

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.

FURTHER UPDATED STATUS REPORT

SONEET KAPILA, as assignee (the “Assignee”), undertook his duties as Assignee on March 14, 2019. During the few weeks since becoming Assignee, the Assignee has begun to

¹ On April 8, 2019, the Court entered an order administratively consolidating this case with the assignment cases (collectively, the “Assignment Cases” or the “Assignment Estates”) 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”).

marshal and secure 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 since the last hearing on April 23, 2019, as follows:

1. The Assignee, his professional team, and the LSI Staff have continued to communicate with patients regarding the transfer of records to the patients.

2. The Assignee has continued to negotiate with landlords with respect to the disposition of the assets located at each facility. As reported in the last Status Report, the Assignee has executed a standstill agreement with the landlord at the Tampa location. Moreover, the Assignee and the landlord at the Cincinnati location have reached an agreement that allows the Assignee to leave the assets in place in Cincinnati without the further accrual of rent through June 24, 2019. Pursuant to those 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. Rent will not accrue as an administrative expense claim under those agreements while the Assignee explores options for the sale of the assets and the landlord explores similar options to re-lease the premises. In addition, the Assignee has begun removing assets at the St. Louis location so that the assets can be auctioned. The Assignee is in frequent communication with the landlords and will report in the future as to the resolution of the ongoing discussions.

3. At the hearing on April 23, 2019, the Court approved the sale of the assets in Philadelphia subject to a 21-day objection period. It is anticipated that this sale will close in the next ten days.

4. 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 Rick Fenstermacher, a risk management professional, to assist with these efforts. Mr. Fenstermacher has been able to locate substitute general liability insurance coverage at a substantial savings. Such coverage will become effective upon the entry of an order granting the Assignee's motion to terminate the coverage with MedPro, which motion is set for hearing on May 23, 2019. As set forth in the motion to terminate the MedPro coverage, the termination of the MedPro coverage will result in a substantial refund for the Assignment Estates.

5. 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.

6. 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 interviewed potential special litigation counsel to investigate claims against directors and officers and potential claims for recovery of fraudulent conveyances. The Assignee has identified special litigation counsel and is currently negotiating contingency fee arrangements. In addition, the Assignee, through his general counsel, sent demand letters and draft tolling agreements to the recipients of shareholder dividends. Assignee's counsel has been negotiating the terms of tolling agreements with those who have expressed interest.

7. Because the Assignment Estates contain no liquid assets that are unencumbered, the Assignee has continued to negotiate 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.

8. 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.

9. 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.

10. The Assignee has employ Vestal & Wiler to conduct an audit of the Assignors' 401(k) Plan. In addition, the Assignee's counsel filed a motion for the implementation of certain procedures to maintain and protect confidential patient information.

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

12. Further, the Assignee is finalizing the terms of the employment of Gulf Coast Collection Bureau, Inc. to handle collection of "bad debt" receivables.

13. In addition to (a) the discussions with the landlord 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 identifying potential purchasers for those assets.

14. The Assignee continues to evaluate alternatives to the Assignors' various database platforms for future exit strategies and cost savings.

/s/ Edward J. Peterson

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the foregoing *Further Updated Status Report* has been furnished on this 21st day of May, 2019 by the Court's electronic system to all parties receiving electronic service.

/s/ Edward J. Peterson

Edward J. Peterson