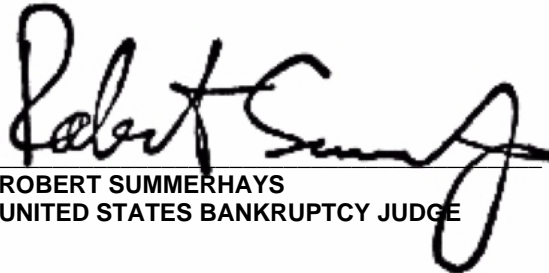




**SO ORDERED.**

**SIGNED July 5, 2016.**

  
ROBERT SUMMERHAYS  
UNITED STATES BANKRUPTCY JUDGE

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**UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF LOUISIANA  
Lafayette Division**

**IN RE:**

**CASE NO. 16-50740**

**PROGRESSIVE ACUTE CARE, LLC, et al.**

**CHAPTER 11**

**DEBTORS**

**JOINTLY ADMINISTERED**

**SECOND CONSENT ORDER AUTHORIZING THE INTERIM  
USE OF CASH COLLATERAL AND GRANTING RELATED RELIEF**

Upon the *Emergency Motion for Order Authorizing the Debtors to Use Cash Collateral and Scheduling a Final Hearing* (the “Motion”) [P-16] filed by Progressive Acute Care, LLC (“PAC”), Progressive Acute Care Avoyelles, LLC (“PAC Avoyelles”), Progressive Acute Care Oakdale, LLC (“PAC Oakdale”) and Progressive Acute Care Winn, LLC (“PAC Winn”) as debtors and debtors-in-possession (collectively, the “Debtors”), pursuant to section 363 of title 11 of the United States Code (the “Bankruptcy Code”);

The Motion came before the Court upon the Debtors’ request to use any cash or cash proceeds (collectively, and otherwise defined in Section 363(a) of the Bankruptcy Code, the

“Cash Collateral”) which are subject to the liens and security interests (collectively, the “Liens”) of Business First Bank (“Business First”) pursuant to, among other things, a Business Loan Agreement between Business First and the Debtors dated April 30, 2013, as amended (together with all security agreements, promissory notes, deeds of trust, instruments, certificates, and other documents related thereto, and all amendments to any of the foregoing, the “Loan Documents”);

This Court having reviewed the Motion and all matters brought to its attention at the preliminary hearing held on June 2, 2016 and again at the hearing held on June 28, 2016, pursuant to Bankruptcy Rule 4001; and, it appearing that the relief requested in the Motion to the extent granted by this Second Interim Order, is in the best interest of the Debtors, their estates and creditors, and that Business First has consented to entry of this Second Interim Order; and after due deliberation and consideration;

IT IS HEREBY ORDERED THAT:

1. The Motion is granted on an interim basis *nunc pro tunc* as of May 31, 2016 (“the Petition Date”) on the terms set forth in this order (“Second Interim Order”). Any objections to the Motion and/or entry of this Second Interim Order that have not been previously withdrawn or resolved are hereby overruled. Subject to the terms set forth below, this Second Interim Order is valid and binding on all parties in interest and shall be immediately and fully effective upon its entry.

2. Use of Cash Collateral. The Debtors are authorized, pursuant to section 363(c)(2)(A) of the Bankruptcy Code to use Cash Collateral in accordance with the updated budget attached hereto as Exhibit A (“Budget”), for a period from the Petition Date through and including the earliest to occur of (the “Termination Date”): (a) the payment in full or refinance of all of the Debtors’ obligations under the Loan Documents in their entirety, (b) the occurrence

of a “Termination Event” (as hereinafter defined), or (c) August 8, 2016.

3. Notwithstanding anything contained herein, Business First shall have no obligation, pursuant to this Second Interim Order or otherwise, to allow the Debtors to use any Cash Collateral following the Termination Date. The Debtors reserve the right to seek Court approval of the continued use of Cash Collateral after the Termination Date.

