


SO ORDERED.

SIGNED this 23rd day of January, 2026.




Mitchell L. Herren
United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS**

In re:

Rock Regional Hospital, LLC,

Debtor.

Case No. 25-11362-11

**Order Granting Debtor's Motion for Dismissal (Doc. 134)
and Dismissing Case**

Rock Regional Hospital, LLC, the debtor in this Chapter 11 case, seeks dismissal of its case under 11 U.S.C. § 1112(b).¹ Neither the U.S. Trustee, nor any creditor opposes such dismissal. The Court concludes “cause” exists to grant Debtor’s motion,² no “unusual circumstances” exist under § 1112(b)(2), and

¹ Future statutory references are to the Bankruptcy Code, title 11, unless otherwise specified.

² Doc. 134. The Court previously entered an Order denying the portion of the motion seeking use of cash collateral, *see* Doc. 149, and now grants the alternative portion of the motion requesting dismissal.

dismissal is “in the best interests of creditors and the estate.” The Court grants Debtor’s motion and dismisses this case.³

I. Findings of Fact

Debtor is a regional acute-care hospital established in 2019. Debtor’s Chapter 11 petition was filed December 7, 2025, in advance of an impending eviction scheduled for December 10, 2025. In the six weeks since the filing of Debtor’s petition, the Court granted the Debtor’s landlord’s motion for an order confirming the absence or inapplicability of the automatic stay or in the alternative, motion for relief from the automatic stay to complete eviction and denied Debtor’s motion to reimpose the automatic stay,⁴ and also denied Debtor’s amended motion to use cash collateral.⁵ The Court incorporates in this decision the Findings of Fact and Conclusions of Law from both those Orders.

At the time its petition was filed, Debtor stopped admitting acute care patients and began operating only its outpatient services. On January 7, 2026, after the Court granted the landlord’s motion, Debtor closed its facility. Debtor is in the process of vacating the premises and expects to complete its surrender of the facility on January 21, 2026. The Court denied Debtor’s requested use of the remaining cash collateral and Debtor has no funds to operate or assist in the wind down of its operations. Debtor acknowledges it will have no way of paying the accumulation of

³ Debtor appears by David Prella Eron of Prella Eron & Bailey, PA. As noted, no party appears in opposition to Debtor’s request for dismissal.

⁴ Doc. 142.

⁵ Doc. 149.

administrative expenses being incurred in the case, given the lack of ongoing operations. All Debtor's assets are fully encumbered and there is no property to be administered within the bankruptcy case. The only motions or applications pending in the estate are motions seeking relief from stay or applications to employ professionals filed prior to the Court's Orders on the automatic stay and cash collateral.

II. Conclusions of Law

A. Standards of Law

A motion to dismiss is a core proceeding under 28 U.S.C. § 157(b)(2)(A) (“matters concerning the administration of the estate”), over which this Court may exercise subject matter jurisdiction.⁶ Venue is proper in this District.⁷

Dismissal of a Chapter 11 case is governed by § 1112. Under § 1112(b)(1):

[O]n request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause unless the court determines that the appointment under section 1104(a) of a trustee or an examiner is in the best interests of creditors and the estate.

Although “cause” is not defined in the Bankruptcy Code, § 1112(b)(4) provides examples of cause, including “substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation.”⁸

⁶ 28 U.S.C. §§ 1334(b), 157(a), (b)(1) and (b)(2)(G), and Amended Order of Reference, D. Kan. S.O. 13-1.

⁷ 28 U.S.C. § 1409(a).

⁸ 11 U.S.C. § 1112(b)(4)(A).

Section 1112(b) envisions a two-step analysis.⁹ “Whether cause exists is a threshold issue.”¹⁰ Then if cause is shown, “the court *must* dismiss or convert the case except as set out in § 1112(b)(2).”¹¹ Section 1112(b)(2) states:

The court may not convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter if the court finds and specifically identifies unusual circumstances establishing that converting or dismissing the case is not in the best interests of creditors and the estate, and the debtor or any other party in interest establishes that--

- (A) there is a reasonable likelihood that a plan will be confirmed within the timeframes established in sections 1121(e) and 1129(e) of this title, or if such sections do not apply, within a reasonable period of time; and
- (B) the grounds for converting or dismissing the case include an act or omission of the debtor other than under paragraph (4)(A)--
 - (i) for which there exists a reasonable justification for the act or omission; and
 - (ii) that will be cured within a reasonable period of time fixed by the court.

The exception in § 1112(b)(2) allows the Court to deny a motion to dismiss or convert if a respondent specifically identifies unusual circumstances establishing that converting or dismissing the case is not in the best interests of creditors and the estate and establishes (1) there is a reasonable likelihood that a plan will be confirmed within the timeframes established in §§ 1121(e) and 1129(e) or a reasonable time and (2) the grounds for converting or dismissing the case is for a

⁹ Even when a request for dismissal is made by the debtor, a court must still go through the § 1112(b) two-step process. *See, e.g., In re Destileria Nacional, Inc.*, No. 20-01247 (ESL), 2021 WL 2549686, at *7-8 (Bankr. D. P.R. June 21, 2021); *In re Mech. Maint., Inc.*, 128 B.R. 382, 386-87 (E.D. Penn. 1991).

¹⁰ *In re Robinson*, 628 B.R. 168, 174-75 (Bankr. D. Kan. 2021).

