

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

IN RE:

PROGRESSIVE ACUTE CARE, LLC, *et al.*

CASE NO. 16-50740

DEBTORS

CHAPTER 11

**EX PARTE APPLICATION FOR AUTHORITY TO EMPLOY
AND RETAIN CERTIFIED PUBLIC ACCOUNTANTS**

NOW INTO COURT, comes 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”), which seek entry of an order authorizing the retention of King, Reinsch, Prosser & Co., L.L.P., (“KRP”), as certified public accountants to the Debtors pursuant to Section 327(a) of title 11 of the United States Code (“Bankruptcy Code”) and Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (“Bankruptcy Rules”). In support of this Application, the Debtors respectfully state as follows:

Jurisdiction

1.

This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. § 157(b). Venue is properly before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

2.

On May 31, 2016 (“Petition Date”), 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.

3.

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.

4.

After notice and hearing held on August 26, 2016, this Court approved the sale of substantially all assets of the Debtors to certain assignees of Central Louisiana Hospital Group, LLC (“CLHG”), effective September 1, 2016 [P-290, 322].

Relief Requested

5.

Pursuant to §327(a) of the Bankruptcy Code, Rules 2014(a) and 2016(b) of the Bankruptcy Rules, the Debtors seek an order from this Court authorizing the retention and employment of KRP as certified public accountants in these chapter 11 cases. In making this application (“Application”), the Debtors rely upon, and incorporate by reference, the Declaration of David D. Schmit (“Schmit Declaration”), a copy of which is annexed hereto as Exhibit A.

Basis for Relief

6.

Section 327(a) of the Bankruptcy Code authorizes a debtor-in-possession to employ one or more professionals to represent the debtor on specified special matters so long as those

professional persons are disinterested and do not hold or represent an interest adverse to the estate with respect to the matters on which they are to be retained. See 11 U.S.C. §§ 327(a), 1106 and 1107. Upon approval of this Application, KRP will serve as certified public accountants to the Debtors in connection with the preparation of the Debtors' consolidated federal and state income tax returns for the year ending December 31, 2016; and, to provide related tax consulting services which may be required in connection therewith *nunc pro tunc* to November 21, 2016.

7.

KRP has previously prepared the Debtors' tax returns and in doing so has become familiar with the Debtors' businesses. Founded over 100 years ago, KRP has extensive experience in multiple areas of accounting; each of its partners having specialized expertise in a specific area of financial and professional services.

8.

As such, the Debtors submit that KRP is well qualified and uniquely able to act as the Debtors' certified public accountants during the pendency of this chapter 11 case in a most efficient and timely manner. Employing KRP will preserve the estates' resources by eliminating the need to reeducate new professionals on the Debtors' businesses.

Services to be Provided

9.

The Debtors seek to retain and employ KRP as professional accountants in this chapter 11 case subject to the oversight and orders of this Court.

10.

The Debtors require knowledgeable certified public accountants to assist them with the preparation of federal and state tax returns. KRP has indicated its willingness to render the necessary professional services as certified public accountants to the Debtors in such matters.

Disinterestedness

11.

KRP is or has been previously been engaged by multiple parties holding equity interests in Progressive Acute Care, LLC. Specifically, the following interest holders have engaged KRP in connection with such party's respective tax matters:

Wayne Thompson – member and officer (individual tax client)

Mike Hurlburt – member and officer (individual tax client)

Ryan Meis – member (individual tax client)

Steve Meyer – member (individual tax client)

Tom Jacobson – member (individual tax client)

Matthew Johnson – member (individual tax client)

Elisabeth Noel Trust – member (individual tax client)

In addition, L&D Investments, another PAC equity interest holder, is owned by David Schmit. Based on the Schmit Declaration, the Debtors are aware of no conflicts of interest presented by the engagements of KRP by both the Debtors and the foregoing interest holders; or, by the existence of a common interest holder of PAC and KRP, *i.e.*, L&D Investments.

12.

