

IN THE CIRCUIT COURT OF THE THIRTEENTH JUDICIAL CIRCUIT
IN AND FOR HILLSBOROUGH COUNTY, FLORIDA
CIVIL DIVISION

In re:

Laser Spine Institute, LLC ¹	Case No. 2019-CA-2762
CLM Aviation, LLC	Case No. 2019-CA-2764
LSI HoldCo, LLC	Case No. 2019-CA-2765
LSI Management Company, LLC	Case No. 2019-CA-2766
Laser Spine Surgery Center of Arizona, LLC	Case No. 2019-CA-2767
Laser Spine Surgery Center of Cincinnati, LLC	Case No. 2019-CA-2768
Laser Spine Surgery Center of Cleveland, LLC	Case No. 2019-CA-2769
Laser Spine Surgical Center, LLC	Case No. 2019-CA-2770
Laser Spine Surgery Center of Pennsylvania, LLC	Case No. 2019-CA-2771
Laser Spine Surgery Center of St. Louis, LLC	Case No. 2019-CA-2772
Laser Spine Surgery Center of Warwick, LLC	Case No. 2019-CA-2773
Medical Care Management Services, LLC	Case No. 2019-CA-2774
Spine DME Solutions, LLC	Case No. 2019-CA-2775
Total Spine Care, LLC	Case No. 2019-CA-2776
Laser Spine Institute Consulting, LLC	Case No. 2019-CA-2777
Laser Spine Surgery Center of Oklahoma, LLC	Case No. 2019-CA-2780

Assignors,

Consolidated Case No.
2019-CA-2762

to

Soneet Kapila,

Division L

Assignee.

UPDATED STATUS REPORT

SONEET KAPILA (the “**Assignee**”) undertook his duties as Assignee on March 14, 2019.

During the few weeks since becoming Assignee, the Assignee has begun to marshal and secure

¹ On April 8, 2019, the Court entered an order administratively consolidating this case with the assignment cases (collectively, the “**Assignment Cases**”) of the following entities: LSI Management Company, LLC; Laser Spine Institute Consulting, LLC; CLM Aviation, LLC; Medical Care Management Services, LLC; LSI HoldCo, LLC; Laser Spine Surgical Center, LLC; Laser Spine Surgery Center of Arizona, LLC; Laser Spine Surgery Center of Cincinnati, LLC; Laser Spine Surgery Center of St. Louis, LLC; Laser Spine Surgery Center of Pennsylvania, LLC; Laser Spine Surgery Center of Oklahoma, LLC; Laser Spine Surgery Center of Warwick, LLC; Laser Spine Surgery Center of Cleveland, LLC; Total Spine Care, LLC; and Spine DME Solutions, LLC (collectively, the “**Assignors**”).

the assets of the Assignors and has negotiated the interim use of cash collateral to allow him to pay vital expenses of operating the Assignment Cases, while complying with his statutory duties and communicating frequently with creditors. The Assignee hereby provides the following status report summarizing some of the recent activity and efforts on behalf of the Assignment Estates, as follows:

1. At the last hearing held on March 22, 2019, the Assignee requested that the Court, among other things, approve a bond amount of \$25,000 for each Estate and also pay the wages of the employees who were being retained to help with the wind-down process. The Court entered orders approving both motions. The Assignee has secured the bonds.

2. The Assignee negotiated the sale of the assets at the Philadelphia location for the sum of \$435,000.

3. The Assignee has retained Radha Bachman of the FisherBroyles firm as health care counsel, to help navigate through the various health care regulatory issues that these cases present, including, without limitation, issues arising under HIPPA with respect to private healthcare information.

4. The Assignee has retained Roberta Watson of the Wagner Law Group as ERISA counsel to help navigate the issues surrounding the Assignors' 401k Plan and health insurance plan.

5. The Assignee set up a dedicated website that includes detailed information about the assignment cases, including responses to "Frequently Asked Questions" (FAQs) regarding malpractice lawsuits, the transfer of medical records to patients, issues surrounding the FSA Plan of the Assignors, and several other issues. All creditors were provided notice of this website. The website domain address is www.LSI-assignee.com.

6. The Assignee has retained a select group of critical LSI employees (“**LSI Staff**”) to assist in the wind down of the company and maximize the value of the assets, including critical departments such as accounts receivable recovery, medical record administration, IT, and accounting. One of the primary goals of the Assignee was to organize and preserve the massive amounts of information generated by the Assignors’ extensive business operations. The Assignee believes that the records have largely been successfully safeguarded and transferred to hardware and software accessible to the Assignee.

7. The Assignee, his professional team, and the LSI Staff have been communicating with patients regarding the transfer of records to the patients.

