IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	)	
	)	Chapter 11
GLOBAL WOUND CARE MEDICAL GROUP, a Professional Corporation,	)	Case No. 24-34908 (CML)
Debtor and Debtor in Possession.	)	

DEBTOR'S REPLY IN SUPPORT OF MOTION FOR ENTRY OF AN ORDER PURSUANT TO FEDERAL RULE OF BANKRUPTCY PROCEDURE 9019 (I) AUTHORIZING AND APPROVING THE SETTLEMENT AGREEMENT WITH THE UNITED STATES AND RELATOR AND (II) GRANTING RELATED RELIEF
[Docket No. 450]

Global Wound Care Medical Group, a Professional Corporation, the debtor and debtor in possession (the "Debtor") in the above-captioned chapter 11 case (the "Case"), hereby files this reply in support of the *Debtor's Motion for Entry of an Order Pursuant to Federal Rule of Bankruptcy Procedure 9019 (I) Authorizing and Approving the Settlement Agreement with the United States and Relator and (II) Granting Related Relief* [Docket No. 450] (the "9019 Motion"),[1] and in response to the opposition to the 9019 Motion [Docket No. 461] (the "Opposition") filed by Wound Pros Management Group, Inc. ("Wound Pros"). In support of this reply, the Debtor respectfully states as follows:

I. INTRODUCTION

1. Wound Pros' Opposition is remarkable for the facts it fails to provide the Court. While the Debtor focused on patient care, medical judgment, and clinical decisions, Wound Pros was the management services organization ("MSO") that handled all the non-clinical,

[1] Capitalized terms used but not otherwise defined herein have the meanings given to them in the 9019 Motion.

administrative, and operational support for the Debtor, including but not limited to billing and revenue-cycle functions. First Day Declaration ¶ 16; 9019 Motion ¶ 7. During the 90 days before the Petition Date, the Debtor paid Wound Pros $95,000,000 for purported MSO services. *See* Docket No. 76 at Att. 3, p. 3.

2. As the Debtor's MSO, Wound Pros was responsible for, among other things, overseeing the enrollment of the Debtor as a provider in the Medicare program, which documents failed to disclose the relationship of an individual who had been excluded from Medicare and an individual who had been convicted of a felony financial crime. This led to a claim by the United States that the Debtor was never entitled to bill Medicare for treating any Medicare beneficiaries. *See id.* ¶ 16; Settlement Agreement Recital G.1.

3. Additionally, Wound Pros, as the Debtor's MSO, was responsible for the Covered Conduct (which the Debtor has admitted to, Settlement Agreement Recital H) that resulted in the United States' claims under the False Claims Act ("FCA"), 31 U.S.C. §§ 3729-3733. Wound Pros created and administered the compensation arrangements under which independent-contractor clinicians were paid "incentive" payments, which are payments the United States alleges violated the Anti-Kickback Statute and rendered the resulting claims false. Wound Pros, as part of its billing functions, submitted the claims that represented services as rendered "incident to" a physician when they were in fact provided by unsupervised or unenrolled non-physician personnel. *See* Settlement Agreement Recitals G.2–G.3.

4. Because of Wound Pros' participation in, if not responsibility for, the Covered Conduct, Wound Pros played a central role in the United States' FCA investigation and the related negotiations. The Department of Justice served Debtor, Wound Pros, and other Wound Pros-

entities with a Civil Investigative Demand ("CID"). The Debtor, Wound Pros, and the other Wound Pros entities were jointly represented by the same counsel.

5. Later, Wound Pros, represented by that firm and another highly experienced and reputable law firm, actively engaged for more than a year in the settlement negotiations that eventually led to the proposed settlement between the Debtor and the United States. In the context of those negotiations, Wound Pros was presented with all the evidence the Debtor considered in concluding that a settlement was in the estate's best interest, is intimately familiar with any arguments the Debtor could raise in defense of the United States' allegations, and was an active participant in nearly all the discussions between the Debtor and the United States.

6. For all these reasons, Wound Pros' asserted concerns that the 9019 Motion lacks sufficient information about the pending litigation rings hollow. Wound Pros knows as much about the facts leading to the Debtor's decision to settle as does the Debtor. It (the only objector) objects because it wishes to hinder the Debtor from resolving its liability and cooperating with the United States. Wound Pros does not want the Debtor to admit to any fault (which will impact Wound Pros in its own potential litigation with the United States) and wants the Debtor to use its limited resources to launch a proxy offensive against the United States. However, the Debtor has to act consistently with its fiduciary duties to its creditors, and has determined that the Debtor's interests would not be served through years of litigation for Wound Pros' benefit. Instead, the Debtor and its independent CRO determined that the Settlement Agreement—which pays the United States a fraction of its asserted damages and frees up cash for the Debtor to finish administering the Case, confirm a plan and make a distribution to creditors—was in the best interest of the estate.

