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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

SOUND SHORE MEDICAL CENTER OF
WESTCHESTER, et al.

Chapter 11
Case No. 13-_____ (____)

Debtors.

(Joint Administration Pending)

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**DEBTORS' MOTION FOR ORDER AUTHORIZING CONTINUED
USE OF THE DEBTORS' (I) CASH MANAGEMENT SYSTEM;
(II) BANK ACCOUNTS; AND (III) BUSINESS FORMS**

Sound Shore Medical Center of Westchester ("**SSMC**" or "**Debtor**") and certain of its debtor affiliates, as debtors and debtors-in-possession (each a "**Debtor**" and collectively the "**Debtors**")¹ in the above captioned chapter 11 cases (the "**Chapter 11 Cases**"), by and through their proposed attorneys, Garfunkel Wild, P.C., hereby move (the "**Motion**") for entry of an Order Authorizing Continued Use of the Debtors' Cash Management System, Bank Accounts and Business Forms. In support thereof, the Debtors rely on the Affidavit of John Spicer

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: Sound Shore Health System, Inc. (1398), Sound Shore Medical Center of Westchester (0117), The Mount Vernon Hospital, Inc. (0115), Howe Avenue Nursing Home d/b/a Helen and Michael Schaffer Extended Care Center (0781), NRHMC Services Corporation (9137), The M.V.H. Corporation (1514) and New Rochelle Sound Shore Housing, LLC (0117). There are certain additional affiliates of the Debtors who are not debtors in these Chapter 11 Cases and have not sought relief under Chapter 11.

Pursuant to Local Rule 1007-2 and in Support of First Day Motions, and respectfully represent as follows:

SUMMARY OF RELIEF REQUESTED

1. By this Motion, the Debtors seek entry of an order, pursuant to sections 105(a), 363 AND 364 of title 11, the United States Code (as amended, the “**Bankruptcy Code**”), authorizing continued use: (a) of the existing cash management system, (b) existing bank accounts and (c) business forms.

2. As detailed below, prior to the commencement of this case, the Debtors maintained an integrated and centralized cash management system (the “**Cash Management System**”), consisting of 32 bank accounts, which comprises the Debtors’ practice and procedures relating to the collection of deposits, periodic funding by the Debtors’ accounts receivable lender, payroll and the ordinary course disbursement of funds used in their operations. Given the need to maintain the stability of the Debtors’ continued operations and their prepetition and proposed post-petition financing arrangements which depend heavily on the existing systems, requiring the Debtors to alter their bank accounts and business forms at the outset of these cases would not only be costly and disruptive, but could threaten the very viability of the Debtors’ functions. Absent the relief requested herein, ongoing operations may be compromised and the value of the Debtors’ assets and business may be irreparably undermined.

3. This Motion also seeks to dispense with certain requirements of section 345(b) of the Bankruptcy Code to allow for the continued use of the present Cash Management System.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A). The statutory predicate for the relief sought herein is Bankruptcy Code section 105(a), 363 and 364.

BACKGROUND

5. On the date hereof (the "**Petition Date**"), the Debtors each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Contemporaneously herewith, the Debtors have requested that the Chapter 11 Cases be jointly administered for procedural purposes only.

6. The Debtors remain in possession of their assets and continue to manage their businesses as debtors-in-possession pursuant to Bankruptcy Code sections 1107 and 1108. No trustee, examiner or committee of creditors has yet been appointed in these cases.

THE DEBTORS HISTORY AND BUSINESS

7. A significant portion of the Debtors' core business is focused around SSMC. SSMC is a not-for-profit 242-bed, community-based teaching hospital offering primary, acute, emergency and long-term health care to the working class residents of southern Westchester. Founded in 1892 and located in New Rochelle, New York, SSMC is a teaching affiliate of New York Medical College. SSMC is home to a comprehensive orthopedic program and stroke and

bariatric centers of recognized excellence and boasts the only trauma center in southern Westchester as well as a reputable level 3 perinatal hospital.

8. SSMC's affiliate, Mount Vernon Hospital ("MVH"), is a voluntary, not-for-profit, 176-bed hospital located in Mount Vernon, New York. MVH also operates the Dorothea Hopfer School of Nursing, chartered by New York State since 1901. Since its founding in 1891, MVH has housed a full range of diagnostic and therapeutic medical and surgical services, specialty programs and ambulatory clinics. MVH also offers comprehensive inpatient and outpatient behavioral health programs consisting of psychiatric services designed specifically for individuals whose needs have not been met through traditional approaches

9. Howe Avenue Nursing Home d/b/a Helen and Michael Schaffer Extended Care Center ("SECC") is a 150-bed, comprehensive facility offering short-term rehabilitation/sub-acute care, as well as skilled long-term care. SECC dedicates 100-beds for long-term skilled medical management for individuals with chronic conditions or disabilities who are no longer capable to live independently. The remaining 50-beds are utilized for short-term stays and rehabilitation to accommodate patients recovering from heart surgery, heart attacks, strokes, and orthopedic surgery. (SSMC, MVH and SECC are sometimes collectively referred to as the "Medical Centers")

10. SSMC, MVH and SECC together comprise the Sound Shore Health System, Inc. ("SSHS" or the "System") which was formed in 1997 when the three affiliated healthcare institutions joined together to create one of the largest regional healthcare systems between New

York City and Albany. Today, the System (with their affiliated Debtors) provides a range of specialized services, including orthopedic surgery, behavioral health, pediatrics, OB/GYN, continuing care facilities, a nursing home and community care clinics providing primary care services for the indigent and uninsured. Their affiliation with the New York College of Medicine also enables the Debtors to provide a teaching environment in multiple disciplines to their community and patients.

11. As the largest “safety net” providers for southern Westchester County, the Medical Centers serve a disproportionate share of patients in the Medicaid and uninsured populations. Annually, they are responsible for approximately 13,000 acute discharges, 55,000 emergency department visits and 60,000 indigent care clinic visits.

