

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF IOWA**

In re: MERCY HOSPITAL, IOWA CITY, et al., Debtors.	Case No. 23-00623 Chapter 11 Jointly Administered
DAN R. CHILDERS, AS TRUSTEE OF THE MERCY HOSPITAL CHAPTER 11 LIQUIDATION TRUSTEE Plaintiff, v. JOHNSON COUNTY SURGEON INVESTORS LLC, Defendant.	Adv. No. 25-09012

**JOHNSON COUNTY SURGEON INVESTORS, LLC'S ANSWER AND AFFIRMATIVE
DEFENSES TO THE ADVERSARY COMPLAINT**

Defendant Johnson County Surgeon Investors, LLC (“JCSI”) hereby submits its Answer and Affirmative Defenses to the Adversary Complaint to Avoid and Recover Transfers Pursuant to 11 U.S.C. §§ 548 and 550 and Iowa Code § 684 (the “Complaint”) filed by Dan R. Childers, as Chapter 11 liquidation trustee (the “Trustee”) of Mercy Hospital, Iowa City, Iowa (the “Debtor”). In support of its Answer, JCSI respectfully states as follows:

NATURE OF THE CASE

1. The allegations contained in paragraph 1 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed

required, JCSI denies receiving any payments or other transfers from the Debtor that are avoidable or recoverable pursuant to sections 548 or 550 of the Bankruptcy Code.

JURISDICTION

2. The allegations contained in paragraph 2 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies the allegations contained in paragraph 2 of the Complaint.

3. The allegations contained in paragraph 3 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies the allegations contained in paragraph 3 of the Complaint. By way of further response, JCSI does not consent to the entry of final orders or judgments by this Court if it is determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

4. The allegations contained in paragraph 4 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies the allegations contained in paragraph 4 of the Complaint.

5. The allegations contained in paragraph 5 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies the allegations contained in paragraph 5 of the Complaint.

PROCEDURAL BACKGROUND OF THE BANKRUPTCY CASE

6. JCSI lacks knowledge or information sufficient to form a belief as to the trust of the allegations contained in paragraph 6 of the Complaint, and on that basis the allegations in paragraph 6 of the Complaint are denied.

7. Based on information available on the public bankruptcy docket, JCSI admits the allegations contained in paragraph 7 of the Complaint.

8. Based on information available on the public bankruptcy docket, JCSI admits the allegations contained in paragraph 8 of the Complaint.

PARTIES

9. Based on information available on the public bankruptcy docket, JCSI admits only that the Trustee is a liquidation trustee formed by the Plan in case number 23-00623. JCSI lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in contained paragraph 9 and therefore denies them.

10. Paragraph 10 of the Complaint is denied on the basis that “Iowa City Ambulatory Surgery Center, L.L.C.” is not the current name of any active legal entity in Iowa.

11. Paragraph 11 of the Complaint is admitted.

FACTUAL BACKGROUND

12. JCSI lacks knowledge or information sufficient to form a belief as to the truth or accuracy of the allegations contained in paragraph 12 of the Complaint, and on that basis the allegations in paragraph 12 of the Complaint are denied.

13. JCSI lacks knowledge or information sufficient to form a belief as to the truth or accuracy of the allegations contained in paragraph 13 of the Complaint, and on that basis the allegations in paragraph 13 of the Complaint are denied.

14. JCSI admits the allegations contained in paragraph 14 of the Complaint to the extent it states that the Debtor and JCSI formed a joint venture. JCSI denies the remaining allegations contained in paragraph 14 of the Complaint.

15. Paragraph 15 of the Complaint is admitted to the extent ICASC refers to Iowa City Ambulatory Surgical Center, L.L.C. Any remaining allegations in paragraph 15 are denied.

16. The allegations contained in paragraph 16 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies the allegations contained in paragraph 16 of the Complaint.

17. Paragraph 15 of the Complaint is denied.

18. JCSI admits that some of its members have also been affiliated with Steindler Orthopedic Clinic, P.L.C. (“Steindler”). JCSI lacks knowledge or information sufficient to form a belief as to the truth or accuracy of the remaining allegations contained in paragraph 18 of the Complaint, and on that basis the remaining allegations in paragraph 18 of the Complaint are denied.

19. Paragraph 19 of the Complaint is denied to the extent it alleges that physicians signed a non-compete “as a condition of employment with ICASC.” Paragraph 19 of the Complaint is admitted to the extent it alleges that certain physicians signed a non-compete, and it is stated that such agreement speaks for itself. Any remaining allegations in paragraph 19 of the Complaint are denied.

20. Paragraph 20 of the Complaint is admitted.

21. Paragraph 21 of the Complaint is admitted on information and belief.

22. Paragraph 22 of the Complaint is admitted to the extent a Steindler Physician’s participation in and/or ownership of a competing ASC would violate non-compete agreements signed by the Steindler Physicians. The remaining allegations in paragraph 22 of the Complaint is denied.

23. Paragraph 23 of the Complaint is admitted on information and belief.

24. Paragraph 24 of the Complaint is admitted.

25. Paragraph 25 of the Complaint is admitted.

26. To the extent Paragraph 26 of the Complaint refers to Iowa City Ambulatory Surgical Center, L.L.C. in its use of the term “ICASC,” it is admitted that ICASC entered into an agreement titled “Membership Interests Adjustment Agreement and Non-Competition Waiver,” and it is stated that the foregoing document speaks for itself. Any remaining allegations in paragraph 26 of the Complaint are denied.

27. Paragraph 27 of the Complaint is denied.

28. JCSI lacks knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 28 of the Complaint and therefore denies them.

29. JCSI lacks knowledge or information sufficient to form a belief as to the truth or accuracy of the allegations contained in paragraph 29 of the Complaint, and on that basis the allegations in paragraph 29 of the Complaint are denied.