II. ARGUMENT

A. Wound Pros Seeks to Advance Wound Pros' Litigation Interests against the United States Instead of the Interest of the Debtor's Creditors

7. Wound Pros argues that the Debtor has not satisfied its evidentiary burden because the Debtor did not go into enough detail in discussing the FCA claims or defenses thereto. Opp. ¶¶ 2, 14–19. However, that is a red herring. Wound Pros is a fellow subject of the United States' FCA investigation and has been intimately involved in the more than 12 months of settlement discussions with the United States. Wound Pros is fully informed as to the extent of the evidence against the defendants in the FCA investigation, including the Debtor and Wound Pros, and well aware of any potential defenses. Wound Pros has been actively represented in the FCA negotiations by Hooper, Lundy & Bookman, while its principal has been actively represented by Norton Rose Fulbright, both well-respected law firms, which participated in all the negotiations with the United States and have access to all the information the Debtor possesses.

8. Insofar as Wound Pros' criticisms concern the limited redactions to the 9019 Motion and attached Settlement Agreement, Wound Pros fully understands why the Debtor could not disclose additional information. As Wound Pros is well aware, those redactions protected certain information about a third party which the Debtor is not permitted to disclose and which are sealed pursuant the sealing provisions in 31 U.S.C. § 3730(b)(2). *See Order Granting Debtor's Motion for Order Authorizing The Filing of Certain Documents Under Seal* [Dkt. No. 462]. Breaches of sealing orders can result in severe court sanctions, including contempt charges and monetary penalties. *See State Farm Fire & Casualty Co. v. United States ex rel. Rigsby*, 580 U.S. 26, 37 (2016) (Supreme Court stated that "[d]istrict courts have inherent power … to impose sanctions [including] … monetary penalties or attorney discipline … to punish and deter seal violations ….''). Of course, Wound Pros and its very experienced counsel know all this and raise

this issue neither because they need the information nor because they are unaware of the limits imposed by the FCA on the Debtor, but merely to distract the Court.[2]

9. Wound Pros takes issue with the Settlement Agreement because it does not address the United States' claims against Wound Pros and requires the Debtor to cooperate with the United States' investigation of non-released individuals and entities. Settlement Agreement ¶¶ 7(f), 15, 16. In evaluating a motion to approve a settlement under Rule 9019[3], the Court considers whether the settlement serves the "paramount interest of creditors" and gives "proper deference to [creditors'] reasonable views." *Conn. Gen. Life Ins. Co. v. United Cos. Fin. Corp. (In re Foster Mortg. Corp.)*, 68 F.3d 914, 917 (5th Cir. 1995) (cited by Opp. ¶¶ 10, 30). However, Wound Pros' reason to object—to protect itself against the United States in the FCA investigation and potential litigation—is not reasonable. Wound Pros is not concerned with the interests of creditors; it seeks to make it harder for the United States to pursue FCA or other litigation against it and perhaps make it harder for the Debtor to become a cooperating party in future litigation. In other words, Wound Pros is objecting to the proposed settlement to gain an advantage in another case. That is not an interest Rule 9019 protects.

10. Of course, Wound Pros' argument that it requires more details regarding the likelihood that CMS would file a proof of claim asserting "hundreds of millions of dollars in Medicare overpayment claims," Opp. ¶ 17, is another red herring. As it must concede, it is the entity responsible for all aspects of the Debtor's financial relationship with Medicare, and, as a party to the negotiations with the United States, it is fully informed of any potential Medicare

[2] If the Court concludes that it requires more evidence than the Debtor can currently provide, the Debtor can work with the United States to seek relief or otherwise provide additional information. Wound Pros has already been provided with information concerning the sealed matter during the course of discussions with Debtor and the United States.

[3] Unless specified otherwise, all chapter and section references are to the Bankruptcy Code, 11 U.S.C. §§ 101–1532, and all "Rule" references are to the Federal Rules of Bankruptcy Procedure.

claims. There is nothing that prohibits the United States from avoiding the time, effort, and expense to file a proof of claim to assert Medicare overpayments which would be superfluous given the financial ability of the Debtor, and this is a significant factor in the United States' consideration in entering into the settlement with the Debtor.