To the best of the Debtors' knowledge, information and belief, other than as set forth above, KRP has no connection with the Debtors, the creditors of the Debtors, or any other party-in-interest

in the Debtors' bankruptcy cases, or their respective attorneys or other professionals, or any employee of the Office of the United States Trustee. The Debtors' knowledge, information and belief regarding the matters set forth herein are based, and made in reliance upon, the Schmit Declaration.

Terms of Employment

13.

KRP has agreed to act as certified public accountants to the Debtors in connection with the preparation of the Debtors' consolidated federal and state income tax returns for the year ending December 31, 2016; and, to provide related tax consulting services which may be required in connection therewith. The terms and scope of KRP's proposed representation are set forth in the engagement letter ("Engagement Letter") attached hereto as Exhibit B.

14.

Subject to the Court's approval, and in accordance with section 328(a) of the Bankruptcy Code, KRP intends to seek compensation on an hourly rate basis as follows:

Partners	\$250/hour
Managers	\$200/hour
Staff	\$150/hour

In addition to the hourly rate, KRP shall (a) seek reimbursement of actual and necessary out of pocket expenses, and (b) apply to the Court for payment of compensation and reimbursement of expenses. KRP will maintain and submit with its fee applications detailed time entries for services rendered as well as a categorized summary of all disbursements and expenses for which KRP is seeking reimbursement. This compensation arrangement is consistent with arrangements entered

into by KRP for similar services provided for clients such as the Debtors for representations of the type and complexity described in the Application.

15.

KRP will comply with all of the requirements of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any orders of this Court with respect to fee and expense reimbursement applications of professionals employed by a bankruptcy estate.

No Prior Request

16.

No prior request for the relief sought in this Application has been made to this or any other Court.

WHEREFORE, the Debtors respectfully request that this Court approve the retention and employment of King, Reinsch, Prosser & Co., L.L.P., as certified public accountants in these chapter 11 cases *nunc pro tunc* to November 21, 2016; and, for such other and further relief as may be just and equitable.

Respectfully Submitted:

By: /s/ Barbara B. Parsons
William E. Steffes, #12426
Barbara B. Parsons, #28714
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Counsel for Debtors

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

IN RE:

PROGRESSIVE ACUTE CARE, LLC, et al

CASE NO. 16-50740

DEBTORS

CHAPTER 11

**DECLARATION OF DAVID D. SCHMIT IN SUPPORT OF THE EX PARTE
APPLICATION FOR AUTHORITY TO EMPLOY AND RETAIN
KING, REINCH AND PROSSER AS CERTIFIED PUBLIC ACCOUNTANTS**

Pursuant to section 327(a) of Title 11 of the United States Code, as amended by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the “Bankruptcy Code”), and Rules 2014 and 2016(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), David D. Schmit hereby states as follows:

1. I submit this Declaration in support of the above-referenced Application for Authority to Employ and Retain King, Reinch and Prosser as Certified Public Accountants (the “Application”). I am a certified public accountant in good standing and licensed to practice in the state of Iowa. I am a partner of King, Reinsch, Prosser & Co., L.L.P. (“KRP”), which maintains its offices at 522 4th Street, Suite 200, Sioux City, Iowa.

2. The Debtors propose to retain the certified public accounting firm of KRP to provide professional services as set forth in the Application.

3. KRP is or has been previously been engaged by multiple parties holding equity interests in Progressive Acute Care, LLC. Specifically, the following interest holders have engaged KRP in connection with such party’s respective tax matters:

Wayne Thompson – member and officer (individual tax client)

Mike Hurlburt – member and officer (individual tax client)

Ryan Meis – member (individual tax client)

Steve Meyer – member (individual tax client)

Tom Jacobson – member (individual tax client)

Matthew Johnson – member (individual tax client)

Elisabeth Noel Trust – member (individual tax client)

In addition, L&D Investments, another PAC equity interest holder, is owned by David Schmit. Based on information provided by the Debtors, I am aware of no conflicts of interest presented by the engagements of KRP by both the Debtors and the foregoing interest holders; or, by the existence of a common interest holder of PAC and KRP, *i.e.*, L&D Investments.

