

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

IN RE:

PROGRESSIVE ACUTE CARE, LLC

CASE NO. 16-50740

DEBTOR

CHAPTER 11

IN RE:

PROGRESSIVE ACUTE CARE AVOYELLES, LLC

CASE NO. 16-80584

DEBTOR

CHAPTER 11

IN RE:

PROGRESSIVE ACUTE CARE OAKDALE, LLC

CASE NO. 16-50742

DEBTOR

CHAPTER 11

IN RE:

PROGRESSIVE ACUTE CARE WINN, LLC

CASE NO. 16-50743

DEBTOR

CHAPTER 11

**EMERGENCY MOTION FOR ORDER UNDER BANKRUPTCY RULE 1015(b)
DIRECTING JOINT ADMINISTRATION OF CHAPTER 11 CASES**

NOW INTO COURT, through undersigned counsel, come 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, “Debtors”), who respectively move this Court for entry of an *ex parte* order under Rule 1015(b) of the Federal Rules of Bankruptcy Procedure granting joint administration of their respective chapter 11 cases (the “Motion”) and, in support thereof, respectively represent:

Jurisdiction

1.

This Court has jurisdiction over this Motion under 28 U.S.C. §1334. This matter is a core proceeding within the meaning of 28 U.S.C. §157. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2.

The statutory predicate for the relief sought herein is Rule 1015(b) of the Federal Rules of Bankruptcy Procedure and section 105(a) of title 11 of the United States Code (as amended, the “Bankruptcy Code”).

3.

Background

On May 31, 2016 (“Petition Date”), PAC filed a petition for voluntary relief under chapter 11 of the Bankruptcy Code. Thereafter, on the same date, PAC Avoyelles, PAC Oakdale and PAC Winn each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. No creditors’ committee has been appointed in any of the Debtors’ cases; and, the Debtors are continuing to operate their businesses and manage their property in the ordinary course as debtors-in-possession, pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

PAC is a South Carolina limited liability company with its principal operations based in the State of Louisiana. It was formed in 2008 for the purpose of owning and operating community-based hospitals in Louisiana. Currently, PAC owns and operates three (3) such hospitals (“PAC Hospitals”), ranging from 50-60 bed capacity, which provide inpatient, outpatient and emergency care, primarily for residents of the immediate regions of the Hospitals. The Hospitals, all purchased by PAC in 2009, are located in Marksville (PAC Avoyelles), Oakdale (PAC Oakdale)

and Winnfield (PAC Winn). PAC is the sole member and manager of PAC Avoyelles, PAC Oakdale and PAC Winn.

In 2013, PAC acquired Dauterive Hospital from Hospital Corporation of America (“HCA”). At the time, Dauterive was a 100-bed facility located in New Iberia, Louisiana. As a result of a difficult transition away from the HCA system, declining payer mix and increased competition due to market consolidation, Dauterive Hospital experienced deteriorating operating performance during 2014 and 2015. The additional capital required to support Dauterive Hospital placed a significant financial burden on PAC and the three original Hospitals.

In 2015, PAC engaged SOLIC Capital Advisors, LLC (“SOLIC”) to explore strategic alternatives to address its strained financial condition. And, in January 2016, PAC completed a sale of Dauterive Hospital to Iberia Medical Center. The transaction was structured as an asset sale in which PAC retained the working capital assets and liabilities of Dauterive Hospital along with its CMS provider number and certain other asset and liabilities. Following that sale, in February 2016, SOLIC began re-solicitation of the remaining three Hospitals. An application to engage SOLIC to continue this process is being filed contemporaneously with this Motion.

The considerable liabilities retained following the sale of Dauterive Hospital, coupled with reductions in subsidies and adverse payer reimbursement changes put severe financial strain on the PAC Debtors. During the same period, retirement of long-tenured physicians at some of these community-based Hospitals also negatively impacted profitability of the PAC Debtors. Based on the foregoing circumstances, the PAC Debtors commenced their respective chapter 11 proceedings.

4.

Relationship of the Debtors' Estates

The PAC Debtors are co-debtors on certain obligations owed to Business First Bank (“Business First”), currently in a principal amount exceeding \$10.5 million (“Bank Indebtedness”). Specifically, the PAC Debtors are indebted to Business First under the terms of a Business Loan Agreement, dated April 30, 2013, as amended, involving a Term Note and Revolving Line of Credit (“Business Loan Agreement”). Such indebtedness is secured by a multiple indebtedness mortgage in favor of Business First affecting the Debtors’ real estate, and a first lien on, *inter alia*, the Debtors’ accounts receivable, inventory, equipment and general intangibles. The Bank Indebtedness was incurred in connection with the acquisitions and subsequent operations of Dauterive Hospital and the other three Hospitals.