4. Reporting of the Debtors. The Debtors shall provide Business First and the Official Committee of Unsecured Creditors (the “Committee”) with a report detailing the expenditures made and the use of the Cash Collateral pursuant to this Second Interim Order (or any extension thereof) by June 29, 2016, and by the fourth Wednesday of each month thereafter. Without limiting the foregoing, the Debtors shall continue to produce all financial statements, reports, and other documents required under the Loan Documents in the manner and the timeframes specified in those documents. Upon reasonable written notice to the Debtors, Business First (and/or its agents) shall have the right to examine and audit the Debtors’ books and records.

5. Adequate Protection Lien. In addition to all existing security interests and liens granted to or for the benefit of Business First in and upon the Debtors’ pre-petition property, as adequate protection for (a) the use of the Cash Collateral pursuant to the terms of this Second Interim Order, any final order approving use of cash collateral or any subsequent order or pursuant to Section 363(c) of the Bankruptcy Code, or (b) the imposition of the automatic stay pursuant to Section 362(a) of the Bankruptcy Code, and without the necessity of any further act or documentation, Business First has been and continues to be granted, pursuant to Section 361(2) of the Bankruptcy Code, perfected liens and security interests on the Debtors’ post-petition properties of the kind and nature that Business First holds in the Debtors’ pre-petition

property (the “Replacement Collateral”), to the extent Business First does not already have the same, in the same priority as Business First held in the Debtors’ pre-petition property. The replacement liens and securities granted to Business First by the prior Interim Order [Doc. 89] (the “Interim Order”) and continued by this Second Interim Order (i) shall attach and become valid, enforceable and fully perfected without any action by the Debtors or Business First, and no filing or recordation or other act that otherwise may be required under federal or state law in any jurisdiction shall be necessary to create or perfect such liens and security interests, and (ii) shall be, and shall at all times remain, senior in rank and priority to any and all other liens on the Replacement Collateral other than valid, perfected and enforceable liens existing on the Petition Date, if any, which are senior to the Liens on such property in favor of Business First. If Business First hereafter requests the Debtors to execute and deliver to Business First financing statements, security agreements or other instruments or documents considered by Business First to be necessary or desirable to further evidence the perfection of the liens and security interests granted herein, the Debtors are authorized and directed to execute and deliver such documents.

6. Adequate Protection Payments. As further adequate protection, and pursuant to Section 361(1) of the Bankruptcy Code, the Debtors shall pay to Business First, on or before June 15, 2016, and monthly thereafter on or before the 5<sup>th</sup> day of each successive month, accrued unpaid interest at the contractual non-default rate as set forth in the Loan Documents on the revolving line of credit with Business First evidenced by, among other things, that certain promissory note in the original principal amount of \$3,000,000.00 dated May 5, 2015, as amended (“LOC Note”); in addition, on or before June 15, 2016, the Debtors shall pay Business First one monthly contractual installment of \$82,010.00 on that certain promissory note executed on April 30, 2013, in the original principal sum of \$20,700,000.00, with an original maturity date

of May 5, 2018, as amended (“Term Note”), identified as Loan No. 3700105, and additional contractual monthly installments on said Term Note in the same amount on or before September 5, 2016, and on the 5th day of each successive month thereafter.<sup>1</sup>

7. Termination Events. The occurrence of any of the following shall constitute a “Termination Event” under this Order except to the extent Business First waives in writing its rights and remedies in respect of such Termination Event: (a) the Debtors fail to timely comply with any terms, covenants, provisions, or agreements contained in this Interim Order; (b) the Debtors fail to comply with any terms, covenants, provisions, or agreements contained in the Loan Documents pertaining to insurance coverage on the property and collateral securing the LOC Note and/or the Term Note and the payment of taxes and assessments imposed upon the Debtors or their properties, income or profits that, if unpaid, might become a lien or charge upon the property and collateral securing the LOC Note and/or the Term Note; (c) the entry of an order dismissing any of the Debtors’ Chapter 11 cases; (d) the entry of an order converting any of the Debtors’ Chapter 11 cases to one under Chapter 7; (e) the entry of an order appointing a Chapter 11 trustee, chief responsible officer, or examiner with powers over the operation and business of any Debtor (beyond those set forth in Sections 1106(a)(3) and (4) of the Bankruptcy Code); (f) the Debtors’ assertion that any of the terms and conditions of this Second Interim Order are not valid and binding; (g) if, on an aggregate cumulative basis, cash disbursements exceed the cash disbursements projected in the Budget, provided, however, that there shall be an allowed 15% variance to the aggregate cumulative amount of cash disbursements scheduled to be made pursuant to the Budget; or (h) if this Court has not entered a final order (or a third extended Interim Order) with respect to the Motion on or before August 8, 2016.

