

HEARING DATE: MARCH 21, 2022 AT 3:00 P.M.

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BUSINESS CALENDAR

STATE OF RHODE ISLAND
PROVIDENCE, SC

SUPERIOR COURT

LAWRENCE S. GATES, in his capacity)
as Secretary of Hopkins Manor, Ltd.,)
and as Managing Member of Hopkins)
Health Center LLC,)
Petitioner,)

v.)

C.A. No. PC-2020-03413

HOPKINS MANOR, LTD., a Rhode Island)
Corporation, and HOPKINS HEALTH)
CENTER LLC, a Rhode Island Limited)
Liability Corporation,)
Respondents,)

administratively consolidated with

LAWRENCE GATES, in his capacity as)
a partner of HOPKINS HEALTH CENTER,)
a Rhode Island general partnership, and)
HOPKINS HEALTH CENTER, a Rhode)
Island General Partnership,)
Petitioners,)

v.)

C.A. No. PC-2020-03954

REAL PROPERTY LOCATED AT 608)
SMITHFIELD ROAD, NORTH)
PROVIDENCE, RHODE ISLAND 02904,)
and 610 SMITHFIELD ROAD, NORTH)
PROVIDENCE, RHODE ISLAND 02904,)
Respondent.)

**SPECIAL MASTER AND PERMANENT *IN REM* RECEIVER'S FINAL REPORT AND
FINAL REQUEST FOR FEES**

NOW COMES, Jonathan N. Savage, Esq., solely in his capacity as Special Master
("Special Master") of Hopkins Manor, Ltd. ("Hopkins Manor") and Hopkins Health Center, LLC

(“Hopkins Center,” or together with Hopkins Manor, “Hopkins”), and Permanent *In Rem* Receiver of 608 Smithfield Road, North Providence, Rhode Island 02904 and 610 Smithfield Road, North Providence, Rhode Island 02904 (collectively, “Properties”), and hereby submits to the Court his Final Report and Final Request for Fees (“Report”). In support hereof, the Special Master respectfully recites as follows:

BACKGROUND

1. This Report is made in succession to the Special Master’s Second Interim Report and Second Request for Fees (“Second Interim Report”), which is incorporated herein by reference.

ACTIONS AFTER SECOND INTERIM REPORT

2. As set forth in the Second Interim report, the Court approved the Special Master to sell all the assets of Hopkins and the Properties free and clear of liens and encumbrances to Lincolnwood Property, LLC (“Lincolnwood”), an affiliate of Tryko Partners. The Second Interim Report also detailed the efforts of the Special Master to, among other things, (1) collaboratively work with Lincolnwood to apply for and obtain a change in effective control approval from the Rhode Island Department of Health, which was a contingency of the sale; (2) negotiate with 1199 SEIU, the labor union at the facility, including, but not limited to, transitioning to new ownership and resolving a dispute relative to health insurance coverage; (3) deal with management resignations, COVID-19 controls, and vaccination efforts; (4) settle contingency and cost of care payments due to EOHHS; (5) administer and make payments under a claims process; and (6) close the sale to Lincolnwood (the “Closing”).

3. Since that time, the Special Master continued his efforts to wind down the operations of Hopkins, maximize the assets of the estate, and prepare Hopkins for dissolution.

Provider Relief Fund

4. During this proceeding, the Special Master oversaw Hopkins' participation as a grant recipient in the U.S. Department of Health & Human Services' Provider Relief Fund grant program ("PRF"). These grant distributions were made periodically, in four tranches, over the course of the proceeding, totaling \$1.5 million. These funds were instrumental in stabilizing Hopkins throughout the course of the COVID-19 pandemic.

5. However, the PRF program's rules require stringent, post-award reporting for the uses of the grant funds. The different tranches have different use requirements, but generally, the PRF funds need to be tied to COVID-19-specific lost revenue and operational expenses.

6. The Special Master has utilized Joseph Durand (Hopkins' prior controller, who the Special Master retained as a contractor on an hourly basis) and has been in constant contact with Hopkins' accountants to prepare the reporting required to reconcile the uses of the PRF grant funds.

7. However, the PRF reporting system to submit these reconciliations has been opened in a slow, piecemeal fashion so that the reporting only opens one tranche at a time. The result is that the Special Master currently anticipates being able to submit the final PRF report no sooner than July, 2022.

8. In anticipation of filing this final report, the Special Master has worked with Mr. Durand to prepare the accounting necessary to submit the final report, and has engaged with the representatives for Mr. Gates, the majority partner and shareholder of the Hopkins, so that Mr. Gates can direct Mr. Durand to submit these reports in the place of the Special Master, effectively saving additional, accruing administrative expenses. The Special Master has discussed this with Mr. Durand, who is open to an arrangement directly with Mr. Gates.

9. Further, the Special Master has briefed Mr. Gates' representatives on the use of PRF funds to pay the previously approved retention bonuses that were ultimately paid to Hopkins staff following the closing of the sale transaction.

