

Langley & Banack One of First Law Firms to Successfully Remove Subchapter V Debtor-in-Possession

Langley & Banack became one of the first law firms in the country to successfully remove a Subchapter V Debtor-in-Possession on June 10, 2020.

Subchapter V is a new addition to the Bankruptcy Code that became effective in February, 2020. It was enacted to assist small businesses achieve a streamlined reorganization under Chapter 11 of the Bankruptcy Code while avoiding some of the substantial time and costs associated with traditional Chapter 11 cases.

Langley & Banack and co-counsel from Weisbart, Springer, Hayes, LLP, represented a creditor that extended credit to Salubrio, LLC, which in turn provided MRI services for use in personal injury litigation. Prior to filing for Subchapter V bankruptcy, Salubrio took actions that violated its agreement with the creditor. On behalf of its client, Langley & Banack petitioned the bankruptcy court to remove and relieve the debtor in possession and its management from supervision and operations of the debtor due to the impermissible actions it took prior to the bankruptcy filing.

After an evidentiary hearing taking place over three days, Judge Ronald B. King ruled the debtor in possession of Salubrio, LLC should be removed, and the Subchapter V Trustee would perform the duties of the debtor-in-possession : In re Salubrio, LLC, Case No. 20-50578, United States Bankruptcy Court Western District of Texas, San Antonio Division (J. King). This ruling is significant because Subchapter V is a

new addition to the Bankruptcy Code, and there is little case law guiding practitioners about the application of the rule. The decision to remove the debtor in this case shows that even though the policy behind Subchapter V is for a consensual plan of reorganization, creditors still have a viable remedy for removing management that has not acted in the best interests of creditors.

Langley & Banack regularly represents parties in bankruptcy cases and out of court restructurings. Langley & Banack, Inc. is San Antonio's largest locally owned and operated law firms and provides the highest quality legal representation to clients. For more information, visit www.langleybanack.com.