12. As is true with many community hospitals serving a working class constituency, the Medical Centers have been beset by the financial pressures caused by cuts in Medicare and Medicaid funding, declining indigent pool payments, and a change in demographics. Commencing in 2006 and increasingly each year thereafter, the Debtors experienced a progressive decline in patient volume and discharges and a change in case mix. Operating revenues decreased, leading to significant losses in the years preceding these filings. Cash book balances were frequently negative, and vendor payables increased to over 225 days past due. With a substantial portion of their assets liened, the Debtors had limited ability to obtain sufficient working capital financing. Simultaneously, the System was faced with increased competition from other regional healthcare providers.

13. The Debtors sought to address one component of this liquidity crisis, vendor payables, through a voluntary restructuring and reduction of unsecured indebtedness and in 2008 effectuated a creditor compromise. More than \$20 million of unsecured indebtedness was wiped from the balance sheet and, coupled with cost cutting measures, the Debtor was repositioned to improve financially.

14. Additionally, in order to increase overall efficiency in their operations, in October 2011, MVH and SSMC executed a conversion to a new electronic medical record and billing system. Multiple problems were encountered during the conversion process which still have not been fully remedied. Major delays in billing and cash collections resulting from the conversion led to increased patient account denials and bad-debt write offs. To avoid continued delays and losses, it became necessary to allocate additional resources to resolve the conversion issues, precipitating a further drain on available cash and resources. As a consequence, liquidity again became a pressing issue, this time preventing the Debtors from implementing critical system updates vital to improving its infrastructure and physical plant.

15. Liquidity delays have also extended vendor disbursements. The mounting trade payable liabilities led, in some cases, to the immediate termination of necessary service relationships. In other cases, the Debtors were forced to renegotiate existing terms and payment of outstanding liabilities. Simultaneously, the Debtors were facing a decrease in volume and a shift over the course of the last two years from the provision of inpatient care to increased

ambulatory care at lower reimbursement rates. During this same period of time, provider costs continued to increase.

16. As the Debtors' financial condition continued to deteriorate, the Debtors began to actively search for a viable healthcare partner or other affiliation for the Medical Centers. The Debtors recognized that a merger or affiliation with a strong healthcare partner was critical to their ability to maintain operations and their charitable mission, achieve administrative efficiencies and reduce overhead costs, attract and retain quality physicians, gain increased access to much needed capital, make necessary capital improvements and implement long overdue technological upgrades.

17. A proposed transaction was discussed with several major hospitals and healthcare institutions, including: Montefiore Medical Center ("**MMC**"), Yale-New Haven Health System, North Shore-LIJ Health System, NYU Medical Center and Westchester County Health Care Corporation ("**WCHCC**"). In November, 2012, a memorandum of understanding which contemplated a full asset merger between SSHS and WCHCC was entered into and several months of negotiations followed. However, a transaction at sufficient purchase consideration could not be finalized. As a result, discussions commenced among the Debtors and MMC. At the conclusion of these efforts, the Debtors and MMC entered into an asset purchase agreement (the "**Purchase Agreement**"). As part of their restructuring strategy, the Debtors intend to sell all of their Owned Real Property, Furniture, Fixtures, Inventory, Assigned Contracts and related

operating assets, which collectively comprise the Acquired Assets (all as defined in the Purchase Agreement), to MMC which will thereafter continue operations at the Debtors' current facilities.

18. It is a condition of the Purchase Agreement that the Sale Transaction be consummated pursuant to the provisions of section 363 of the Bankruptcy Code, and subject to higher and better offers. In furtherance of that effort, the Debtors' respective Boards voted to approve the filing of Chapter 11 petitions for the Debtors.

The Debtors' Bank Accounts and Cash Management System

19. As of the Petition Date, the Cash Management System included various accounts with Bank of America ("**BOA**"), JP Morgan Chase ("**JPMC**"), Hudson Valley Bank ("**HVB**"), PNC Bank ("**PNC**") and Key Bank ("**Key Bank**") and collectively with BOA, JPMC, HVB and PNC, the "**Banks**"). A list of the existing accounts at the Banks is listed on Exhibit B hereto. The Bank Accounts include various lockbox accounts, operating accounts², payroll accounts³ and government and non-government collections account (collectively, the "**Bank Accounts**"), all of which are integrated to form the Debtors' Cash Management System.

20. The Bank Accounts and the Debtors' practices and procedures with respect to the collection of reimbursement payments and other deposits, periodic funding by the Debtors' accounts receivable lender, the payment of disbursements and the making of payroll comprise the Debtor's centralized Cash Management System. The Debtors derive most of their revenue from third party payors, including Medicare and Medicaid reimbursements. Cash inflow is also

² The Debtors Operating Accounts are maintained with BOA, JPMC, HVB and Key Bank.

³ The Debtors payroll accounts are maintained with JPMC and HVB.

generated by commercial insurers as well as private payors. Receivables from SSMC and SECC are deposited daily in the lockbox accounts maintained at JPMC and PNC which are swept by MidCap Financial, LLC ("**MidCap**") (the Debtors' prepetition lender under a revolving credit facility (the "**Prepetition Revolving Loan**")) into its collection account. Each day, MidCap applies a portion of the funds in the collection account to pay its fees, interest and expenses on the Prepetition Revolving Loan, any borrowing base deficiency, required principal payments, and reserves, and funds the Debtors' operating requirements with the remaining funds.⁴ The funds are deposited by MidCap in the operating accounts and payroll accounts to meet ordinary course expense requirements.

21. The Cash Management System utilized by the Debtors is not dissimilar to those commonly employed by other healthcare organizations and is critical to their ongoing operations. Maintenance of the existing Cash Management System will permit the uninterrupted flow of necessary operating funds, minimize operating costs and provide the same efficiencies that existed before the Petition Date. It will also allow the Debtors to trace receipts and disbursements and efficiently manage their liquid assets. Indeed, forcing the Debtors to employ a new cash management system could cause delay, confusion, jeopardize its financing and flow of funds, diminish the prospects for a successful reorganization, disrupt payroll, introduce inefficiency at a time when efficiency is most critical and place a strain on the Debtors' relationships with their customers and vendors. Clearly, these relationships must be maintained if the Debtors are to be given the opportunity to successfully operate in these Chapter 11 Cases.