10. The Special Master has not taken a position on the allocation of PRF funds to these retention bonuses.

Allocations of Receipts and Reimbursements, Collection of Aged Receivables, and Finalization of Medicaid Accounts

11. Following the Closing, Hopkins continued to receive payer reimbursements for services provided by Hopkins. These reimbursements were commingled with reimbursements that were paid to Hopkins but owned by Lincolnwood, resulting in the need for a post-Closing "true-up."

12. For several months, the Special Master, Mr. Durand, and Lincolnwood conducted this true-up, reconciling revenues and allocating them to either the Estate or Lincolnwood.

13. Additionally, the Special Master reconciled Hopkins' final contingency payment, which was made to EOHHS at the time of the Closing.

14. After the Closing, the Special Master, in coordination with Mr. Durand, worked on reconciling the final accounts receivable with Medicaid. This included reconciling the balances from the final payments made by Medicaid prior to the Closing, including the outstanding cost of care payments and final offline settlement payments.

15. Once the Medicaid accounts receivable was fully reconciled, the Special Master also reviewed the outstanding balances for those patients that privately owed money for their patient cost-shares.

16. As a result, there were a few remaining outstanding balances from patients who did not fully cover their share of the costs.

17. Some of those former patients included those whose Medicaid appeals were pending prior to the Closing and were ultimately denied after the Closing.

18. In an effort to recoup those costs from the patient privately, the Special Master prepared demand letters to those patients and their respective, financially responsible parties.

19. The Special Master achieved a settlement with a former patient for his outstanding patient cost-share balance.

20. The Special Master also retained Attorney Marc Wallick to collect an unpaid balance of \$152,399.47 from a former patient, which remains pending.

21. Attorney Wallick has been retained on a contingency fee basis and is entitled to 20% plus costs in the event of litigation. He has agreed to continue his representation after the cessation of the Estate.

Vendor Payments and Disputes

22. Throughout the period following the Closing, the Special Master entered into various negotiations with vendors regarding open balances and the provision of necessary services required by law in connection with the preservation of employee data and the electronic health record.

23. The Special Master was able to resolve various issues that arose, including in connection with the payment of the State of Rhode Island provider tax and the preparation and filing of the required tax return for the same.

24. The Special Master also resolved outstanding employer taxes due to the State of Rhode Island that accrued during this proceeding. And the Special Master paid, in full, all vendors that submitted proofs of claim.

Employee Retention Tax Credit

25. Early in the special mastership proceeding, the CARES Act created the employee retention tax credit—which is a federal tax credit of the FICA tax due for eligible employees.

26. At the time the employee retention tax credit was enacted, Hopkins was ineligible to file for it due to its participation in the paycheck protection program. However, subsequently, Congress revised the tax credit to allow businesses that had received PPP funds to also file for the tax credit.

27. Although the Special Master has determined that the decision to file for the tax credit should be made outside of the special mastership proceeding (*i.e.*, by Hopkins’ principals), the Special Master has worked with Mr. Durand to identify a contractor to prepare the necessary filings and has vetted Hopkins’ eligibility for the credit (on account of the reduction in revenue experienced by Hopkins during the first months of the COVID-19 pandemic).

28. This tax credit is estimated to increase the value of the Estate by several hundred thousand dollars.

Tax Returns

29. The Special Master worked with Mr. Durand and CliftonLarsonAllen (“CLA”) to prepare a final tax return for Hopkins Center and prepare a draft return for Hopkins Manor. These returns have been prepared by CLA in consultation with Mr. Durand and the Special Master.

Post-Closing Operations

30. After the sale of Hopkins, the Special Master also worked with Hopkins’ Controller to formalize certain plans for post-sale operations, including obtaining a new subscription with Point Click Care, the healthcare software service that Hopkins uses to generate bills and run reports, for Hopkins’ post-sale needs.

31. Additionally, the Special Master defended a Motion to Charge Garnishee asserted against Hopkins by a creditor of an alleged former employee in a matter in the Sixth Division District Court, styled as *LNNV Funding LLC v. Delcena Walker*, Case No. 6CA-2017-06837.

32. Additionally, the Special Master attended to the cancellation of all Hopkin's contracts and service agreements, and he ensured payment of all final outstanding balances after the closing.

CESSATION OF ESTATE

33. As discussed above, there are four outstanding issues relative to the Estate: (1) the preparation and filing of tax returns, which have been prepared in draft form; (2) filings and reporting related to the PRF; (3) claiming the employee retention tax credit; and (4) the resolution of the claim currently being pursued by Attorney Wallick.

