

**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

RESPONSE TO MOTION FOR DISTRIBUTION OF SALE PROCEEDS

NOW INTO COURT, through undersigned counsel, come Progressive Acute Care, LLC (“PAC”), Progressive Acute Care Avoyelles (“PAC Avoyelles”), LLC, Progressive Acute Care Oakdale, LLC (“PAC Oakdale”) and Progressive Acute Care Winn, LLC (“PAC Winn”) as debtors and debtors-in-possession herein (collectively, the “Debtors”), who in response to the *Motion for Distribution of Sale Proceeds* [P-311] filed by Business First Bank (“Business First”), respectfully represent as follows:

1.

On May 31, 2016, each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the U.S. Code (“Bankruptcy Code”). An Official Committee of Unsecured Creditors (the “Committee”) has been appointed in this case; and, the Debtors continue to operate their businesses as debtors-in-possession, pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

2.

At the commencement of these cases, the Debtors owned and operated three (3) community-based hospitals (“Hospitals”), located in Marksville (PAC Avoyelles), Oakdale (PAC Oakdale) and Winnfield (PAC Winn). PAC is the sole member and manager of each of the three Hospital Debtors.

3.

On July 14, 2016, the Debtors filed a *Motion Under 11 U.S.C. §§ 363(b) and (f) and 365 for: (I) Preliminary Order (i) Approving Bidding Procedures and Stalking Horse Bid and Fee, (ii) Prescribing Notice Requirements, and (iii) Setting Hearing Date, Time and Place for Auction of Debtors' Property; and, for (II) Order Approving Sale of Assets and Assumption and Assignment of Certain Contracts and Leases and Amounts of Cure, if any, Related Thereto* [P-183], as amended on August 25, 2016 [P-282] (“Amended Sale Motion”). After notice and hearing held on August 26, 2016, the Amended Sale Motion was granted pursuant to the final sale order [P-290] (“Final Sale Order”) entered on August 31, 2016, and substantially all assets of the Debtors were sold to certain assignees of Central Louisiana Hospital Group, LLC (“CLHG”). Because of unavoidable delays, \$10,050,000 of the purchase price was paid by CLHG by the tender of a promissory note (“the Wraparound Note”) in the face amount of \$10,050,000, secured by all of the assets sold to it, due and payable on or before October 17, 2016.

4.

On September 26, 2016, Business First filed its Distribution Motion seeking payment from the proceeds due under the Final Sale Order of \$10,314,125.10, plus additional interest at a rate of \$1689.57 per diem, plus additional attorneys’ fees and costs. In support thereof, Business First asserts that it holds a senior over-secured claim; and, is entitled to receive such funds under Bankruptcy Code Sections 363(f) and 506(b).

5.

On October 11, 2016, the Committee filed a complaint against Business First, seeking avoidance of the Business First liens which form the basis of the relief sought through the

Distribution Motion. The Debtors understand that the Committee's pending action may likely cause the Court to defer its ruling pending resolution of the Adversary.

6.

Should the Court proceed forward with hearing the Distribution Motion, the Debtors first acknowledge that payment of the proceeds to Business First would preserve assets of the estate through the elimination of the post-petition interest continuing to accrue on the Business First loans. Notwithstanding such savings to the estate, the Debtors submit that before such payment can be made, it will be necessary to confirm that sufficient estate funds exist to pay all post-petition administrative expenses incurred by the Debtors, including anticipated wind-down expenses. Thus, should the Court determine that Business First possesses valid, senior ranking liens, and sufficient estate funds exist to pay all post-petition administrative expenses (incurred and reasonably anticipated), the Debtors have no objection to payment of the sale proceeds requested by Business First through the *Distribution Motion*.

Respectfully submitted by:

/s/ William E. Steffes

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