UNITED STATES BANKRUPTCY COURT

Eastern District of California

Honorable Ronald H. Sargis

Chief Bankruptcy Judge Sacramento, California

April 5, 2018, at 11:30 a.m.

1. <u>18-21107</u>-E-11 LAURELS MEDICAL SERVICES Stephen Brown

STATUS CONFERENCE RE: VOLUNTARY PETITION 2-28-18 [1]

Debtor's Atty: Stephan M. Brown

Notes:

[TBG-1] Application of Debtor in Possession for Order Authorizing the Employment of the Bankruptcy Group, P.C. as Counsel filed 3/8/18 [Dckt 15]; heard 3/22/18; motion continued to 4/19/18 at 10:30 a.m.

[TBG-2] Motion to Use Cash Collateral filed 3/8/18 [Dckt 20]; interim order filed 3/22/18 [Dckt 33]; motion continued to 5/24/18 at 10:30 a.m.

Status Conference Report filed 3/23/18 [Dckt 34]

APRIL 5, 2018 STATUS CONFERENCE

This bankruptcy case was filed on February 27, 2018. The court has previously addressed several issues in this case in connection with the Motion to Employ Counsel for Debtor in Possession and Motion to Use Cash Collateral. Civil Minutes, Dckt. 30, 31, respectively. The court's concern centered on Debtor stating under penalty of perjury to having no assets of value and on the bankruptcy case being one in which the estate was merely a conduit through which monies were passed to a third-party and a shareholder of Debtor.

On March 23, 2018, Debtor in Possession filed a Status Conference Report. Dckt. 34. In the Status Report, Debtor in Possession states that Debtor's business model was to provide medical transportation for governmental facilities. Some of the contracts were serviced by Debtor and Debtor's employees, while the work for other contracts was subbed out to third-parties.

Debtor in Possession states that it is asserted that in 2017 that a large contract for services in Portland, Oregon, was dishonored, which caused Debtor's financial downfall. All employees were terminated and vehicles repossessed. That led to "various lawsuits." There is only one remaining contract, that being with the VA hospital in San Francisco, California, which is being serviced by a subcontractor.

On July 24, 2017, Debtor filed a lawsuit against the hospital in Portland, Oregon, asserting breach of contract and seeking to recover damages and costs in excess of \$4,000,000.00. On Schedule A/B, Debtor lists a cause of action against the Department of Veteran Affairs, but states that the value is "Unknown." Schedule A/B, Question 74; Dckt. 24.

No motion to seek the employment of litigation counsel to advocate for the Bankruptcy Estate to aggressively litigate to recover the \$4,100,000 in asserted damages has been filed by Debtor in Possession. Debtor in Possession has filed a Motion to Use Cash Collateral so that Debtor in Possession can be authorized to pay a shareholder of Debtor \$4,000.00 per month to provide services, presumably to the Bankruptcy Estate, in a case in which there are no ongoing business operations.

At the Status Conference, **xxxxxxxxxxxxxxxxxxxxxx**.