⁴ A borrowing base is created at a minimum of twice a week to draw advances on the Prepetition Revolving Loan which are deposited into the SSMC and SECC operating accounts

22. Additionally, asking customers to remit payments to new and different accounts will result in a significant slowdown in the Debtors' collection of receipts just at the time when prompt collection is most critical. In addition, the Debtors' Cash Management System is especially delicate in light of the Debtors' reliance upon receivables from both Medicare and Medicaid. Any disruption in the Debtors' ability to collect receivables from the Medicare and Medicaid could take several weeks to correct and would deny the Debtors much needed cash. Thus, requiring the Debtors to establish a new, segregated cash management structure at such an early and critical stage of these cases would be expensive, disruptive and create unnecessary administrative difficulties.

The Debtors' Business Forms

23. In the ordinary course of business, certain of the Debtors utilize hundreds of different business forms that are customary to healthcare providers and, in most instances, are specifically tailored for the Debtors in order to streamline patient-related billing and medical claims systems. These business forms include, but are not limited to, billing, collection and governmental payor request forms, physician and other hospital bills, patient statement and encounter forms, requests for service forms, managed care forms and other HIPAA-related forms (collectively referred to as the "**Business Forms**"). Many of these Business Forms are standardized and preprinted and cannot be replicated or modified by the Debtors. Thus, any requirement on the part of the Debtors to revise forms which cannot be computer generated to immediately comply with debtor-in-possession requirements will result in the incurrence of significant time expenditure and expense for the Debtors' estates.

Restricted Accounts

24. The Debtors also maintain certain accounts with Northern Trust, JPMC, UBS Financial Services, Inc., HVB, Morgan Stanley & Co., LLC and Patriot Bank which contain restricted and endowment funds (the “**Restricted Funds**”). The Restricted Funds cannot be utilized in the Debtors’ daily operations and are limited to the use specified for such funds pursuant to the applicable grant, bequest or endowment.

RELIEF REQUESTED

25. Pursuant to sections 105(a), 345(b), 363(b), 363(c), and 364(a) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, the Debtors seek entry of an order, substantially in the form annexed hereto as Exhibit A, (a) authorizing the continued use of the existing Cash Management Systems; (b) honoring certain prepetition obligations relating to the use of Cash Management Systems; (c) authorizing the continued use and maintenance of the existing Bank Accounts; (d) authorizing the continued use of existing Business Forms; (e) waiving the investment and deposit requirements of section 345(b) of the Bankruptcy Code; and (f) scheduling a final hearing on the Motion.

26. The Office of the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”) has established certain operating and administrative guidelines, entitled the “Operating Guidelines and Financial Reporting Requirements Required in All Cases Under Chapter 11” (the “**Guidelines**”) for debtors in possession. Under the Guidelines, upon the commencement of a bankruptcy case, chapter 11 debtors are required to close all existing bank accounts, open new bank accounts and designate such accounts as “Debtors in Possession” on

the respective account signature cards. These requirements are designed to provide a clear line of demarcation between prepetition and postpetition transactions and operations and prevent the inadvertent postpetition payment of prepetition claims.

27. For the reasons outlined above, strict compliance with the Guidelines in these cases is not necessary under the circumstances of these cases and may disrupt and impede the Debtors' ongoing operations. If the relief is granted, the Debtors will maintain records of all postpetition intercompany transfers so that all such transactions can be readily ascertained.

Continuation of the Cash Management System is in the Best Interests of the Debtors' Estates and all Parties in Interest

28. The Debtors believe that the continuation of the Cash Management Systems with their structure of lockboxes, concentration, and disbursement accounts is essential to maintaining the stability of the Debtors' financial structure during the course of these Chapter 11 Cases. By preserving service continuity and avoiding the operational and administrative paralysis that would accompany the closing of all accounts and the reestablishment of new ones, the relief requested herein is in the best interests of the Debtors' estates and all parties in interest.

29. The Debtors have used their Cash Management System for several years, and the Cash Management System has thus evolved over time into a mainstay of the Debtors' ordinary, usual and essential business practices. As a result, any disruption could have a severe adverse impact on the Debtors' operations, on patient care and on the prospects for a successful reorganization.

30. This Court has authority to grant the relief requested herein pursuant to sections 105(a) and 363(c) of the Bankruptcy Code. Section 105(a) provides, in pertinent part, that “[t]he court may issue an order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a). Moreover, section 363(c)(1) of the Bankruptcy Code authorizes the trustee to use property of the estate in the ordinary course of business without notice or hearing. The purpose of section 363(c)(1) of the Bankruptcy Code is to provide a debtor in possession with the flexibility to engage in the ordinary transactions required to operate its business without unneeded oversight by its creditors or the court. Med. Malpractice Ins. Ass’n v. Hirsch (In re Lavigne), 114 F.3d 379, 384 (2d Cir. 1997); Chaney v. Official Comm. Of Unsecured Creditors of Crystal Apparel, Inc. (In re Crystal Apparel, Inc.), 207 B.R. 406, 409 (Bankr. S.D.N.Y. 1997). See also Amdura Nat’l Distrib. Co. v. Amdura Corp. (In re Amdura Corp.), 75 F.3d 1447, 1453 (10th Cir. 1996) (included within the purview of section 363(c) is a debtor’s ability to continue the routine transactions necessitated by a debtor’s cash management system).

31. As stated above, the Debtors’ Cash Management System constitutes an ordinary business practice of the Debtors that is vital to the Debtors’ ongoing operations. Accordingly, the Debtors seek authority under section 363(c)(1) of the Bankruptcy Code to continue the collection, concentration and disbursement of cash, including any required intercompany transfers, pursuant to their existing Cash Management Systems.