11. Wound Pros' suggestion that it somehow subsidized the Debtor during the period that the Payment Suspension Stipulation was in effect, Opp. ¶ 27, is a remarkable rewriting of the facts. It is uncontroverted that virtually all the funds which allowed Wound Pros to operate were paid by the Debtor pursuant to the MSO relationship. Absent the Payment Suspension Stipulation, which allowed the Debtor to be paid 75% of the Medicare receivables it generated, both the Debtor and Wound Pros would quickly have been forced to cease operations, leaving both unable to negotiate with the United States. Moreover, as Wound Pros well knows, the Payment Suspension Stipulation permitted payments to Wound Pros, and the Debtor continued to pay Wound Pros and to provide funds to pay biologic vendors while it continued operations. The Debtor and Wound Pros had a symbiotic relationship, and Wound Pros did not object to the Payment Suspension Stipulation when it was submitted to the Court for approval because Wound Pros knew that entry into the Payment Suspension Stipulation was essential for the survival of the Debtor and, by extension, its own survival. The assertion that Wound Pros was somehow a victim of the Payment Suspension Stipulation is disingenuous.

B. A Rule 9019 Proceeding Is Not a Mini-Trial, and the Debtor Has Disclosed Material Terms Regarding the Claims Being Settled

12. A court considering a Rule 9019 compromise should approve it "only when the settlement is fair and equitable and in the best interest of the estate." *Foster Mortg.*, 68 F.3d at 917. "In evaluating a Rule 9019 settlement, a bankruptcy court need not conduct a mini-trial to determine the probable outcome of any claims waived in the settlement [but should] apprise [itself]

of the relevant facts and law so that [it] can make an informed and intelligent decision." *In re Age Ref., Inc.*, 801 F.3d 530, 541 (5th Cir. 2015) (citations omitted). However, the Opposition improperly demands such a mini-trial and that the Debtor prove the merits of the United States' claims and produce a full litigation action plan and budget in connection with the 9019 Motion. Putting aside Wound Pros' obstructionist and cynical rationale for objecting, the Debtor has disclosed material facts relating to the Settlement Agreement, specifically the Covered Conduct (which the Debtor has admitted)[4], to creditors and to the Court, as the record shows:

- The United States has asserted claims against the Debtor under the FCA, Anti-Kickback Statute, and Stark Law, including false "incident to" billing and unlawful kickbacks. Docket No. 17 ¶¶ 3–5 & Ex. A; Ex. 1; Settlement Agreement, Recitals G.1-G.3. For example: (i) independent-contractor clinicians were paid $25–$100 for each biologic ordered, applied, and billed from June 1, 2021 through November 30, 2023, in violation of the Anti-Kickback Statute (Settlement Agreement, Recital G.2); and (ii) claims falsely represented that services were furnished "incident to" a supervising physician from January 1, 2019 through April 17, 2024 (Settlement Agreement, Recital G.3).

- CMS suspended Medicare payments based on "credible allegations of fraud," covering incident-to billing, and fraudulent enrollment—and the Debtor consented to a lien on suspended funds and a § 507(b) claim. Docket No. 87; Settlement Agreement at Recitals C–E, ¶ 6(a); Docket Nos. 95, 112, 119, 129, 141, 150, 154, 163, 171, 182, 194, 199, 203, 213, 228, 243, 255, 272, 323.

- Wound Pros handled all of the Debtor's non-clinical, administrative, and business operations and was therefore responsible for authorizing and orchestrating the actionable conduct of the Debtor. 9019 Motion ¶¶ 7–8; Robichaux Declaration ¶¶ 6–7.

- The Debtor's ownership and control were concealed through activation of "COMPANY 1" (which is Wound Pros) as its MSO, and 27 enrollment applications concealed those relationships. Settlement Agreement, Recital G.1.

13. The 9019 Motion also discloses that FCA liability carries treble damages plus per-claim penalties, placing the estate's exposure in the billions—approximately $1.5 to $1.575 billion.

[4] The Debtor admits and acknowledges that the Covered Conduct occurred. Settlement Agreement, Recital H.

9019 Motion ¶¶ 2, 23. Wound Pros offers no evidence that the Covered Conduct did not occur and does not offer a competing valuation of the United States' claims. On this record, the settlement falls well within the range of reasonableness. *See Age Ref.*, 801 F.3d at 542 ("[T]he record provides support for the Trustee's conclusion that the estate faced some probability of failure in litigating [the] claim such that the Settlement Agreement posed a fair and equitable, and favorable, alternative. We hold that the bankruptcy court did not abuse its discretion in approving the Settlement Agreement—a compromise the Trustee made in discharge of his fiduciary duty.").