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<sup>1</sup> The Debtors and Business First acknowledge that the adequate protection payments required to be made by the Interim Order through June 28, 2016, have been timely paid to Business First by the Debtors.

8      Reservation of Rights. Notwithstanding anything in this Second Interim Order to the contrary, all legal and equitable rights, if any, of the Debtors, their estates, the Committee and Business First are preserved and deemed not waived, including but not limited to:

- (a)      The Debtors' rights to seek a surcharge under 11 U.S.C. § 506(c);
- (b)      The right of Business First to object to any future requests for authorization to use cash collateral, to seek relief from the automatic stay of 11 U.S.C. §362 or to file any other motion for relief under the Bankruptcy Code;
- (c)      The right of Business First to resist and defend against any attempts to seek a surcharge under 11 U.S.C. § 506(c) or to assert rights of setoff, compensation and/or recoupment under 11 U.S.C. § 553 or otherwise;
- (d)      The Debtors' rights to assert that the proceeds of all accounts receivable and on hand and in bank accounts do not constitute "cash collateral" as defined in Section 363, and that Business First is not entitled to adequate protection for the use thereof;
- (e)      The Debtors' rights under Sections 510, 544, 545, 547, 548, 549, 550, 551, and 552 of the Bankruptcy Code to avoid and/or prime any lien of Business First on the proceeds of all accounts receivable and the cash from on hand and in bank accounts; and,
- (f)      All rights of Business First with respect to any guarantors or co-obligors of the indebtedness evidenced by the Loan Documents, including, without limitation, the LOC Note and/or the Term Note.

9. Borrowing Base Covenant. In addition to the Termination Events provided above, if the Debtors shall fail to maintain the Borrowing Base Ratio (“Ratio”) for the LOC Note advances as set forth in the Loan Documents, Business First shall have the option of giving the Debtors notice of an occurrence of a default on the Ratio (“Notice”); if the Debtors shall fail to cure such default on the Ratio within seven (7) business days from receipt of such Notice by either (1) generating sufficient Eligible Receivables to meet or exceed the required Ratio or (2) making a principal reduction on the LOC Note to meet the required Ratio, Business First may move the Court for relief from the automatic stay imposed by Section 362 of the Bankruptcy Code and the Debtors agree not to oppose such motion.

10. Carve Out. Upon the occurrence of a Termination Event, to the extent that there are not sufficient, unencumbered assets or cash deposits or reserves in the Debtors’ respective estates to pay such amounts set forth below in this paragraph, all liens on accounts receivable securing the claims of Business First based on the LOC Note, including the replacement liens and security interests granted in Paragraph 5 herein shall be subject and subordinate to payment of the following: (i) all fees required to be paid to the Clerk of the Court and to the U.S. Trustee under 28 U.S.C §1930(a) plus interest pursuant to 31 U.S.C. §3717; (ii) all reasonable fees and expenses incurred by a patient care ombudsman, if required and if appointed under section 333 of the Bankruptcy Code in an aggregate amount not to exceed \$10,000; and (iii) to the extent allowed by the Bankruptcy Court at any time, and subject to the Budget, all accrued and unpaid fees, disbursements, costs and expenses of professionals or professional firms retained by the Debtors accrued or incurred at any time before or on the date and time of the delivery by Business First of a notice of a Termination Event (“Notice of Event of Default”), whether allowed by the Court prior to or after delivery of a Notice of Event of

Default; plus fees, costs and expenses incurred by the aforementioned professionals after the date of the Notice of Event of Default in an amount not to exceed \$75,000 in the aggregate; provided, however, that nothing in this Order shall be construed to impair the right of any party to object to any fees, expenses, reimbursement or compensation sought by any such professionals or any other person or entity.