32. Included within the purview of section 363(c) is a debtor's ability to continue the "routine transactions" necessitated by a debtor's cash management system. Amdura Nat'l Distrib. Co. v. Amdura Corp. (In re Amdura Corp.), 75 F.3d 1447, 1453 (10th Cir. 1996). Accordingly, the Debtors seek authority under section 363(c)(1) of the Bankruptcy Code to continue the collection, concentration, and disbursement of cash, including intercompany transfers, pursuant to their Cash Management Systems described above.

33. To the extent the movement of cash between the Debtors is out of the ordinary course of business, it is permitted by sections 363(b)(1) and 105(a) of the Bankruptcy Code under the circumstances of these cases. Section 363(b)(1) of the Bankruptcy Code provides, in relevant part, that "[t]he trustee, after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate". In addition, Section 364 of the Bankruptcy Code provides a debtor in possession the ability to obtain unsecured credit and incur unsecured debt in the ordinary course of business without notice and hearing. 11 U.S.C. § 364(a); see, e.g., In re Amdura Corp., 75 F.3d at 1453.

Honoring the Payment Service Charges and Related Prepetition Obligations is Appropriate and in the Best Interests of the Debtors, their Estates and All Parties in Interest

34. The Debtors also request that they be permitted to pay any prepetition service charges and related expenses associated with maintenance of the Cash Management System. Payment of the prepetition services charges (the "**Service Charges**") is in the best interests of the Debtors, their estates, and all parties in interest as it will prevent any disruption to the Cash Management System. Because the Banks have rights of offset with respect to the payment of

Service Charges, payment of any prepetition Service Charges to the Banks would not affect unsecured creditors, and the issue of paying any such Service Charges would simply be a matter of timing. Accordingly, by this Motion, the Debtors seek authority, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code to pay, at the Debtors' sole discretion, the prepetition Service Charges, if any.

Maintenance of the Debtors' Existing Bank Accounts is Warranted

35. As part of the Cash Management System, the Debtors maintain numerous Bank Accounts set forth in Exhibit B hereto. The Debtors routinely deposit and withdraw funds from the Bank Accounts by checks, administered wire transfers, and automated clearinghouse transfers. Rigid adherence to the Guidelines would require, as of the Petition Date, the closure of the Debtors' prepetition bank accounts, the opening of new accounts, and the immediate printing of new checks with a "Debtors in Possession" designation on them. The Debtors believe, however, that their transition to Chapter 11 will be smoother, less costly, and more orderly, and disruption and harm to their Cash Management Systems will be minimized, if the Bank Accounts are continued following the commencement of these cases with the same account numbers.

36. Accordingly, the Debtors seek a waiver of the U.S. Trustee requirement that their Bank Accounts be closed and that new postpetition bank accounts be opened. To avoid delays in payments to administrative creditors, to ensure as manageable transition into Chapter 11 as possible with minimal disruption, and to aid in the Debtors' efforts to complete these cases successfully and rapidly, it is important that the Debtors be permitted to continue to maintain their existing Bank Accounts. If necessary, the Debtors should also be permitted to open new

accounts wherever they are needed, regardless of whether such banks are designated depositories in this jurisdiction; provided that if such banks are Non-Authorized Depositories (defined below) the Debtors will first obtain the consent of the U.S. Trustee.

37. To the best of the Debtors' knowledge, the Bank Accounts are in financially stable institutions that are insured by the Federal Deposit Insurance Corporation ("**FDIC**") (up to an applicable limit per Debtor per institution). In addition, the majority of the Bank Accounts are held at "Authorized Depositories" under the Guidelines. Those Bank Accounts which are not maintained with Authorized Depositories ("**Non-Authorized Depositories**"), are nevertheless maintained at stable, highly rated financial institutions. Moreover, the Debtors will use their reasonable best efforts to obtain agreements from such Non-Authorized Depositories that they will handle the Debtors' funds in the same manner as Authorized Depositories pursuant to Uniform Depository Agreements with the United States Trustee for Region 2.

38. Unless otherwise ordered by this Court, no Bank shall honor or pay any check issued on account of a prepetition claim. The Banks may honor any checks issued on account of prepetition claims only where this Court has specifically authorized such checks to be honored.

39. Subject to a prohibition against honoring prepetition checks without specific authorization from this Court, the Debtors hereby request that the Accounts be deemed debtor in possession accounts, and that this Court authorize their maintenance and continued use in the same manner and with the same account numbers, styles, and document forms (including checks) as those employed by the Debtors prior to the Petition Date.

40. Courts in this district have also consistently allowed debtors to use their prepetition checks and other forms without the “debtors in possession” label. See, e.g., In re The Reader’s Digest Ass’n, Case No. 09-23529 (Bankr. S.D.N.Y. Nov. 23, 2009); In re ION Media Networks, Inc., Case No. 09-13125 (Bankr. S.D.N.Y. May 21, 2009); In re Old Carco, LLC (f/k/a Chrysler LLC), Case No. 09-50002 (Bankr. S.D.N.Y. May 20, 2009); In re Chemtura Corp., Case No. 09-11233 (Bankr. S.D.N.Y. Mar. 20, 2009); In re Lyondell Chem. Co., Case No. 09-10023 (Bankr. S.D.N.Y. Mar. 12, 2009); In re Bally Total Fitness of Greater N.Y., Inc., Case No. 08-14818 (Bankr. S.D.N.Y. Dec. 5, 2008); In re Wellman, Inc., Case No. 08-10595 (Bankr. S.D.N.Y. Apr. 21, 2008); In re Dana Corp., Case No. 06-10354 (Bankr. S.D.N.Y. Mar. 29, 2006).

41. As of the Petition Date, the Debtors have instructed all applicable Banks and financial institutions to stop payment on all outstanding checks issued to vendors or other trade creditors on account of prepetition debts or liabilities, with the exception of those checks to employees for wages and or employee benefits, as described more fully in the Motion For Order (I) Authorizing Payment of Prepetition Wages, Employee Benefits and Expense Reimbursement and (II) Authorizing And Directing Banks To Honor Checks With Respect Thereto (“**Wage Authorization Motion**”).