C. The Settlement Agreement is not a *Sub Rosa* Plan

14. The Opposition improperly treats the 9019 Motion as a plan confirmation brief and mischaracterizes the Settlement Agreement, which settles the claim of a single creditor, as a *sub rosa* plan. The Opposition cites the case of *Official Comm. of Unsecured Creditors v. Cajun Elec. Power Coop., Inc. (In re Cajun Elec. Power Coop., Inc.)*, 119 F.3d 349, 354–55 (5th Cir. 1997) under which the Fifth Circuit, in approving a settlement, identified the following factors to be considered under a *sub rosa* plan analysis: whether a transaction (i) has the practical effect of dictating some of the terms of a future plan, (ii) requires creditors to vote in favor of a plan or otherwise infringes their voting rights, or (iii) disposes of virtually all estate assets, leaving little prospect or occasion for future reorganization. *Id.* The Court considers whether the settlement "short circuit[s] the requirements of Chapter 11," while recognizing that "compromises are a normal part of the process of reorganization." *Id.* at 354 (citations omitted). Accordingly, "courts have approved even large and important settlements prior to confirmation of a plan, notwithstanding a 'sub rosa plan' objection …" *See In re Tower Auto., Inc.*, 342 B.R. 158, 164 (Bankr. S.D.N.Y. 2006) (citing *In re Cajun Elec.*, 119 F.3d at 354), *aff'd*, 241 F.R.D. 162 (S.D.N.Y. 2006). As discussed below, the Settlement Agreement is not a *sub rosa* plan.

i. The Settlement Agreement Concerns a Single Creditor's Claim Already Subject to Court-Ordered Protections, and Does Not Dictate Plan Terms

15. The Settlement Agreement does not impermissibly dictate Plan terms. In *Tower Automotive*, the creditors' committee objected that the debtor's settlements with retirees "guarantee[d] a level of recovery for certain creditors, while other allegedly similarly situated creditors do not, as of yet, have any assurance as to their recovery" (the debtor had no "excess cash," 342 B.R. at 162) and argued that the settlement was a *sub rosa* plan. 342 B.R. at 160–61. Applying the *In re Cajun Elec.* factors, Judge Gropper found "no basis . . . to argue that a settlement cannot now be approved that fixes the Debtors' obligation" to a single creditor constituency (the retirees). *Id.* at 164.

16. Here, likewise, the Debtor has no cash free of the United States' asserted rights, and the Settlement Agreement fixes the amount of one creditor's claim and confirms its priority. Although the Settlement Agreement addresses the treatment of the United States' claim in the Plan, Settlement Agreement ¶ 18, every other plan term—including classification of other claims, solicitation, disclosure, and confirmation under § 1129—is left to the Plan process.

17. Of note, Wound Pros' grievance lies largely with rights that the United States already has. The Court has already ruled that the United States holds a first-priority lien on the Medicare Receivables Account, setoff rights, and a § 507(b) superpriority administrative claim. Docket No. 87 ¶¶ 6(d), 7(a)–(b). Those protections survived the termination of the Payment Suspension Stipulation. *Id.* ¶ 19.[5] Wound Pros, which ran the Debtor's billing and revenue cycle throughout this Chapter 11 Case, never objected to this relief, despite the Payment Suspension

[5] Although the Payment Suspension Stipulation terminated by its own terms on November 15, 2025, Docket No. 323 at 2, the Payment Suspension Stipulation expressly provides that all of its provisions, other than the Debtor's cooperation obligations, "shall survive termination of this Stipulation and shall be enforceable against the Debtor or any of the Debtor's successors or assigns, or any trustee or examiner appointed in the Debtor's bankruptcy case." Docket No. 87 ¶ 19.

Stipulation being extended many times. *See* Docket No. 87; *see also* Docket Nos. 95, 112, 119, 129, 141, 150, 154, 163, 171, 182, 194, 199, 203, 213, 228, 243, 255, 272, 323. It cannot now relitigate the Payment Suspension Stipulation through an objection to the Settlement Agreement.

18. Wound Pros argues that the § 507(b) claim should be capped at Released Payments, but the Debtor fairly determined to settle and not litigate this point. While Wound Pros may disagree, the United States has asserted setoff and recoupment rights and takes the position that its rights reach the remaining estate funds not held in suspense. 9019 Motion ¶ 33; Robichaux Decl. ¶ 18; Docket No. 460 ¶ 5. If those rights reach the remaining funds, the Released Payments cap on the § 507(b) claim would have little practical effect. The Settlement Agreement resolves the reach of those rights and the priority of any unpaid balance of the United States' claim. In the interest of settlement, the United States, in addition to reducing the amount of its alleged damages, is allowing the Debtor to use and distribute these funds. Specifically, the Settlement Agreement provides for the Debtor to pay: (i) Clerk of Court and U.S. Trustee fees; (ii) all postpetition taxes; (iii) allowed professional fees; (iv) salary for the Debtor's only remaining employee; and (v) $500,000 for valid claims, including administrative expenses, priority prepetition claims, and general unsecured claims. Settlement Agreement ¶¶ 18(c), 20. That is, the United States is waiving its asserted setoff, recoupment, and § 507(b) rights over these funds. Settlement Agreement ¶¶ 18(c), 20; Docket No. 460 ¶ 5. And the Debtor needs these remaining funds to pay claims and administer the Case and the proposed Plan.