11. Final Hearing. The final hearing to consider approval of the Motion previously scheduled to be held on June 28, 2016 was converted by agreement of the parties to a second hearing on interim relief. The final hearing now will be held before this Court on August 4, 2016, at 10:00 a.m. CDT (the "Final Hearing"). Pursuant to Bankruptcy Rule 4001(b)(3), proposed counsel to the Debtors shall provide notice of the Final Hearing and a copy of this Interim Order to (a) the United States Trustee, (b) counsel for Business First, (c) the members of the official Unsecured Creditors' Committee and counsel for same; (d) those parties in interest that have requested notice pursuant to Bankruptcy Rule 2002(g); and (e) parties claiming a lien or security interest in the Debtors' property. Any objections to the relief sought at the Final Hearing shall be in writing, state the basis therefor, and be filed and served on counsel for the Debtors and counsel for Business First no later than July 28, 2016. Notwithstanding anything herein to the contrary, nothing herein shall be deemed to waive or limit any rights, claims or defenses that may be asserted by the Committee in connection with the Final Hearing, all of which are expressly reserved and preserved.

####



Respectfully submitted by:

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*Counsel for Business First Bank*

## Exhibit A

PAC DIP BUDGET - CONSOLIDATED [1]								
Week Ending:	6/24/16	7/1/16	7/8/16	7/15/16	7/22/16	7/29/16	8/5/16	Total
Week #	1	2	3	4	5	6	7	7 Weeks
	Actual + Fost	Budget	Budget	Budget	Budget	Budget	Budget	Budget
<b>Beginning Cash Balance [2]</b>	<b>\$958,866</b>	<b>\$705,026</b>	<b>\$802,182</b>	<b>\$457,893</b>	<b>\$686,497</b>	<b>\$403,402</b>	<b>\$528,343</b>	<b>\$958,866</b>
<b>Cash Receipts</b>								
A/R Receipts [3]								
Avoyelles	160,000	185,000	238,070	238,070	238,070	238,070	218,642	\$1,515,922
Oakdale	195,000	150,000	198,144	198,144	198,144	198,144	167,874	\$1,305,462
Winn	141,269	150,000	183,102	183,102	183,102	183,102	159,743	\$1,183,419
Legacy	13,820	13,820	13,820	13,820	13,820	13,820	13,820	\$96,738
<b>TOTAL A/R Receipts</b>	<b>\$510,089</b>	<b>\$498,820</b>	<b>\$633,136</b>	<b>\$633,136</b>	<b>\$633,136</b>	<b>\$633,136</b>	<b>\$560,078</b>	<b>\$4,101,531</b>
Other Receipts [4]								
DSH Funding	207,054	42,237	42,237	0	52,532	119,599	119,599	\$583,257
2011 DSH / 2013 Cost Rpt Recoupment	(2,612)	(2,308)	(2,308)	(27,296)	(2,308)	(2,308)	(2,308)	(\$41,446)
2014 EHR Recoupment	0	(18,430)	0	0	0	0	(6,775)	(\$25,205)
<b>TOTAL Other Receipts</b>	<b>\$204,442</b>	<b>\$21,499</b>	<b>\$39,929</b>	<b>(\$27,296)</b>	<b>\$50,224</b>	<b>\$117,291</b>	<b>\$110,516</b>	<b>\$516,806</b>
<b>Total - Cash Receipts</b>	<b>\$714,531</b>	<b>\$520,319</b>	<b>\$673,065</b>	<b>\$605,840</b>	<b>\$683,360</b>	<b>\$750,427</b>	<b>\$670,595</b>	<b>\$4,618,136</b>
<b>Operating Cash Disbursements</b>								
Salaries & Wages [5]	(609,984)	0	(582,211)	0	(550,562)	0	(550,562)	(\$2,293,319)
