have an allowed priority claim under § 507(a)(2) in the total amount of \$31,525.84 against Debtor Little River Healthcare Holdings, LLC (Case No. 18-60526). The Settlement Agreement also provides that Epiq Claim No. 433 is disallowed in its entirety.

IV. APPLICABLE AUTHORITY

9. Federal Rule of Bankruptcy Procedure 9019 provides that the Court, upon notice and a hearing, may approve a compromise or settlement. FED. R. BANKR. P. 9019(a). In general, the Court should approve a proposed compromise if it is fair, equitable and in the best interest of the estate. *See In re Cajun Electric Power Coop., Inc.*, 199 F.3d 349, 355 (5th Cir. 1997); *In re Foster Mortgage Corp.*, 68 F.3d 914, 917 (5th Cir. 1995).

10. The Court has wide discretion to determine whether a proposed compromise should be approved. In determining whether a compromise is fair, equitable and in the best interest of the estate, the Court should consider: (i) the probability of success in the litigation, with due consideration for the uncertainty in fact and law; (ii) the complexity and likely duration of the litigation and any attendant expense, inconvenience and delay; and (iii) all other factors bearing on the wisdom of the compromise, such as the interest of the creditors and the extent to which the settlement was the product of arms-length negotiation. *Cajun Electric*, 199 F.3d at 355-56; *see also Protective Comm. For Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968); *Matter of Jackson Brewing Co.*, 624 F.2d 599, 604 (5th Cir. 1980).

11. The proposed settlement between the Trustee and Defendants is fair, equitable and in the best interest of the bankruptcy estates. The compromise satisfies all factors in *Cajun Electric*. With respect to the first factor, the dispute contains factual uncertainty related to the establishment of Defendants' liability.

12. For similar reasons, the second factor favors approval of the compromise. The estate's maximum recovery is not likely to be much more than the Settlement Amount, which could only be achieved after significant additional time and expense. In addition, the compromise addresses and reduces priority claims.

13. Finally, approval of the compromise is supported by other factors. The compromise has been negotiated between the parties in good faith and at arms' length. The interest of creditors is well served by a resolution of the dispute without the attendant expense and delay of further litigation.

14. Based on the foregoing, the Trustee believes that the compromise is fair, equitable and in the best interest of the Debtor, the bankruptcy estates, the creditors, and all parties-in-interest. Accordingly, the Trustee requests the Court approve the Settlement Agreement.

WHEREFORE, PREMISES CONSIDERED, the Trustee respectfully request that the Court enter an order authorizing the Trustee to enter into the Settlement Agreement, and for such other and further as to which the Trustee may be entitled.

December 9, 2021

/s/ Vienna F. Anaya

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Counsel to James Studensky Chapter 7 Trustee

CERTIFICATE OF SERVICE

I hereby certify that on this the 9th day of December 2021, I electronically filed this Application with the Clerk of Court using the CM/ECF system which will send notification of such filing to those receiving electronic service, or service was made by email or regular U.S. mail as reflected below, as within two business days as reflected on the Service List appended to this Notice.

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