42. As noted in the Wage Authorization Motion, filed contemporaneously herewith, the Debtors request that the Court direct the Debtors’ Banks to continue to honor payroll checks (to the extent sufficient funds are on deposit to honor such checks) without regard to when such

payroll checks were issued. Such relief is necessary to implement, to the extent granted, and shall be subject to, the relief requested by the Debtors in the Wage Authorization Motion. The Debtors intend to provide notice of entry of the order granting this Motion to the Debtors' Banks within one (1) business day of the entry of such an order.

43. Subject to the foregoing prohibition against honoring prepetition checks without specific authorization from this Court or as otherwise requested in the Wage Authorization Motion, the Debtors hereby request that the Accounts be deemed debtor in possession accounts, and that this Court authorize their maintenance and continued use in the same manner and with the same account numbers, styles, and document forms (including checks) as those employed by the Debtors prior to the Petition Date.

44. In other large Chapter 11 cases, bankruptcy courts have recognized that strictly applying the requirement that a debtor in possession must close its bank accounts does not serve the Chapter 11 rehabilitative process and that the continuation of an existing cash management system is consistent with section 363(c) of the Bankruptcy Code. Accordingly, Courts in this District have routinely approved the continuation of a debtor's existing cash management system and waived the requirement to close existing bank accounts and replace them with alternative procedures. See, e.g., In re The Reader's Digest Ass'n, Case No. 09-23529 (Bankr. S.D.N.Y. Nov. 23, 2009); In re FairPoint Commc'ns, Inc., Case No. 09-16335 (Bankr. S.D.N.Y. Nov. 18, 2009); In re Cabrini Med. Ctr., Case No. 09-14398 (Bankr. S.D.N.Y. July 29, 2009); In re Motors Liquidation Co. (f/k/a Gen. Motors Corp.), Case No. 09-50026 (REG) (Bankr. S.D.N.Y.

June 25, 2009); In re Old Carco, LLC (f/k/a Chrysler LLC), Case No. 09-50002 (AJG) (Bankr. S.D.N.Y. May 20, 2009); In re Steve & Barry's Manhattan LLC, No. 08-12579 (ALG) (Bankr. S.D.N.Y. July 29, 2008); In re Dana Corp., Case No. 06-10354 (BRL) (Bank. S.D.N.Y. March 29, 2006); In re Delphi Corp., No. 05-44481 (RDD) (Bankr. S.D.N.Y. Nov. 4, 2005); In re Delta Air Lines, Inc., No. 05-17923 (PCB) (Bankr. S.D.N.Y. Oct. 6, 2005); In re Global Crossing LTD, et al., Case Nos. 02-40187 through 02-40241 (REG) (Bankr. S.D.N.Y. 2002).

Continued Use of Business Forms Is Necessary and Appropriate

45. The Debtors also request permission to use their existing Business Forms and stationery without alteration or change. As noted above, the Debtors use many Business Forms in the ordinary course of their business which are otherwise essential to the care of the Debtors' patients. The Debtors do not print their own business forms and stationery. In addition, many of the governmental forms are standardized and cannot be modified. Thus, substantial time and expense would be required if the Debtors were required to print new business forms and stationery merely to indicate "debtors in possession." Postpetition, the Debtors intend to execute new signature cards with respect to their Bank Accounts.

46. By virtue of the nature and scope of the healthcare industry, the standardized billing forms used therewith, and the numerous payors, vendors, and services providers with whom the Debtors deal, it is imperative that the Debtors be permitted to continue to use their existing Business Forms without alteration or change. The Debtors intend, however, to include the designation "debtors in possession" on any Business Forms which can be computer generated. In order to avoid breaching the requirement of the Guidelines that the Debtors'

postpetition checks and business forms contain the legend "Debtor in Possession" or a so-called "debtor in possession number," the Debtors request that this Court enter an order stating that the Debtors' existing Business Forms do not require such legend. However, as indicated and where practicable, once the Debtors' Business Form stock has been used, any new Business Forms shall include the legend "Debtor in Possession."

47. Parties working with the Debtors undoubtedly will be aware of the Debtors' status as a Chapter 11 debtor in possession and will have received notice of these filings. Changing correspondence and business forms would be unnecessary and burdensome to the estates, as well as expensive and disruptive to the Debtors' postpetition efforts.

48. Ample authority exists to grant the Debtors' request in this regard. See, In re Dana Corp., Case No. 06-10354 (BRL) (S.D.N.Y. 2006); In re Tower Automotive, Inc., et al., Case No. 05-10577 (ALG) (S.D.N.Y. 2005).

WAIVER OF THE INVESTMENT AND DEPOSIT GUIDELINES OF SECTION 345(B)

49. Section 345(a) of the Bankruptcy Code authorizes deposits or investments of money of a bankruptcy estate, such as cash, in a manner that will "yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment." 11 U.S.C. 345(a). For deposits or investments that are not "insured or guaranteed by the United States or by a department, agency or instrumentality of the United States or backed by the full faith and credit of the United States," section 345(b) generally requires the depository institution

to issue a bond in favor of the United States secured by the undertaking of an adequate corporate surety.

50. A court may, however, waive the section 345(b) requirements for cause. A totality of the circumstances analysis is utilized to determine if cause exists. The following factors are considered:

- (a) the sophistication of the debtor's business;
- (b) the size of the debtor's business operations;
- (c) the amount of the investments involved;
- (d) the bank ratings (Moody's and Standard and Poor) of the financial institutions where the debtor in possession funds are held;
- (e) the complexity of the case;
- (f) the safeguards in place within the debtor's own business of insuring the safety of the funds;
- (g) the debtor's ability to reorganize in the face of a failure of one or more of the financial institutions;
- (h) the benefit to the debtor;
- (i) the harm, if any, to the estate; and
- (j) the reasonableness of the debtor's request for relief from section 345(6) requirements in light of the overall circumstances of the case.

In re Serv. Merch. Co., 240 B.R. 894, 896 (Bankr. M.D. Tenn. 1999) (quoting H.R. REP.

103834, 103rd Cong., 2nd Sess. 224 (Oct. 4, 1994); 140 CONG. REC. H10767 (Oct. 4, 1994).