Benefits & Payroll Taxes	(203,533)	(152,071)	(203,533)	(23,152)	(203,533)	(199,878)	(238,575)	(\$1,224,276)
Supplies	(54,627)	(43,450)	(56,850)	(103,150)	(74,462)	(40,733)	(37,950)	(\$411,222)
Prof. Fees (Hospitalists, Pathology, etc.)	(51,269)	(66,693)	(45,755)	(102,750)	(26,750)	(41,750)	(27,005)	(\$361,972)
Contract Services	(9,220)	(6,000)	(46,742)	(65,330)	(82,150)	(6,000)	(6,000)	(\$221,442)
Repairs & Maintenance	(14,635)	(4,000)	(7,000)	(5,800)	(4,000)	(4,000)	(7,500)	(\$46,935)
Rents / Leases	(4,275)	(22,101)	(2,250)	(36,353)	(4,100)	(5,275)	(5,312)	(\$79,867)
Utilities	(102)	(32,500)	(51,875)	(32,700)	(10,898)	(3,000)	(25,850)	(\$166,925)
Insurance (D&O, Malpractice, & Gen Liability)	(15,958)	(89,348)	0	0	0	(89,150)	0	(\$194,456)
Taxes (Sales Tax)	0	0	(2,724)	0	(2,000)	0	(2,724)	(\$7,448)
Contingency	(4,767)	(7,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(\$51,767)
<b>Total - Cash Disbursements</b>	<b>(\$968,370)</b>	<b>(\$423,163)</b>	<b>(\$1,006,940)</b>	<b>(\$377,236)</b>	<b>(\$966,455)</b>	<b>(\$397,786)</b>	<b>(\$909,478)</b>	<b>(\$5,049,428)</b>
<b>OPERATING CASH FLOW</b>	<b>(\$253,839)</b>	<b>\$97,155</b>	<b>(\$333,876)</b>	<b>\$228,604</b>	<b>(\$283,095)</b>	<b>\$352,641</b>	<b>(\$238,883)</b>	<b>(\$431,292)</b>
<b>Business First Bank ("BFB")</b>								
Debt Payment - Interest on LOC	0	0	(10,413)	0	0	0	(10,413)	(\$20,827)
<b>Bankruptcy Expenses</b>								
SVM (BK Counsel)	0	0	0	0	0	(90,000)	0	(\$90,000)
SOLIC (Financial Advisor & Investment Banker) [6]	0	0	0	0	0	(90,000)	0	(\$90,000)
Garden City Group (Claims Agent)	0	0	0	0	0	(36,000)	0	(\$36,000)
Counsel & FA for UCC (TBD)	0	0	0	0	0	0	0	\$0
Ombudsman (TBD)	0	0	0	0	0	0	0	\$0
Quarterly U.S. Trustee Fees	0	0	0	0	0	(11,700)	0	(\$11,700)
<b>Total Bankruptcy Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$227,700)</b>	<b>\$0</b>	<b>(\$227,700)</b>
<b>TOTAL NON-OPERATING DISBURSEMENTS</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$10,413)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$227,700)</b>	<b>(\$10,413)</b>	<b>(\$248,527)</b>
<b>Ending Cash Balance [2]</b>	<b>\$705,026</b>	<b>\$802,182</b>	<b>\$457,893</b>	<b>\$686,497</b>	<b>\$403,402</b>	<b>\$528,343</b>	<b>\$279,047</b>	<b>\$279,047</b>

**Notes:**

[1] DIP Budget includes Avoyelles, Oakdale, Winn, and Legacy; Budget **does not** include Dauterive

[2] Beginning cash balance of as 6/24/16 and ending cash balance as of week ending 8/5/16

[3] AR Receipts for June, July and August are predicated off an average of May and June net revenues

[4] Total Other Receipts primarily relates to net proceeds remaining from cost report/DSH refunds **less** recoupments. DSH funding relates to April and May invoices which are the last two invoices to be paid in the DHH annual cycle. Next cycle to begin in late September early October

[5] Salaries & Wages includes to two cost cutting initiatives to be implemented on June 27th, which will result in savings of approximately \$63k per pay period