8. The Assignee sent demand letters to patients who received insurance checks for services provided by the Assignors and who had not remitted such checks to the Assignors. In addition, the Assignee is engaging Accordias Healthcare Services, LLC as a collection agent to continue collection of accounts receivable.

9. The Assignee has negotiated with landlords with respect to the disposition of the assets located at each facility. Of particular significance, the Assignee has executed a standstill agreement with the landlord at the Tampa location and has negotiated a standstill agreement at the St. Louis location. Pursuant to such agreements, the Assignee and the landlords are pursuing a collaborative “turn-key” sale approach with prospective purchasers who intend to use the facility as a medical facility. At those locations, rent will not accrue as an administrative expense claim while the Assignee explores options for the sale of the assets and the landlords explore similar options to re-lease the premises. As noted above, the assets at the Wayne, Pennsylvania location will be sold. The lease at that location has been terminated. The Assignee is in frequent communication with the other landlords and will report in the future as to the resolution of the ongoing discussions.

10. The Assignee has continued to negotiate with the insurance broker in order to try to save costs on insurance, while maintaining the necessary insurance coverage. To this end, the Assignee hired a risk management professional to assist with these efforts.

11. The Assignee has retained Raymond T. (Tom) Elligett, Jr. of Buell & Elligett, P.A., to pursue a business interruption claim arising from the Assignors' loss of profits as a result of Hurricane Irma.

12. The Assignee's counsel conducted the examination of a representative of the Assignors.

13. The Assignee continues to investigate causes of action and to that end has reviewed numerous documents and interviewed certain employees regarding such causes of action. The Assignee will interview potential counsel to investigate claims against directors and officers and potential claims for recovery of fraudulent conveyances.

14. Because the Assignment Estates contain no liquid assets that are unencumbered, the Assignee negotiated the interim use of cash collateral with the primary secured creditor, Texas Capital Bank, as administrative agent. The cash has been used to pay vital ongoing expenses related to the Assignment Estates. Continued use of cash collateral is a critical component of an orderly wind-down and the maximization of assets of the Assignment Estates.

15. The Assignee has also regularly communicated with unsecured creditors of the Assignors regarding the Assignment Cases. In particular, in addition to communicating with Texas Capital Bank, which will likely have a large deficiency claim, the Assignee has been in frequent communication with the Bailey Group, the holder of a large unsecured claim.

16. The Assignee has continued to review and investigate financial records and contractual agreements, enabling the filing of motions to reject leases in order to reduce the administrative burdens on the Assignment estates.

17. The Assignee has safe-guarded and preserved assets and records of the Assignors and formulated a strategy to monetize assets and address pending litigation.

18. In addition to (a) the discussions with the landlords for the Tampa and St. Louis locations regarding a collaborative approach to maximizing value through “going concern” or “in place” sales of the equipment and inventory and (b) the sale of the Philadelphia assets described above, the Assignee has continued the process of appraising the assets at the other leased locations and of identifying potential purchasers for those assets.

Respectfully submitted this 22nd day of April, 2019.

/s/ Edward J. Peterson

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the foregoing *Updated Status Report* has been furnished on this 22nd day of April, 2019 by the Court's electronic system to all parties receiving electronic service, and by either U.S. mail or electronic mail to the parties listed on the Limited Notice Parties list attached.

/s/ Edward J. Peterson _____

Edward J. Peterson

MASTER LIMITED NOTICE SERVICE LIST

April 15, 2019

Assignors and Assignor's Counsel: (via the Court's electronic servicing system)

CLM Aviation, LLC
LSI HoldCo, LLC
LSI Management Company, LLC
Laser Spine Surgery Center of Arizona, LLC
Laser Spine Surgery Center of Cincinnati, LLC
Laser Spine Surgery Center of Cleveland, LLC
Laser Spine Surgical Center, LLC
Laser Spine Surgery Center of Pennsylvania, LLC
Laser Spine Surgery Center of St. Louis, LLC
Laser Spine Surgery Center of Warwick, LLC
Laser Spine Institute, LLC
Medical Care Management Services, LLC
Spine DME Solutions, LLC
Total Spine Care, LLC
Laser Spine Institute Consulting, LLC
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Assignee and Assignee's Counsel (via the Court's electronic servicing system)

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Steris Corporation
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Mentor, OH 44060

CIT Bank, N.A.
10201 Centurion Pkwy., #400
Jacksonville, FL 32256

Medport Billing, LLC
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Las Vegas, NV 89118

U.S. Bank Equipment Finance
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Marshall, MN 56258

Maricopa County Treasurer
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Those Parties and Attorneys Formally Requesting Notice (via the Court's electronic servicing system unless otherwise noted)

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