34. Additionally, at the Closing, the Special Master paid three-hundred thousand dollars (\$300,000) (the "Indemnity Escrow") to Madison Title Agency as escrow agent ("Escrow Agent") pursuant to that certain indemnity escrow agreement executed at the Closing on March 8, 2021. The Indemnity Escrow is available to indemnify Lincolnwood for any amounts charged by payers against post-Closing receivables on account of pre-Closing liabilities for improper billing. To date, the full Indemnity Escrow amount remains in escrow with Madison Title Agency. The Indemnity Escrow is due to be returned to Hopkins on September 8, 2022.

35. In the Special Master's business judgment, it would be significantly less efficient for him to continue to supervise and administer these ministerial matters. Furthermore, because all creditor claims have been paid in full, the financial emergency that justified this proceeding has been fully abated.

36. Other than the aforementioned issues, the Estate has been wound down. Hopkins Health Center, LLC has sold all its assets and satisfied all its liabilities. A final tax return has been prepared and is in draft form awaiting a final decision to file it made by the members. Hopkins Manor, LTD remains active only for the purpose of collecting the aforementioned claim, filing for the employee retention tax credit, and completing the PRF filings.

37. Based upon the foregoing and to avoid increasing and accruing additional administrative expenses, the Special Master, in his business judgment, recommends that these issues be resolved by the principals of Hopkins Manor and Hopkins Center, and requests that he be absolved from any duty or liability for the same.

CURRENT FINANCIAL STATUS OF HOPKINS AND PROPOSED DISTRIBUTIONS

38. As of the filing of this Report, the Special Master has cash on hand in the amount of \$7,381,822.85, in addition to \$859,592.56 in the operating account for Hopkins Manor—which will stay in that account and the control of that account will be turned back over to Hopkins Manor. As the Special Master has completed a claims process, paying all those with claims in full, he proposes to disburse the \$7,381,822.85 in cash on hand in the following manner:

Payee	Amount	Notes
Savage Law Partners, LLP	\$45,183.92	Fees, costs, and expenses, as detailed below
Savage Law Partners, LLP	\$5,000	Administrative reserve
Hopkins Manor, Ltd.	\$3,666,028.93	Remaining proceeds
Hopkins Health Center, LLC	\$3,665,609.84	Remaining proceeds
TOTAL	\$7,381,822.69	

REQUEST FOR COSTS AND EXPENSES

39. As of the filing of this Report, the Special Master and members of the Special Master’s law firm have devoted a cumulative total of approximately 144.50 hours to this matter,

and incurred \$44,394.00 in legal fees. The Special Master confirms that those fees were incurred as necessary for the benefit of the Special Mastership estate.

40. Additionally, the Special Master incurred \$789.92 in out-of-pocket expenses up to the filing of this Report relative to these proceedings.

41. Accordingly, the Special Master requests that the Court approve the Special Master's legal fees and out-of-pocket costs and expenses, confirm that such fees, costs, and expenses were incurred for the benefit of the Special Mastership estate, and authorize the payment of such legal fees, costs, and expenses cumulatively totaling \$45,183.92. The Special Master's invoice has been submitted to the Court for an *in camera* review. If so authorized by the Court, the Special Master will present such invoice to any party.

WHEREFORE, for the foregoing reasons, the Special Master respectfully request that the Court schedule this matter for hearing and at the conclusion of said hearing issue an Order that:

1. Approves the Special Master's Final Report and First Request for Fees;
2. Approves the Special Master's request for fees and out-of-pocket expenses in the amount of \$45,183.92;
3. Authorizes the Special Master to maintain an administrative reserve in the amount of \$5,000;
4. Approves, confirms, and ratifies the acts, doings, and disbursements of the Special Master;
5. Approves the distribution of any remaining funds in the Estate, after consideration for the distributions set forth herein and the administrative reserve, if used, be distributed to Hopkins Manor, Ltd. and Hopkins Health Center, LLC, with the allocation of such distributions being 41.38% to Hopkins Manor, Ltd. and 58.62% to Hopkins Health

Center, LLC, in accordance with the allocation of the purchase price from the sale to
Lincolnwood;

6. Approves the distributions as set forth in this Report;
7. Discharges the Receiver;
8. Cancels the Receiver's bond; and
9. Orders any other relief as the Court deems necessary.

JONATHAN N. SAVAGE, ESQ., solely as permanent Special Master of Hopkins Manor, Ltd. and Hopkins Health Center, LLC and as permanent *in rem* receiver of real property located at 608 Smithfield Road, North Providence, Rhode Island 02904, and 610 Smithfield Road, North Providence, Rhode Island 02904, and not individually,

By and through his attorneys,

/s/ Christopher J. Fragomeni
Christopher J. Fragomeni, Esq. (9476)
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CERTIFICATE OF SERVICE

I hereby certify that on the 11th day of March, 2022, I filed and served this document through the electronic filing system. The document electronically filed and served is available for viewing and/or downloading from the Rhode Island Judiciary's Electronic Filing System. I also mailed this document to all parties listed in a subsequently filed affidavit of service.

/s/ Christopher J. Fragomeni