51. The Debtors believe that such cause exists in the instant case. The Medical Centers are a large and sophisticated healthcare service with a complex cash management system

that relies on multiple Bank Accounts at various Banks for their operations on a daily basis. The Medical Centers' Lockbox Accounts are swept to Midcap's Collection Account and do not maintain balances over time. Moreover, the Bank Accounts that do maintain balances, are held at institutions which are Authorized Depositories.

52. The Debtors will use their reasonable best efforts with Banks that are not designated as Authorized Depositories under the Guidelines to execute Uniform Depository Agreements requiring the Banks to comply with the Guidelines within 30 days of the entry of this Interim Order (or such later time as may be agreed to by the U.S. Trustee).

53. The Debtors believe that the Banks they utilize are financially stable, and are otherwise FDIC or FSLIC insured. For this reason, the Debtors believe that the funds held in deposit are safe, and that any risks associated with such accounts are so *de minimis* that it would be a waste of estate resources to incur the cost required to close such accounts and establish entirely new ones. See, e.g., In re Serv. Merch. Co., 240 B.R. at 896 (waiving section 345(b) bonding requirement based on Congressional Record noting that "[w]hile this [bonding] requirement is wise in the case of a smaller debtor with limited funds that cannot afford a risky investment to be lost, it can work to needlessly handcuff larger, more sophisticated debtors.") (citing to HR Rep. 103-834, 103rd Cong., 2nd Sess. 224 (Oct. 4. 1994); 140 Cong. Rec. H10767 (Oct. 4. 1994)).

54. Other courts in this jurisdiction have also allowed debtors in possession to waive such requirements. See, e.g., In re FairPoint Commc'ns, Inc., Case No. 09-16335 (Bankr.

S.D.N.Y. Oct. 27, 2009); In re Motors Liquidation Co. (f/k/a Gen. Motors Corp.), Case No. 09-50026 (Bankr. S.D.N.Y. June 25, 2009); In re ION Media Networks, Inc., Case No. 0913125 (Bankr. S.D.N.Y. May 21, 2009); In re Bally Total Fitness of Greater N.Y., Inc., Case No. 08-14818 (Bankr. S.D.N.Y. Dec. 5, 2008); In re Dana Corp., Case No. 06-10354 (Bankr. S.D.N.Y. Mar. 29, 2006); In re Penn Traffic Co., Case No. 03-22945 (Bankr. S.D.N.Y. Oct. 9, 2003); In re Ames Dep't Stores, Inc., Case No. 01-42217 (Bankr. S.D.N.Y. Aug. 20, 2001). The Debtors submit that their prepetition cash management practices generally conform with the intent of section 345(b) to protect and maximize the value of their estates.

CONCLUSION

55. Consistent with the foregoing authority, the Debtors hereby seek authority to continue utilizing their current integrated Cash Management System and prepetition Bank Accounts, as described above, and a waiver of the U.S. Trustee's requirement that the Bank Accounts be closed and that new postpetition bank accounts be opened. The Debtors' operations require that the Cash Management System remain in place during the pendency of this case. Its daily cash needs and cash management needs are interrelated. Requiring the Debtors to adopt a new, segregated system would be costly and disruptive to the restructuring process. In contrast, a continuation of the existing Cash Management System would help to maintain and preserve the value of the Debtors' businesses. Accordingly, it is in the best interest of the Debtors' estates, all creditors and parties-in-interest that the relief sought herein be granted.

NOTICE

56. As of the filing of this Motion, no trustee, examiner or creditors' committee has been appointed in these Chapter 11 Cases. Notice of this Motion has been given to (i) the United States Trustee for the Southern District of New York, (ii) the Debtors' material prepetition and post-petition secured lender, (iii) each of the Debtors' thirty largest unsecured creditors, (iv) each of the Debtors' five largest secured creditors, and (v) all parties affected by this pleading, including each of the financial institutions where the Debtors maintain a bank account. The Debtors submit that no other notice need be given.

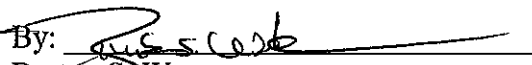
NO PRIOR REQUEST

57. No previous request for the relief sought herein has been made to this or any other Court.

WHEREFORE, the Debtors respectfully request that the Court enter an order substantially in the form annexed hereto as Exhibit A granting the relief requested herein, and such other and further relief as may be just and proper.

Dated: May 28, 2013
Great Neck, New York

GARFUNKEL WILD, P.C.

By: 
Burton S. Weston
Atsheen A. Shah
111 Great Neck Road
Great Neck, New York 11021
Telephone: (516) 393-2200
Facsimile: (516) 466-5964

*Proposed Counsel for Debtors
and Debtors-in-Possession*

Exhibit A

Form of Order

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

----- -x
In re:

Chapter 11

SOUND SHORE MEDICAL CENTER
OF WESTCHESTER, et al.

Case No. 13- _____ ()

Debtors.
----- -x

**INTERIM ORDER AUTHORIZING DEBTOR TO
MAINTAIN AND USE EXISTING (I) CASH MANAGEMENT
SYSTEM, (II) BANK ACCOUNTS AND (III) BUSINESS FORMS**

Upon consideration of the motion (the “**Motion**”)¹ of Sound Shore Medical Center of Westchester (“**SSMC**”) and certain of its Debtor affiliates (each a “**Debtor**” and collectively the “**Debtors**”)², seeking entry of an Order, pursuant to sections 105(a), 345(b) and 363(c) of title 11, the United States Code (as amended, the “**Bankruptcy Code**”), (a) authorizing the Debtors to maintain and use their existing: (i) Cash Management System, (ii) bank accounts and (iii) business forms, (b) honoring certain prepetition obligations relating to the use of the cash management systems; (c) waiving the investment and deposit requirements of section 345(b) of the Bankruptcy Code; and (d) scheduling a final hearing on the Motion, all as described more fully in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and due and

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion.