¹¹ *In re L&T Machining, Inc.*, No. 11-11045, 2013 WL 3368984, at *3 (Bankr. D. Kan. July 3, 2013).

reason other than continuing loss or diminution to the estate without a reasonable likelihood of rehabilitation, and (3) there exists a reasonable justification for the act or omission and the act or omission will be cured within a reasonable period of time fixed by the court.¹²

The movant seeking dismissal bears the burden of proving by a preponderance of the evidence that cause exists for dismissal.¹³ Once the movant shows cause exists to dismiss or convert the case, the burden of establishing the requirements under § 1112(b)(2) rests on the respondent.¹⁴ Decisions under § 1112(b)(2) are discretionary.¹⁵

Finally, the Court must consider whether conversion or dismissal is in the best interests of creditors and the estate. Courts consider multiple factors to make the determination:

(1) whether some creditors received preferential payments, whether equality of distribution would be better served by conversion rather than dismissal; (2) whether there would be a loss of rights granted in the case if it were dismissed rather than converted; (3) whether the debtor would simply file a further case upon dismissal; (4) the ability of the trustee in a chapter 7 case to reach assets for the benefit of creditors; (5) in assessing the interest of the estate, whether conversion or dismissal of the estate would maximize the estate's value as an economic enterprise; (6) whether any remaining issues would be better resolved outside the bankruptcy forum; (7) whether the estate consists of a "single asset;" (8) whether the debtor had engaged in misconduct and whether creditors are in need of a chapter 7 case to protect their interests; (9) whether a plan has been confirmed and whether any property remains in the estate to be administered; and (10) whether the appointment of a trustee is

¹² § 1112(b)(2)(A)-(B)(i)(ii).

¹³ *In re Robinson*, 628 B.R. at 174.

¹⁴ *In re R&S St. Rose Lenders, LLC*, 2016 Bankr. LEXIS 2508, at *17 (Bankr. D. Nev. 2016).

¹⁵ *In re Robinson*, 628 B.R. at 174; *In re L&T Machining, Inc.*, 2013 WL 3368984, at *3-4.

desirable to supervise the estate and address possible environmental and safety concerns.¹⁶

“Crucial to determining what is in the creditors’ best interests is whether conversion would serve any purpose—in other words, are there any assets for the chapter 7 trustee to administer?”¹⁷ Another important factor is any “preferences expressed by creditors for either dismissal or conversion as [the creditors] are the best judge of their own best interests.”¹⁸

B. Cause is Shown under § 1112(b)(1); No Unusual Circumstances under § 1112(b)(2); Dismissal is in the Best Interests of Creditors and the Estate

Debtor, as movant, has carried its burden to show cause exists under § 1112(b)(1). Cause is readily ascertainable. Debtor is no longer able to operate in its healthcare facility, has no access to cash collateral, and has ceased operations. Debtor has no ability to pay any administrative expenses. In the Order denying use of cash collateral the Court concluded continued operations by Debtor would further dwindle estate assets with no ability to generate new revenue.¹⁹ The Court also concluded there is no reasonable likelihood of rehabilitation.²⁰ Both conclusions satisfy the “cause” stated in § 1112(b)(4)(A): “substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation.” Cause is therefore established under § 1112(b)(1).

¹⁶ *In re Gollaher*, Nos. UT-11-019, 10-30065, 2011 WL 6176074, at *3 (B.A.P. 10th Cir. 2011) (internal quotation omitted).

¹⁷ *In re L & T Machining, Inc.*, 2013 WL 3368984, at *1.

¹⁸ *In re Gollaher*, 2011 WL 6176074, at *4.

¹⁹ Doc. 149 p. 17.

²⁰ *Id.* p. 17-18.

The Court also concludes there are no “unusual circumstances” indicating dismissal is not in the best interests of creditors and the estate. Again, there is no “reasonable likelihood that a plan will be confirmed” as required by § 1112(b)(2)(A). In addition, § 1112(b)(2)(B) does not apply because the basis for cause here is substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation, which is excluded from § 1112(b)(2)(B).²¹ No party has presented any unusual circumstances under which the Court should exercise its discretion under § 1112(b)(2).

Finally, the Court concludes dismissal rather than conversion is in the best interests of creditors and the estate. First, as noted above, no party filed a response in opposition to Debtor’s request for dismissal. The U.S. Trustee and Debtor’s largest secured creditor, Equity Bank, voiced support for dismissal at the hearing. There is no evidence that conversion would be more appropriate for the pursual of preferential payments, the protection of rights, or the pursuit of assets. Debtor has no encumbered assets for a Chapter 7 trustee to pursue or manage. Conversion would not maximize any estate value, and the Court has not been made aware of any environmental or safety concerns that would arise upon dismissal. There is no alleged misconduct at issue and no issues to be resolved within the bankruptcy case. The Court concludes the best interests of creditors and the estate is to grant Debtor’s motion and dismiss the case.

²¹ Section 1112(b)(2)(B) is not applicable when “the grounds for converting or dismissal” are “under paragraph (4)(A),” which is “substantial or continuing loss to or diminution of the estate and the absence of a reasonable likelihood of rehabilitation.”

III. Conclusion

The Court concludes “cause” exists to grant Debtor’s motion,²² no “unusual circumstances” exist under § 1112(b)(2), and dismissal is “in the best interests of creditors and the estate” under § 1112(b)(1). The Court grants Debtor’s motion and dismisses this case.

The Court retains jurisdiction to consider any final fee applications and determine quarterly statutory fee payments to the U.S. Trustee.

It is so Ordered.

#

²² Doc. 134.