4. To the best of my knowledge based on the information provided by the Debtors to KRP, and except as expressly set forth herein, neither I nor any partner, counsel or associate of KRP, nor the company itself, in so far as I have been able to ascertain, have any disqualifying connection with the Debtors, their creditors, or any other party-in-interest in the Debtors' bankruptcy cases, or their respective attorneys or other professionals, or any employee of the Office of the United States Trustee, with respect to the matters in which KRP is proposed to be employed.

5. In accordance with Bankruptcy Code Section 327(a), neither I, nor any partner, counsel or associate of KRP, nor the company itself, represents, will represent, holds or will hold any interest adverse to the Debtors or their Estates with respect to the matters upon which KRP is proposed to be engaged.

6. The Debtors have agreed to compensate KRP as set forth in the Application.

7. This compensation arrangement is consistent with arrangements entered into by KRP for similar services provided for clients such as the Debtors for representations of the type

and complexity described in the Application.

8. Subject to the Court's approval, and in accordance with Section 330(a) of the Bankruptcy Code, KRP intends to (a) be compensated on an hourly basis; (b) seek reimbursement of actual and necessary out of pocket expenses; and, (c) apply to the Court for payment of compensation and reimbursement of expenses. KRP will maintain and submit with its fee applications detailed, daily time entries for each individual entry explaining the services provided, as well as a categorized summary of all disbursements and expenses for which KRP is seeking reimbursement.

9. KRP will comply with all of the requirements of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any orders of this Court with respect to fee and expense reimbursement applications of professionals employed by the bankruptcy estate.

10. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 23rd day of January, 2017.

/s/ David D. Schmit

DAVID D. SCHMIT



November 21, 2016

To the Board of Directors
Progressive Acute Care, LLC
2210 7th Street, Suite B
Mandeville, LA 70471

Ladies and Gentlemen:

We are pleased to submit this letter confirming the income tax services we will provide Progressive Acute Care, LLC, a Louisiana Limited Liability Company, for the year ending December 31, 2016.

Income Tax Services

We will prepare Progressive Acute Care LLC's (1) U.S. Return of Partnership Income Form 1065; and, (2) Louisiana Partnership Return of Income Form IT-565, for the year ending December 31, 2016 from information you provide. We will not audit or verify the data you submit, although we may ask for clarification.

We will be available to answer inquiries on specific tax matters and to assist with income tax planning. As part of the tax consulting services we will provide Progressive Acute Care, LLC, we will assist in clarifying tax objectives, gathering necessary tax data, analyzing your current tax positions and making various projections based on management's assumptions and the potential impact of various alternatives.

The Internal Revenue Code and State Tax Law require taxpayers maintain records supporting income tax returns including receipts and cancelled checks. Progressive Acute Care, LLC has responsibility (1) to maintain income tax records; and, (2) for the accuracy and completeness of information submitted to us for preparation of the above income tax returns.

Progressive Acute Care, LLC's income tax returns are subject to review by tax authorities; however, any item an examining agent resolves against Progressive Acute Care, LLC is subject to certain rights of appeal. We will be available to represent Progressive Acute Care, LLC in an income tax examination which will be a separate engagement.

Management Responsibilities

Progressive Acute Care, LLC is responsible for management decisions and functions, and for designating an individual with skill, knowledge and experience to oversee services we provide. Progressive Acute Care, LLC is responsible for evaluating the adequacy and results of services



performed and accepting responsibility for such services. Progressive Acute Care, LLC is also responsible for establishing and maintaining a system of controls including accounting controls.

Engagement Administration, Fees and Other

We estimate that our fees for the income tax services will not exceed \$24,500. The fee estimate is based on anticipated cooperation from your personnel and that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist; however, we will inform you of errors and/or information that comes to our attention during our engagement that fraud and/or illegal acts may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies and/or weaknesses in Progressive Acute Care, LLC accounting controls and/or control structure as part of this engagement.

Closing

Please sign and return this letter if it is in accordance with your understanding.

Very truly,

KING, REINSCH, PROSSER & CO., L.L.P.

David D. Schmit

Accepted on behalf of:

PROGRESSIVE ACUTE CARE, LLC

By: _____

Title: _____

Date: _____