² The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal tax identification number include: Sound Shore Health System, Inc. (1398), Sound Shore Medical Center of Westchester (0117), The Mount Vernon Hospital, Inc. (0115), Howe Avenue Nursing Home d/b/a Helen and Michael Schaffer Extended Care Center (0781), NRHMC Services Corporation (9137), The M.V.H. Corporation (1514) and New Rochelle Sound Shore Housing, LLC (0117). There are certain additional affiliates of the Debtors who are not debtors in these Chapter 11 Cases and have not sought relief under Chapter 11.

appropriate notice of the Motion having been provided under the circumstances of this case and as set forth in the Motion, and it appearing that no other or further notice of the Motion need be provided; and a hearing on this Motion having been conducted before this Court on _____, 2013 (the "**Hearing**"); and just cause having been established at the Hearing; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and all parties in interest; and upon the Affidavit of John Spicer Pursuant to Rule 1007 and in Support of First Day Motions, dated as of the Petition Date; and all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. Pending a final hearing, the Motion is granted on an interim basis to the extent provided herein.
2. The Debtors are authorized to continue utilizing their prepetition Cash Management Systems, as maintained by the Debtors prior to the commencement of their Chapter 11 Cases, and to manage their cash and transfer funds by and between the Debtors as and when needed and in the amounts necessary or appropriate to maintain their operations and facilitate the orderly operation of their estates or businesses.
3. The requirement that the Debtors establish new bank accounts as of the Petition Date is dispensed with and waived.

4. The Debtors are authorized and empowered to designate, maintain, and continue to use their existing pre-petition Bank Accounts, including, without limitation, those set forth in Exhibit B to the Motion, without interruption and in the ordinary course, and in the names and with the account numbers existing immediately prior to the commencement of their Chapter 11 Cases, and receive, honor, and pay any and all checks, drafts, wires, and automated clearing house transfers issued and drawn on the Bank Accounts to the extent funds are available in the Bank Accounts upon which such checks, drafts, or wire transfers are drawn and, with respect to automated clearing house transfers, only to the extent such transfers are pre-funded; and, provided, however, that no checks, drafts, wires, and automated clearing house transfers issued and drawn on the Bank Accounts prior to the Petition Date shall be honored by the Banks except as otherwise ordered by the Court.

5. The Debtors may continue to disburse funds by debit, check, wire, or automated clearing house payments and other means; provided, however, nothing herein shall direct any Bank that did not provide automatic clearing house services to the Debtors prepetition to provide such services postpetition.

6. The Debtors are authorized to pay any outstanding fees, charges, or other amounts (the “Service Charges”) owed as of the Petition Date, if any, in connection with the Cash Management System for the maintenance of the Cash Management System.

7. The Debtors shall mark all newly ordered checks with a “debtor in possession” designation.

8. Nothing in this Order shall authorize the payment of any prepetition obligations to any third-party, including any indebtedness owed to any lender, by way of setoff or otherwise; provided, however, that the Debtors shall be authorized to pay ordinary course Service Charges incurred in connection with the Bank Accounts.

9. The Debtors are authorized to (i) deposit funds in and withdraw funds from such accounts by all usual means, including, without limitation, checks, wire transfers, and other debits; (ii) pay any ordinary course Service Charges incurred post-petition in connection with the Bank Accounts; and (iii) treat the Bank Accounts for all purposes as debtors in possession accounts.

10. The Debtors are authorized to maintain and continue to use any and all Business Forms substantially in the forms existing immediately prior to the commencement of the Debtors' Chapter 11 Cases, without reference to their status as debtors in possession, provided however, that the Debtors shall mark any newly printed and computer generated forms with a "debtor in possession" designation.

11. The Debtors reserve the right to close some or all of their pre-petition Bank Accounts and open new debtor-in-possession accounts, provided, however, that the Debtors may open a new bank account only with a bank designated as an Authorized Depository under the United States Trustee Guidelines, unless first obtaining the consent of the U.S. Trustee. Notwithstanding the foregoing, the requirements of Section 345 of the Bankruptcy Code shall be waived as to any existing accounts maintained by the Debtors.

12. The Banks where the Debtors maintain the Bank Accounts as of the commencement of their Chapter 11 Cases are authorized and directed to continue to maintain, service, and administer such Bank Accounts; provided, however, that nothing contained herein shall authorize the Bank Accounts to honor any check issued or dated prior to the commencement of the Debtors' Chapter 11 Cases, except as otherwise provided by separate order(s) of this Court.

13. The Banks are authorized to debit the Bank Accounts in the ordinary course of business without the need for further order of this Court on account of: (a) all checks drawn on the Bank Accounts that are cashed at such Banks' counters or exchanged for cashier's checks by the payees thereof prior to the Petition Date; (b) all wires or other transfers to Debtors' secured creditors' accounts whether directed prepetition or postpetition; (c) all checks or other items deposited in one of the Bank Accounts with such Banks prior to the Petition Date that have been dishonored or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent the Debtors were responsible for such items prior to the Petition Date; (d) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Banks as ordinary course fees for the maintenance of the Cash Management Systems; and (e) clear any checks, wires or other transfers from the Bank Accounts authorized by the Debtors pursuant to other first day requests granted by the Court, pursuant to the specific terms set forth in the order of the Court granting such relief; provided however, that the Banks are authorized to accept, honor, and rely upon all representations from the Debtors without an independent duty to verify or audit whether a particular item may be paid in accordance with orders of this Court, as

to which checks, drafts, wires or automated clearing house payments, specifically identified by the Debtors to the Banks, should be honored or dishonored consistent with orders entered by this Court, whether the checks or instructions are dated prior to, on, or subsequent to the Petition Date and shall not be held liable for honoring or dishonoring any check, draft, wire or automated clearing house payment presented, issued, or drawn on the Bank Accounts as a result of following the representations of the Debtors.

14. Nothing contained in this Order shall in any way alter or impair the rights and remedies of any of the non-debtor parties to the account agreements in effect with respect to the Bank Accounts, including, without limitation, any Bank's ability to close any Bank Account pursuant to the terms of such agreements upon at least thirty (30) days' prior written notice to the Debtors of any such proposed closure or the ability immediately to terminate or nullify certain banking services associated with the Bank Accounts.