Due to the strain on the Debtors’ cash flow discussed above, the Term Note became in default and Business First exercised its right to accelerate the existing May 5, 2018 maturity date. Thereafter, in April 2016, the Debtors and Business First entered into a Forbearance Agreement through which Business First agreed to forbear from exercising its rights to enforce the Business Loan Agreement, including its security interests, for a period of four (4) months in exchange for agreed terms of the Debtors including payment in full of the Note on August 5, 2016.

In addition to the Bank Indebtedness, the PAC Debtors are co-obligors on certain judgments and trade debt arising from Hospital operations.

5.

Joint administration of these cases will reduce costs and expenses and facilitate the development and confirmation of a joint plan of reorganization to maximize payment to creditors of the Debtors.

6.

Relief Requested

By this Motion, the Debtors request entry of an order authorizing joint administration of the Debtors' chapter 11 cases for administrative purposes only.

7.

Basis for Relief

Rule 1015(b) of the Federal Rules of Bankruptcy Procedure provides, in pertinent part: “[i]f . . . two or more petitions are pending in the same court by or against (1) . . . (4) a debtor and an affiliate, the court may order a joint administration of the estate”. Fed. Rules Bankr. Pro. 1015(b).

8.

Each of the Debtors is an affiliate of PAC under 11 U.S.C. §101(2), as PAC Avoyelles, PAC Oakdale and PAC Winn are each a wholly-owned subsidiary of PAC.

9.

The issues that will be addressed in the Debtors' chapter 11 cases will, to some extent, be related and overlapping. Joint administration of these cases will eliminate the need for duplicative notices, motions, applications, hearings, and orders, and will therefore save considerable time and expense for the Debtors, their estates and their investors and creditors.

10.

Joint administration will not give rise to any conflict of interest among or adversely impact the rights of the Debtors' respective estates, as the Debtors will each continue as separate legal entities, maintaining their separate books and records.

11.

Bankruptcy Rule 1015(b) provides that if the Court authorizes joint administration, the Clerk shall designate one of the cases as the lead case for docketing and filing; and thereafter maintain only the lead case docket as the active docket for filings in the consolidated cases. In order to optimally and economically administer these pending chapter 11 cases, the cases should be jointly administered, for procedural purposes only.

12.

The rights of the respective creditors will not be adversely affected by joint administration of these cases because this Motion requests only administrative consolidation of the cases, and the Debtors are not seeking substantive consolidation by this Motion.

13.

Notwithstanding the entry of an order granting the relief requested by this Motion, each creditor shall file a proof of claim against a particular Debtor's estate and the Debtors request that the Clerk of Court maintain a separate claims register for each respective case.

14.

By reason of the foregoing, the interests of the Debtors, their creditors and equity security holders would be best served by joint administration of the above-captioned cases as joint administration of these cases will reduce costs and expenses and facilitate the development and confirmation of a joint plan of reorganization for the benefit of the Debtors' creditors. Accordingly, the Debtors request that the caption of their cases be modified to reflect the joint administration of the chapter 11 cases as follows:

15.
Notice

Notice of this Motion has been given to (i) the Debtors; (ii) the United States Trustee; (iii) counsel for all secured creditors of the Debtors; (iv) the twenty (20) largest unsecured creditors of each of the Debtors; and, (v) all parties who have requested notice pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure. In light of the nature of the relief requested, the Debtors submit that no further notice is required.

WHEREFORE, each of the Debtors respectfully request that this Court enter an Order, substantially in the form submitted herewith, (a) authorizing the joint administration of Progressive Acute Care's chapter 11 case with the chapter 11 cases of Progressive Acute Care Avoyelles, LLC, Progressive Acute Care Oakdale, LLC and Progressive Acute Care Winn, LLC; and, (b) granting such other relief as the Court deems just and proper.

Respectfully submitted,

By: /s/ Barbara B. Parsons
William E. Steffes (La. Bar No. 12426)
Barbara B. Parsons (La. Bar No. 28714)
STEFFES, VINGIELLO & McKENZIE, LLC
13702 Coursey Boulevard Building 3
Baton Rouge, Louisiana 70817
Telephone: (225) 751-1751
Facsimile: (225) 751-1998
E-mail: bparsons@steffeslaw.com
Proposed Counsel for the Debtors