[6] The DIP budget **does not** include any success fee due to SOLIC per SOLIC's engagement letter, however, to the extent such fee is earned in accordance with the terms of the engagement letter, then such amount will be deemed part of the DIP Budget

## Notice Recipients

District/Off: 0536-4  
Case: 16-50740

User: mcomeaux  
Form ID: pdf8

Date Created: 7/6/2016  
Total: 35

**Recipients submitted to the BNC (Bankruptcy Noticing Center) without an address:**

tr	DIP
op	Garden City Group, LLC
cr	Jefferson Sprinkler, Inc.
intp	CHRISTUS Health

TOTAL: 4

**Recipients of Notice of Electronic Filing:**

ust	Office of U. S. Trustee	USTPRegion05.SH.ECF@usdoj.gov
aty	Armistead M. Long	along@gordonarata.com
aty	Barbara B. Parsons	bparsons@steffeslaw.com
aty	Bradley L. Drell	bdrell@goldweems.com
aty	Catherine Noel Steffes	nsteffes@steffeslaw.com
aty	Gail Bowen McCulloch	gail.mcculloch@usdoj.gov
aty	George C. Freeman, III	gfreeman@barrassousdin.com
aty	J. Eric Lockridge	eric.lockridge@keanmiller.com
aty	Kimberly L. Humbles	kimberly.humbles@la.gov
aty	Mark P. Seyler	mseyler@barkleythompson.com
aty	Richard J. Reynolds	rreynolds@ahmgt.com
aty	Ronald J. Savoie	ronnie@jlaw.net
aty	Stephen D. Wheelis	steve@wheelis-rozanski.com
aty	Thomas J. Lutkewitte	tlutkewitte@favretlaw.com
aty	William E. Steffes	bsteffes@steffeslaw.com

TOTAL: 15

**Recipients submitted to the BNC (Bankruptcy Noticing Center):**

db	Progressive Acute Care, LLC	Post Office Box 5309	Abita Springs, LA 70420
cr	Global Physicians Network, LLC	504 Texas Street	Suite 200 Shreveport, LA 71101
intp	Southern Textile Services, L.L.C.	c/o Armistead M. Long	Gordon Arata McCollam Duplantis & Egan 400 E. Kaliste Saloom Rd. Suite 4200 Lafayette, LA 70508
cr	Southern Textile Services, L.L.C.	c/o Armistead M. Long, Esq.	Gordon Arata McCollam Duplantis & Egan 400 East Kaliste Saloom Rd. Suite 4200 Lafayette, LA 70508
cr	TCF Equipment Finance, Inc.	Gregory A. Payer	11100 Wayzata Blvd., Suite 801 Minnetonka, MN 55305
cr	NES Louisiana, Inc.	39 Main Street	Tiburon, CA 94920
cr	Pharmacy Service of Winnfield, Incorporated	c/o Stephen Shelton	P.O. Box 1437 Winnfield, LA 71483
cr	Shelton Property West Court Division, LLC	c/o Stephen Shelton	P.O. Box 1437 Winnfield, LA 71483
cr	Doerle Food Services LLC	103 Kol Drive	Broussard, La 70518
cr	CLECO Corporation	Wheelis & Rozanski	P.O. Box 13199 Alexandria, La 71315
cr	Mobile Imaging Services, LLC	Wheelis & Rozanski	P.O. Box 13199 Alexandria, LA 71315
cr	Official Committee of Unsecured Creditors for Progressive Acute Care, LLC		c/o Christopher Lehmann 7000 Cardinal Place Dublin, OH 43017
intp	Louisiana Department of Health & Hospitals	c/o Kimberly Humbles	P. O. Box 3836 Baton Rouge, LA 70821-3836
intp	Trent McMorris, Sr.	Oscar L. Shoenfelt, III	2109 Perkins Road Baton Rouge, LA 70808
aty	Andrew H. Sherman	Sills, Cummis, et al	One Riverfront Plaza Newark, NJ 07102-5400
aty	Boris I. Mankovestskiy	Sillis Cummins & Gross, PC	One Riverfront Plaza Newark, NJ 07102

TOTAL: 16