COUNT I

(Avoidance of Fraudulent Conveyances – 11 U.S.C. § 548(a)(1)(B) and Recovery of Fraudulent Conveyances – 11 U.S.C. § 550)

30. JCSI incorporates by reference all prior paragraphs of this Answer.

31. The allegations contained in paragraph 31 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies receiving any payments or other transfers from the Debtor that are avoidable or recoverable pursuant to sections 548 or 550 of the Bankruptcy Code.

32. The allegations contained in paragraph 32 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed

required, JCSI denies receiving any payments or other transfers from the Debtor that are avoidable or recoverable pursuant to sections 548 or 550 of the Bankruptcy Code.

33. The allegations in paragraph 33 of the Complaint are denied.

34. The allegations in paragraph 34 of the Complaint are denied.

35. JCSI lacks knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 35 of the Complaint, and on that basis the allegations in paragraph 35 of the Complaint are denied.

36. JCSI lacks knowledge or information sufficient to form a belief as to the truth or accuracy of the allegations contained in paragraph 36 of the Complaint, and on that basis the allegations in paragraph 36 of the Complaint are denied.

37. The allegations contained in paragraph 37 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies the allegations in paragraph 37 of the Complaint.

38. The allegations contained in paragraph 38 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies receiving any payments or other transfers from the Debtor that are avoidable or recoverable pursuant to sections 548 or 550 of the Bankruptcy Code.

COUNT II
(Voidable Transactions – Iowa Code § 684.4)

39. JCSI incorporates by reference all prior paragraphs of this Answer.

40. The allegations contained in paragraph 40 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies that the Debtor did not receive a reasonably equivalent value in exchange for the alleged transfers.

41. The allegations in paragraph 41 of the Complaint are denied.

42. The allegations contained in paragraph 42 of the Complaint are legal conclusions to which no responsive pleading is required. To the extent an answer is deemed required, JCSI denies receiving any payments or other transfers from the Debtor that are avoidable or recoverable pursuant to section 684.4 of the Iowa Code.

PRAYER FOR RELIEF

JCSI denies that the Trustee is entitled to any judgment or relief against it whatsoever, including relief sought in the WHEREFORE clause following paragraph 42 of the Complaint, and therefore specifically denies paragraph (A)-(D) of the WHEREFORE clause.

GENERAL DENIAL AND DEFENSES

JCSI generally denies any liability to the Trustee. In addition, JCSI asserts the following defenses in response to the Trustee's claims, undertaking the burden of proof only as to those defenses deemed affirmative defenses by law. JCSI reserves the right to assert additional defenses as they become known in the course of this matter. JCSI's responses in its Answer to the Trustee's Complaint are fully incorporated into these defenses, as if fully asserted below.

FIRST DEFENSE

The Trustee has failed to state a claim upon which relief can be granted.

SECOND DEFENSE

JCSI is not liable to return any alleged transfers that may be determined to constitute fraudulent transfers or conveyances to the extent that JCSI accepted the alleged transfers in good faith and for value, and in exchange gave value to the Debtors pursuant to 11 U.S.C. § 548(c).

THIRD DEFENSE

The Trustee's claims are barred, in whole or in part, pursuant to 11 U.S.C. §550(b)(1) as JCSI took the alleged transfers in good faith and for value and was an immediate or mediate transferee of such initial alleged transfers.

FOURTH DEFENSE

Upon information and belief, the relief sought by the Trustee against JCSI is barred because the Debtors received reasonably equivalent value in exchange for the alleged transfers.

FIFTH DEFENSE

Upon information and belief, the relief sought by the Trustee against JCSI is barred because the Debtor was not insolvent at the time of the alleged transfers or rendered insolvent as a result of such transfers.

SIXTH DEFENSE

Upon information and belief, the relief sought by the Trustee against JCSI is barred because the Debtor received a benefit in exchange for the alleged transfers.

Upon information and belief, the relief sought by the Trustee against JCSI is barred because the alleged transfers were made as part of an integrated and larger transaction and did not have a significant negative effect on the Debtor.

SEVENTH DEFENSE

JCSI pleads all defenses available under 11 U.S.C. §550(b)-(f).

EIGHTH DEFENSE

JCSI does not consent to the entry of final orders or judgments by this Court if it is determined that this Court, absent consent of the parties, cannot enter final orders or judgment consistent with Article III of the United States Constitution.

NINTH DEFENSE

JCSI is not an “insider” of Debtor at the time of the Transfer.

PRAYER FOR RELIEF

WHEREFORE, JCSI prays and requests that this Court enter judgment in its favor and against the Trustee, dismissing the Complaint in its entirety with prejudice and granting such other and further relief deemed appropriate, including without limitation the aware of attorneys’ fees and costs associated with the defense against the Complaint.

Dated: May 1, 2025

Respectfully submitted,

/s/ Michael T. Gustafson

Michael T. Gustafson (*Admitted pro hac vice*)

FAEGRE DRINKER BIDDLE & REATH LLP

320 S. Canal Street, Suite 3300

Chicago, IL 60606

Phone: (312) 569-1000

Fax: (312) 569-3000

Email: mike.gustafson@faegredrinker.com

Counsel to Johnson County Surgeon Investors, LLC

Certificate of Service

The undersigned certifies, under penalty of perjury, that on this 1st day of May, 2025, the foregoing document was electronically filed with the Clerk of Bankruptcy Court using the Northern District of Iowa CM/ECF and the document was served electronically through the CM/ECF system to the parties of this case.

/s/ Michael T. Gustafson