15. The Banks, acting in reliance on this Order, shall not be liable for their actions taken in reliance upon this Order or in their post petition processing of checks and items received pursuant to the Cash Management Systems, except the Banks may be liable for their gross negligence or malfeasance. The rights of the non-debtor parties to account agreements with respect to the Bank Accounts to assert claims for any unpaid amounts owing under the account agreements, including reasonable attorney fees to the extent provided for in the account services agreement, are expressly reserved.

16. For all purposes in this Order, any and all accounts opened by the Debtors on or after the Petition Date at any Bank shall be deemed a Bank Account (as if it had been opened

prior to the Petition Date and listed on Exhibit B to the Motion) and any and all Banks at which such accounts are opened shall similarly be subject to the rights and obligations of this Order.

17. Any payment or transfer made or service rendered by the Debtors pursuant to this Order is not, and shall not be deemed, an admission as to the validity of the underlying obligation, a waiver of any rights the Debtors may have to dispute such obligation, or an approval or assumption of any agreement, contract, or lease under section 365 of the Bankruptcy Code.

18. Nothing contained in the Motion or this Interim Order shall be deemed or construed as an admission as to the validity or priority of any claim against the Debtors.

19. The requirements set forth in Bankruptcy Rule 6004(a) are satisfied by the contents of the Motion.

20. Notwithstanding the possible applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Final Order shall be immediately effective and enforceable upon its entry.

21. There shall be a hearing held on _____, 2013 at ____ am (the "**Final Hearing**") to consider any objections to the proposed order (a) authorizing the Debtor to maintain and use their existing: (i) cash management system, (ii) bank accounts and (iii) business forms, (b) honoring certain prepetition obligations relating to the use of the cash management systems; and (c) waiving the investment and deposit requirements of section 345(b) of the Bankruptcy Code. All objections shall be filed with the Bankruptcy Court electronically in accordance with General order M-132 (which can be found at www.nysb.uscourts.gov

<<http://www.nysb.uscourts.gov>>, the official website for the Bankruptcy Court), so as to be received no later than three (3) business days prior to the Hearing by (i) The Honorable Robert D. Drain, 300 Quarropas Street, White Plains, NY 10601-4140; (ii) Garfunkel Wild, P. C., 111 Great Neck Road, Great Neck, NY 11021 (Attn: Burton S. Weston, Esq. and Afsheen A. Shah, Esq.) (iii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Susan D. Golden, Esq. and William E. Curtin, Esq.); and (iv) counsel for the Creditors' Committee, once appointed, so as to be actually received by the filing deadline.

22. Service of the Motion as provided therein shall be deemed good and sufficient notice of such Motion.

23. The requirement under Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York for the filing of a memorandum of law is waived.

24. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order.

25. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the implementation of this Order.

Dated: _____, 2013
White Plains, New York

HON. ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE

Exhibit B
List of Bank Accounts

Entity	Bank	Account #	Purpose
Sound Shore Medical Center	Bank of America	9428382661	General Operating Account
Sound Shore Medical Center	JP Morgan Chase	6701702520	General Operating Account
Sound Shore Medical Center	JP Morgan Chase	816900310	Payroll Account
Sound Shore Medical Center	JP Morgan Chase	134773683	Midcap Lockbox - Patient Care Receipts
Sound Shore Medical Center	PNC	8611722228	Midcap Lockbox - Commercial Patient Care Receipts
Sound Shore Medical Center	PNC	8611722236	Midcap Lockbox - Medicare/Medicaid Receipts
Sound Shore Medical Center	JP Morgan Chase	6709080596	Cashiers Office - Credit Card Processing
Sound Shore Medical Center	JP Morgan Chase	6709085512	General Savings Account
Sound Shore Medical Center	JP Morgan Chase	6709009158	Escrow Account
Sound Shore Medical Center	Hudson Valley Bank	1204412126	Collateral - Temporary Restriction
Sound Shore Medical Center	JP Morgan Chase	753658756	Physicians Operating Account
Sound Shore Medical Center	JP Morgan Chase	6700794952	Physicians Operating Account
Sound Shore Medical Center	JP Morgan Chase	6700997284	Physicians Operating Account
Sound Shore Medical Center	JP Morgan Chase	6703818720	Physicians Operating Account
Sound Shore Medical Center	JP Morgan Chase	6709083587	Physicians Operating Account
Sound Shore Medical Center	JP Morgan Chase	4181516396	Benefit of Physicians Groups
Sound Shore Medical Center	JP Morgan Chase	6701129936	Pharmacy - Transition
Sound Shore Foundation	JP Morgan Chase	6700997802	Foundation Operating Account
Sound Shore Foundation	JP Morgan Chase	6709092616	Foundation Operating Account (Antique Store)
NRHMC Services Corp	JP Morgan Chase	6700790914	NRSC Operating Account
The Mount Vernon Hospital	KeyBank	21006807	Operating Account - Old
The Mount Vernon Hospital	KeyBank	21007005	Benefits Account
The Mount Vernon Hospital	JP Morgan Chase	816900831	General Operating Account
The Mount Vernon Hospital	JP Morgan Chase	816900823	Payroll Account
The Mount Vernon Hospital	Hudson Valley Bank	1202095801	Dental Benefits/Risk Management
The Mount Vernon Hospital	Hudson Valley Bank	1201715901	Development Account
The Mount Vernon Hospital	Hudson Valley Bank	1201714001	General Operating Account
Shaffer Extended Care Center	JP Morgan Chase	937382794	Lockbox - Government Payors
Shaffer Extended Care Center	JP Morgan Chase	937382786	General Operating Account
Shaffer Extended Care Center	JP Morgan Chase	4201069327	Midcap Lockbox - Patient Care Receipts
Shaffer Extended Care Center	JP Morgan Chase	3002224891	Money Market Account
Shaffer Extended Care Center	JP Morgan Chase	4201070507	Escrow Account