ii. <u>The Settlement Agreement does not Require, Restrict or Bind any Creditor's Plan Vote</u>

19. The Settlement Agreement does not dictate any plan vote for Wound Pros or any third-party creditor. The Plan will be separately proposed, noticed, submitted for creditor voting, and presented for judicial confirmation under § 1129, and any party in interest, including both the

United States and Wound Pros, may object. 11 U.S.C. § 1128(b); *see also* Settlement Agreement ¶ 19 (reserving the United States' right to object to the Plan). Nothing in the 9019 Motion asks the Court to approve plan terms, and the plan process is the appropriate vehicle for addressing distributions, feasibility, and the treatment of administrative claims. Wound Pros is free to litigate any alleged right to payment as a part of the Plan process. Paragraph 20 conditions only Wound Pros' participation in a voluntary carve-out from funds otherwise payable to the United States, Settlement Agreement ¶ 20; it does not bind Wound Pros' vote or affect any statutory distribution right. There is therefore no "death trap" in the Settlement Agreement, Opp. ¶¶ 3, 29, and, as Wound Pros has shown by objecting to the 9019 Motion and by stating that it will object to a Plan, Opp. ¶ 7, the Settlement Agreement does not "restrict creditors' right to vote as they deem fit on a proposed reorganization plan." *In re Cajun Elec.*, 119 F.3d at 355.

iii. The Settlement Agreement Resolves the Estate's Largest Claim and Does Not Strip the Estate of its Assets

20. In *In re Cajun Elec.*, the Fifth Circuit approved a settlement with the debtor's two largest creditors, including a federal agency, which settlement removed $107 million in cash and $20 million in transmission lines from the estate. Overruling objections that the settlement was a *sub rosa* plan, the court found that the matter being settled was "not so much the crown jewel of Cajun's estate but its white elephant," and that the compromise "w[ould] facilitate Cajun's reorganization, and will do so without denigrating the rights of the unsecured trade creditors." 119 F.3d at 355. Here, the Government Claims are this estate's "white elephant." Because of conduct that Wound Pros directed, the United States has been active during the entirety of this Case and asserts claims exceeding $1.5 billion. The Settlement Agreement allows for the Debtor to resolve this claim and to propose and confirm a Plan.

21. Wound Pros, again, is conflicted, and wants the Debtor to keep the white elephant by litigating with the United States. Such an offensive litigation campaign is not feasible, both on the merits (given the evidence the United States has with regard to the Covered Conduct, evidence with which Wound Pros is totally familiar) and given the financial limits of the estate. The Opposition offers no rationale, let alone evidence, to suggest that the Debtor waging an insider-proxy battle against the federal government is in the best interest of the estate.

D. Wound Pros' Claims Are Not the Subject of the 9019 Motion, and the Debtor Disputes These Claims

22. Wound Pros argues that it will assert a substantial administrative expense claim, Opp. ¶ 4 n.3, and that the Debtor could not propose a confirmable plan because it would have insufficient funds to pay that claim. This is a confirmation issue that is not ripe. Regardless, in addition to the Debtor's limited funds to pay the claim even if allowed, as described above, the Debtor's liability to the United States results from Wound Pros' breach of its duties, and the Debtor will be able to object and to assert offset/subordination rights against any claim asserted by Wound Pros.

23. Wound Pros has had ample time to file an administrative claim, and may still do so. Its alternative request to defer consideration of the 9019 Motion to confirmation, Opp. ¶¶ 8, 37 & Conclusion, should be rejected. As in *Tower Automotive*, approval now serves the interests of all parties so that the parties can "proceed to negotiate a plan and an end to [the] case[]." 342 B.R. at 165.

Dated: October 23, 2026

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on October 23, 2026, a true and correct copy of the foregoing was served via the Court's CM/ECF electronic filing system on all parties registered to receive electronic notices in this Case.

/s/ Casey W. Doherty, Jr.
Casey W. Doherty, Jr.