

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
WACO DIVISION**

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

STATUS REPORT

COMES NOW James Studensky, Trustee ("Trustee"), the duly appointed and acting trustee in the above-captioned jointly administered bankruptcy cases, and files this Status Report for the purpose of apprising the Court and parties-in-interest on the status of the above-styled and numbered bankruptcy case (the "Bankruptcy Case");

I. SUMMARY

The Trustee has liquidated or abandoned all known physical assets of the Debtors. The estate remains involved in four adversary proceedings (three as plaintiff, one as defendant), the resolutions of which are necessary before the Trustee can begin claims administration and windup of this bankruptcy case.

II. STATUS REPORT

1. On July 24, 2018 (the "Petition Date"), each of the Debtors commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code.

2. After notice and a hearing, on December 7, 2018 (the "Conversion Date"), the

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).

Court entered an order [Dkt. 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-styled and captioned jointly administered bankruptcy cases.

4. Because substantially all of Debtors' asserts were collateral for amounts owed to Debtors' pre-petition and DIP lender ("Monroe Capital"), and because Monroe Capital was moving forward with foreclosing on substantially all of Debtors' assets, the Trustee negotiated a sharing arrangement (the "Sharing Arrangement") with Monroe Capital. Under that Sharing Arrangement, and among other things, Monroe Capital and the estate share in specific percentage returns from recoveries obtained in litigation prosecuted on behalf of the estate.

5. The primary assets of the Debtors were breach of contract claims against Blue Cross and Blue Shield of Texas ("BCBS"). Those claims were litigated through arbitration (the "BCBS Arbitration"), resulting in a substantial award against BCBS, which was confirmed into a final judgment entered by this Court. Most of the proceeds received from payment by BCBS of that final judgment went to Monroe Capital pursuant to the Sharing Arrangement; the remaining proceeds have primarily been used to fund ongoing litigation.

6. The Trustee has prosecuted numerous avoidance actions, none of which (other than the D&O Adversary, described below) remain pending.

7. The Trustee is currently prosecuting three adversary proceedings and defending one adversary proceeding. The following is a summary of the status of each of those adversary proceedings.

Studensky v. Borgfeld, et al (the "D&O Adversary"), Adv. Proc. No. 20-06062: In the D&O Adversary, the estate asserted claims against Debtors' former directors and officers relating to the approximately \$23 million that they transferred to themselves at a time when

Debtors were having difficulty paying their bills as they came due. At the request of defendants, the reference was withdrawn and a jury trial was held before United States Magistrate Judge Derek Gilliland in June of 2023. The jury returned a verdict for the defense. The Trustee filed a motion for new trial which remains pending; the parties have received no indication from the District Court as to when a ruling on the motion for new trial might be expected. Debtors' former general counsel, officer, director, and owner, Ryan Downton, alleged counterclaims against the Trustee (the "Downton Counterclaims") which are presently stayed.

Studensky v. UnitedHealthcare Insurance Company, et al (the "UnitedHealthcare Adversary"), Adv. Proc. No. 20-06093: In the UnitedHealthcare Adversary, the estate has asserted breach of contract claims against the defendants similar to those alleged in the BCBS Arbitration. The reference has not been withdrawn, defendants' motion for summary judgment has been denied, and a bench trial before the Bankruptcy Court is currently scheduled as a special-setting to take place in **June of 2024**. The Trustee anticipates that if he prevails at trial, the defendants will likely exhaust every post-trial remedy available to them.

Studensky v. Blue Cross and Blue Shield of Texas (the "BCBS Adversary"; collectively with the D&O Adversary and the UnitedHealthcare Adversary, the "Affirmative Adversaries"), Adv. Proc. No. 20-06095: In the BCBS Adversary, the estate has asserted business tort claims against BCBS relating to BCBS's campaign to put Debtors out of business. At the request of BCBS, the reference has been withdrawn. A jury trial before United States District Judge Alan Albright is presently scheduled for **September 23, 2024**, although chambers has already informed the parties that it has higher priority trials

scheduled that week. The Trustee anticipates that if he prevails at trial, BCBS will exhaust every post-trial remedy available to it.

Glenn v. Little River Healthcare Holdings, et al (the “WARN Act Adversary”), Adv. Proc. No. 19-06001: In the WARN Act adversary, former employees of Debtors as a class have asserted claims relating to their termination by Debtors. Because those claims are likely at best Chapter 11 administrative priority claims that will only be paid if the Trustee has at the end of the Bankruptcy Case more than sufficient funds on hand to pay all allowed Chapter 7 administrative priority claims, the parties to the WARN Act Adversary have cooperated with abating the WARN Act Adversary so that final adjudication would occur after resolution of the aforementioned adversary proceedings

8. If the estate is unable to prevail and collect in any of the Affirmative Adversaries, his present expectation is that there will be insufficient funds to pay all allowed Chapter 7 administrative claims in full.

9. The Trustee plans to seek recovery from the United States Trustee Office for payment of a priority claim for unpaid chapter 11 quarterly fees in the sum of \$358,860.05 based upon recent court rulings and may file claim objections to certain non-priority claims if recoveries are sufficient to pay a dividend to such claims. The Trustee believes that all assets, other than those described above, have been either sold or abandoned.

Respectfully submitted,

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By: /s/ Brian T. Cumings

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**COUNSEL FOR JAMES STUDENSKY,
CHAPTER 7 TRUSTEE**

CERTIFICATE OF SERVICE

I hereby certify that on this the 21st day of May, 2024, I electronically filed this Status Report with the Clerk of Court using the CM/ECF system which will send notification of such filing to those receiving electronic service.

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